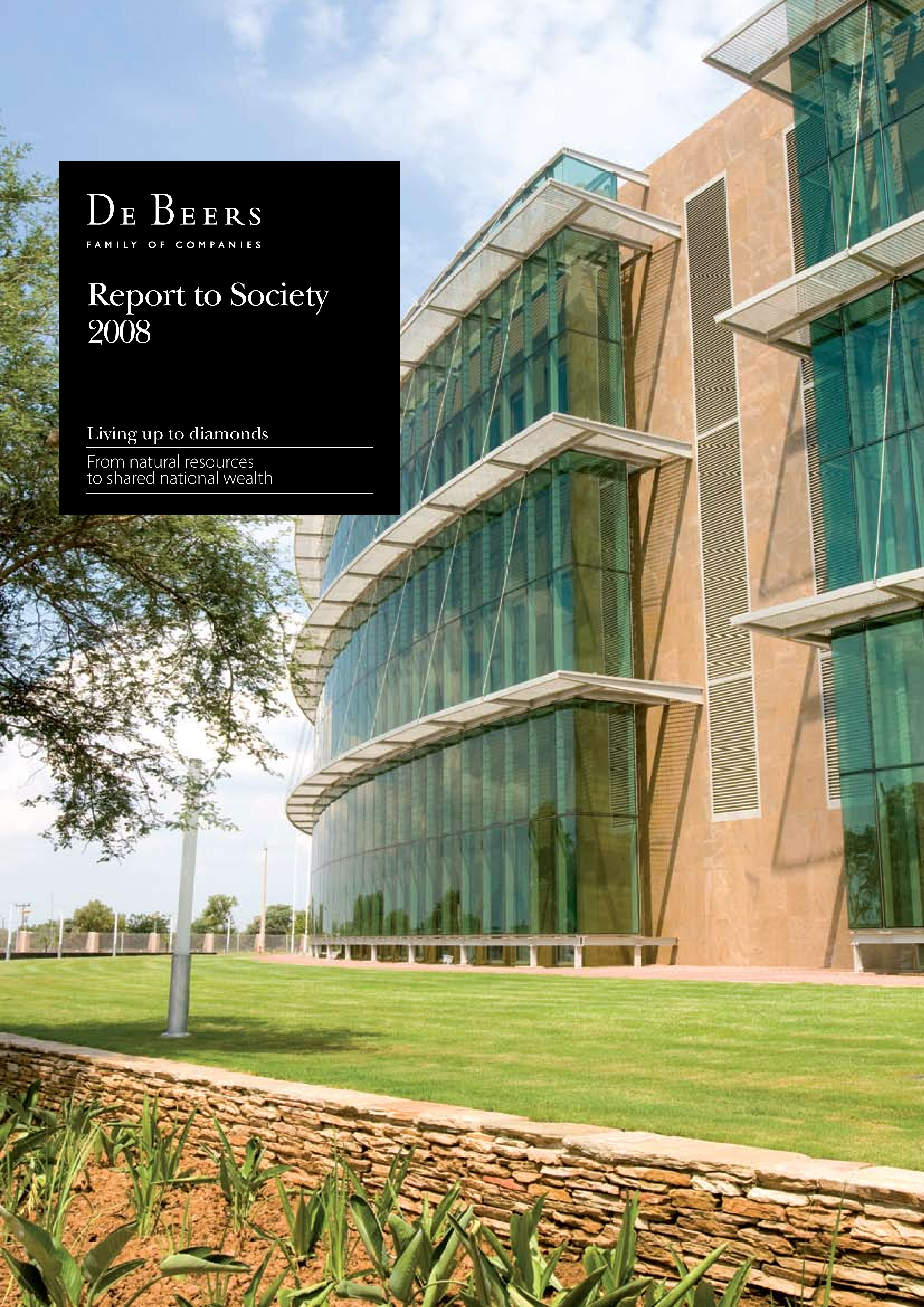


De Beers
FAMILY OF COMPANIES

Report to Society 2008

Living up to diamonds

From natural resources to shared national wealth

Group at a glance

About us

De Beers was established in 1888 and is the world's leading diamond company with unrivalled expertise in the exploration, mining and marketing of diamonds. From its mining operations across Botswana, Namibia, South Africa and Canada, De Beers produces and markets approximately 40% of the world's supply of rough diamonds. For further information about De Beers visit www.debeersgroup.com

Strategy

At De Beers we are committed to *Living up to Diamonds* by making a lasting contribution to the communities in which we live and work. This means driving returns on capital, operating sustainably and working with our partner governments to transform natural resources into shared national wealth.

Front cover image: Diamond Trading Company Botswana (DTCB) offices in Gaborone, Botswana

Coverage

Use of "our" or "we" in this report relates to the Family of Companies. Use of "De Beers" relates to De Beers Société Anonyme and majority owned and managed companies. Further information on De Beers, the Family of Companies and scope of this report is included in our Operating and Financial Review 2008 (p25).

We believe this report together with the Operating and Financial Review 2008 and its supporting online resources represent an A+ application of the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines. It also forms part of our Communication on Progress to the United Nations Global Compact. A summary of our compliance with the GRI and the Ten Principles of the United Nations Global Compact is presented online.

Find out more

www.debeersgroup.com

Contents

What we do

Exploration

Group Exploration is focused on projects in Angola, Botswana, Canada, the Democratic Republic of Congo, India, Namibia and South Africa. In conjunction with respective joint venture partners, these resources under observation are yielding promising results as projects move rapidly from early to advanced stages.

Mining

De Beers mines for diamonds in Botswana, Namibia, Canada and South Africa. In Botswana and Namibia the mines are owned in equal share by De Beers and the governments of those countries through joint ventures Debswana and Namdeb respectively. Our mines in Canada are wholly owned and in South Africa our operations are 26% owned by our Broad Based Black Economic Empowerment partner Ponahalo Holdings.

Sales, marketing and downstream businesses

De Beers, through the Diamond Trading Company (DTC) in London, DTC Botswana, Namibia DTC and the DTC in South Africa, supplies clients known as "Sightholders" with bespoke parcels of rough diamonds. The Diamdel group of companies focuses on sales of rough diamonds to non-Sightholders. Forevermark is a De Beers brand that gives assurances of both quality and integrity. De Beers Diamond Jewellers is an independently managed retail joint venture with Moët Hennessy Louis Vuitton (LVMH). Element Six is an independently managed supplier of synthetic diamond and diamond-like super materials.

Business unit	Kimberlites discovered in 2008
Group exploration	37

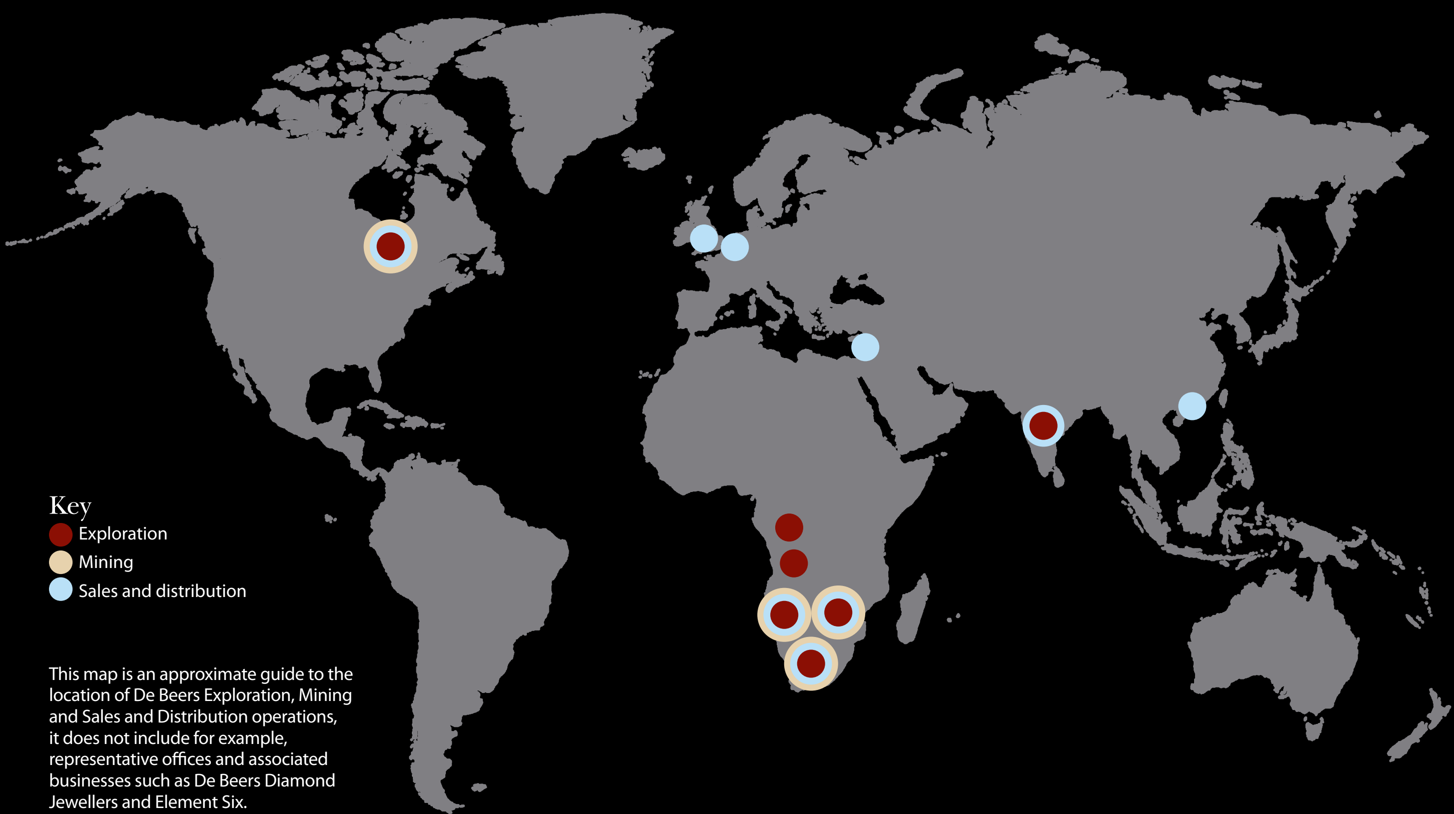
Total kimberlites discovered 37

Operating company	Carats recovered in 2008 000s
Debswana	32,276
Namdeb	2,122
De Beers Consolidated Mines Ltd	11,960
De Beers Canada	1,640
Williamson Diamonds Ltd	134

Total carats recovered 48,132

Operating company	2008 sales US$ millions
DTC	5,930
DTC Botswana	360
Namibia DTC	172
DTC South Africa	574
Diamdel	444

Total sales US$ 6.89 bn



This map is an approximate guide to the location of De Beers Exploration, Mining and Sales and Distribution operations, it does not include for example, representative offices and associated businesses such as De Beers Diamond Jewellers and Element Six.

Introduction from the Chairman

Nicky Oppenheimer
Chairman
De Beers

In our 2007 Report to Society I wrote of how, across the De Beers Family of Companies, our understanding of sustainability is shaped by the societal imperatives of the countries in which we work and the vision of an ever-more prosperous Africa we share with our host and partner Governments. As we reflect on 2008 and plan to meet the numerous challenges of the forthcoming year, these words have lost none of their resonance. Indeed, the continuing fallout of the global financial crisis that emerged in the fourth quarter of 2008 has, if anything, underlined the importance of a holistic sustainability model and reaffirmed the historical value of our partnerships in Africa as a framework for sustainable development.

Our continuing commitment to Africa's sustainable development converges with two clear business imperatives. The first of these relates to maintaining consumer confidence through ensuring that the way we do our business measures up to the integrity of our product. We call this "living up to diamonds" and do this through ensuring that our major suppliers, our contractors and our clients' operations meet a range of standards on issues ranging from labour to environment.

The second relates to ensuring our long-term access to supply and, correspondingly, the sustainability of our mining operations. Diamond mining is a long-term and capital intensive enterprise. With mines requiring significant front-end investment and having a lifespan of up to a century, the stability, security and predictability of the environment in which we operate is a critical factor for success. In these circumstances it makes good business sense to work on the basis of a partnership model that contributes energetically to the growth, sustainability – and hence stability – of local and national communities. In other words we not only seek to secure social licence to operate in our producer countries, but also work to foster social and economic conditions that are conducive to long-term economic and social development and hence business success.

Historically, our partnerships with producer country governments have contributed to local economic growth and development almost exclusively through mining activities. However, with the launch of the Namibia Diamond Trading Company (NDTC) and the Diamond Trading Company Botswana (DTCB) we took a significant step towards maximising the benefits derived from downstream diamond activities in our producer countries. Through the progressive transfer of our sorting and selling operations into our producer countries we anticipate the development of a robust downstream diamond cutting and polishing industry in what were once regarded solely as production centres. In Botswana, for example, it is hoped that this programme of beneficiation will create employment and raise Botswana's manufacturing capacity. While the speed of southward migration of the downstream diamond industry's centre of gravity will doubtless be impeded by the economic crisis, the positive long-term outlook for the diamond industry suggests that the positive impact of beneficiation will be lasting.

The global economic crisis

The unprecedented scale and reach of the 2008 economic crisis differentiates it from other economic shocks we have experienced in recent decades. While its overall impact is yet to be revealed we can be sure that it will be felt as keenly in many developing economies as in those countries where the crisis originated. The commodities boom that fuelled rapid economic growth in mineral rich sub-Saharan Africa has lost momentum. This in turn has led to diminished Gross Domestic Product (GDP) and growth forecasts for many states dependent on mining royalties and has effected an inevitable contraction in the revenues available to governments.

While the value of diamonds has not been subject to the same degree of volatility as commodities, the global diamond industry has not been unaffected by the downturn. High levels of inventory and debt amongst our clients in cutting and polishing centres coupled with the challenging trading conditions in key markets has required that we prepare for a challenging 2009. As the scale of the global financial crisis' potential impact on the diamond industry became apparent in the final quarter of 2008, De Beers reacted quickly by taking steps to ensure that production levels are aligned to diminished client demand.

However, what differentiates our key producer partners from many other resource-rich states in sub-Saharan Africa is the extent to which their management of historical revenues that they have derived from diamonds and other resources has empowered them to weather the downturn. In Botswana, for example, the Government has husbanded a proportion of their historical diamond revenues accrued through dividends, royalties and taxation in a foreign currency reserve valued at over US$9 billion and equivalent to 28 months of goods and services. This fund provides the Government a cushion with which to maintain short-term spending on critical development and welfare programmes despite reduced income. As importantly, the diamond industry's historical investment in building Botswana's social and human capital base has meant that Botswana will be relatively well positioned to capitalise on opportunities that will arise when the green shoots of economic recovery emerge.

Botswana's ability to cope with diminished short-term revenues relative to other sub-Saharan African states suggests that if a silver lining is to be found in the current economic crisis, it lies in the opportunity to apply lessons drawn from past and present successes to the process of rebuilding, recovery and future growth.

Business in Africa

Somewhat unsurprisingly those elements of our business model that have simultaneously contributed to the stability and prosperity of the local and national communities in our producer countries have been the most critical to ensuring our success. This simple equation underwrites our unfailing support for beneficiation initiatives and likewise our plans as we look to securing future access to supply.

Unquestionably the most important element of our business model is its emphasis on "partnership", a concept that frames our stakeholder relationships at a national and local level. In southern Africa in particular, the process of sharing wealth through joint-venture partnerships with, in the case of Namibia and Botswana, national governments, creates a framework for taking a shared responsibility for success. This commitment to partnership is manifest not only at a national level but also on a local scale through our focus on citizen employment (at every level of the business), our support for local enterprise development and our strategic, needs-responsive, corporate social investment.

The second critical element is the integration of a holistic approach to sustainability into the very heart of our business. This involves taking shared responsibility with our neighbours and communities to meet the societal and environmental challenges that will ensure our collective sustainability. Examples of this include our commitment to the health and education of our employees and our sustained contribution to biodiversity around our operations now linked together through our Diamond Route.

Collectively these elements are captured eloquently in the challenge of transforming natural assets into shared national wealth. This challenge remains front of mind in Africa where, the recent crash in commodity values notwithstanding, natural resources remain the key national assets and the likely catalyst of sustainable, long-term social and economic development. While to be sure our perspective has been positively tinted by our partner governments' exemplary commitment to good governance, there is no question that our experience demonstrates that responsible business can be a powerful force for good in the developing world.

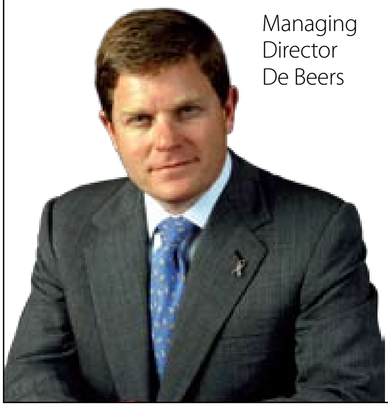
Looking to the future

Over 2008 we saw the significant maturation of systems and processes to ensure that our Values and Principles are embedded in our business. As a result we can be confident that the actions we undertake now to ensure the long-term sustainability of our industry will neither compromise our relationships with our local communities nor undermine the equity of our product. In practice this will mean ensuring that we understand and mitigate wherever possible the potential human costs of the exercise. Thus, for example, any HIV positive staff that are retrenched or their dependents reliant on our anti-retroviral programmes will suffer no interruption in treatment either through remaining within our programme, or in states like Namibia, transferring into state-run programmes.

During times of adversity it is sometimes difficult to see beyond the immediate challenges that lie before us. To overcome these, however, it is critical to keep an eye on the future. Doing so not only provides vital context to some of the painful steps necessary to expedite a strong recovery, it also ensures that those steps are in the right direction. Over 2009 we will work closely with our partners to ensure the health of the diamond industry, its ability to serve as a development catalyst in our producer countries and ultimately its capacity to deliver long-term sustainable value to all of its stakeholders. Responsible business can and should be a driver for Africa's development and, as painful as it is, we believe that the current economic crisis offers an opportunity to apply the lessons of the past to help define the most productive role for business in this process.

Nicky Oppenheimer
Chairman
De Beers

Performance overview from the Managing Director



Gareth Penny

Managing Director De Beers

The 2008 calendar year was an extraordinary one for De Beers. During the first three quarters we enjoyed strong sales and value growth and brought two new mines in Canada and a third, in South Africa, into production. We also celebrated the launch of the Diamond Trading Company Botswana (DTCB) as our beneficiation programme, aimed at stimulating a downstream diamond industry in producer countries, gathered momentum.

The final quarter of 2008, by contrast, was defined by the rapid deterioration in trading conditions brought about by the global economic downturn. In response, we embarked on a range of initiatives with the common objective of ensuring the sustainability of our business and correspondingly our ability to generate the sustainable long-term returns on which our key stakeholders – our government partners, shareholders, suppliers, community partners and employees – depend.

These initiatives focus on aligning production to reduced short-term demand and streamlining our operating costs accordingly. While this is undoubtedly in the best long-term interests of our business, it will have a negative short-term impact on many of our stakeholders. Revenues generated for government and community partners will decline relative to 2008 and many employees, suppliers and contractors will be adversely impacted.

The values embodied in our commitment to Live up to Diamonds come into their own during challenging times like these. Not only do they inform the difficult decisions we make, they also define how we implement these decisions and, by virtue of this, who we are. We view this commitment as fundamental to ensuring not only the equity of our product, the diamond, but also the integrity of our business. This, our fourth Report to Society, reaffirms our commitment to sustainable practice and responsible conduct. It also demonstrates how we work with and aim to integrate the interests of each stakeholder group into our decision making processes.

This report is designed to be read alongside our Operating and Financial Review 2008. It documents our sustainability performance in a rigorous, transparent and accessible way. It complies with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and fulfils our reporting commitments to the UN Global Compact (UNGC) to which our own Principles are aligned.

Safety

It is with much sadness that we report the deaths of six people at our operations in 2008 as a result of individual industrial accidents. Each isolated accident occurred despite the highly formalised nature of diamond mining, the communication of Fatal Risk Control Guidelines and extensive training programmes. As a result the aggregate safety performance of the Family of Companies in 2008 deteriorated relative to the progressively improving levels achieved in the recent past. Underlying causes can in part be traced to the shared trend of increasing contractor numbers at operations in Africa, skills turnover and the uncertainty linked to market-driven operational cutbacks and mine disposals. These events have shocked our people into corrective action and resulted in an urgent and deep review into both our Safety Strategy and Risk Management leadership capacity and resourcing as we pursue a goal of zero-harm.

Development

The remarkable contribution that diamonds make to development in countries like Botswana, South Africa and Namibia owes a great deal to the effectiveness of the partnerships we have forged with producer governments and empowerment partners.

In 2008, payments to partners, joint ventures and suppliers amounted to US$4.8 billion (2007: US$4.9 billion). About US$2.7 billion of this was paid for diamonds in Africa (2007: US$3.2 billion). Similarly De Beers paid US$1.4 billion in taxes and royalties to governments; 87.9% of this was paid in Africa.

We anticipate that in 2009 diamond revenues accrued to our producer partners will decline relative to 2008 levels as we reduce production in line with global demand. De Beers will continue to monitor demand for rough diamonds from our clients closely and will work quickly to adjust future production levels – up or down – accordingly. Wherever production holidays are taken we will focus on maintenance and housekeeping to ensure the readiness of our mines to ramp up production as and when economic conditions improve.

Historically, De Beers support for government-led economic diversification in producer countries has focused on local procurement and enterprise development initiatives. In 2008, the company allocated US$1.1 billion to preferential procurement in southern Africa and Canada (2007: US$1 billion). In 2008, our objective to promote diamonds as a source of development was also enacted through our beneficiation strategy.

Our contribution to beneficiation has been formalised through the establishment of DTCB, Namibia DTC (NDTC) as well as through sales by DTC "International" to Canadian Sightholders and DTC South Africa (DTC SA) to the South African downstream industry. In 2008, sales from DTCB and NDTC amounted to US$367 million and US$172 million respectively. DTC SA (a subsidiary of De Beers Group Services) achieved sales of US$574 million. While the beneficiation programme will undoubtedly be impacted by the economic downturn, we are working closely with our joint-venture partners and downstream entities with the aim of ensuring the programme's ability to weather the economic downturn.

Ethics

We are committed to meeting the highest ethical standards and aim to meet or exceed all applicable statutory requirements and international standards on issues ranging from conflict diamonds to anti-corruption. We are also active participants in initiatives such as the Kimberley Process, the World Economic Forum's Partnership Against Corruption Initiative and the Extractive Industries Transparency Initiative. Collectively these initiatives assure the provenance of our diamonds and widespread confidence that the revenues generated by our business are responsibly distributed within producer countries.

Our approach to formalising our ethical commitments is made visible, in part, by the inclusion of the De Beers Best Practice Principles (BPPs) in our diamond supply chain. The BPPs play a key role in protecting against unacceptable business, social and environmental practices that might otherwise undermine consumer confidence in diamonds. Building on the success of the BPP programme De Beers has been working with the Responsible Jewellery Council to develop an industry-wide mining and supply chain standard which will be launched in 2009.

Employees

Some of the actions being taken to position the company to reflect global demand for diamonds have unfortunately affected staffing levels, particularly in southern Africa. De Beers has endeavoured to minimise job losses wherever possible through innovative solutions like production holidays, voluntary severance schemes, shift reductions, part-time and flexible working, etc. Where involuntary retrenchments have been unavoidable, De Beers has fulfilled its commitments to employees with respect to severance packages, the continuity of vital anti-retroviral treatment programmes and has offered outplacement and retraining assistance.

Communities

Successful partnerships are based on principles of mutual benefit and reciprocity. In our engagements with local communities the framework for these principles is defined in terms of our social licence to operate.

In 2008, we launched our newly developed Social Impact Assessment Guidelines. The Guidelines are designed to bring much needed rigour to the process of securing this social licence to operate at our new operations. As the first tool of its kind, the Guidelines set a benchmark for good practice and effective risk mitigation in the mining industry.

The Family of Companies disbursed US$13.6 million through social investment initiatives in 2008 (2007: US$19m). Further initiatives valued at US$13.2 million were instigated in South Africa to meet our legal requirements as presented in our Social and Labour Plans (SLPs). The scale of our social investment donations is likely to fall in 2009 in line with operational scale and profitability, but will be supplemented by ongoing SLP requirements.

Environment

The environment discipline across the Family of Companies has matured considerably over the last two years. Its remit now extends beyond the traditional focus area of land rehabilitation to matters such as biodiversity management, water management and climate change. This reflects our conviction that proper environmental management is vital to the long-term prosperity of our producer countries and our belief that business must engage proactively with global issues such as climate change that define our age.

Biodiversity is arguably our most material environmental issue due to our significant landholdings in biodiversity-rich areas, as well as the scale and nature of our rehabilitation liabilities. More than 185,000 hectares (ha) of our owned and managed property is set aside as nature reserves. This contrasts with the 36,620 ha licence areas disturbed by mining activities.

Ensuring that we are able to meet the long-term challenges of energy security and climate change is a priority for the Family of Companies. In 2008, we focused our efforts on ensuring our reporting is aligned with the parameters of the Greenhouse Gas Protocol, the setting of energy targets, the implementation of energy efficiency measures and the stringent assessment of energy requirements for capital projects.

Sustainability

Diamonds are a common bond between the millions of people who give, receive or depend on them for their livelihoods. We are acutely aware of the obligations this responsibility imposes on us as the world's leading diamond company. Following a profitable 2008, in 2009 De Beers will focus on running a sustainable business at a lower level of sales. This will help ensure the long-term prosperity of our business as well as the continued important contribution that diamonds make to the lives of our diverse stakeholders.

Gareth Penny
Managing Director
De Beers

Find out more

- www.eitransparency.org
- www.ghgprotocol.org
- www.globalreporting.org
- www.kimberleyprocess.com
- www.responsiblejewellery.com
- www.transparency.org
- www.unglobalcompact.org
- www.weforum.org

Approach

De Beers has three shareholders: Anglo American (45%), Central Holdings (40% – representing the Oppenheimer family) and the Government of the Republic of Botswana (15%). De Beers sa is the holding company of the De Beers group or "Family of Companies" (Figure 1-1).

The Family of Companies is involved across the breadth of the diamond value chain. This includes exploring for new deposits on four continents and mining in Botswana, Canada, Namibia and South Africa. It sorts and sells rough diamonds to independent clients or Sightholders with operations in 55 countries that cut and polish diamonds prior to the manufacture of jewellery. These sorting and sales operations take place primarily in Botswana, Namibia, South Africa and the United Kingdom. The Family of Companies produces about 40% of world diamond production by value.

This is the fourth annual sustainability report produced by the Family of Companies. It includes performance data for those businesses that De Beers either owns or has significant influence over and that have significant economic, social and environmental impacts. It also includes narrative content on management approaches for independently managed companies such as De Beers Diamond Jewellers (DBDJ) and Element Six. An explanation of organisational change in 2008 is included in the Operating and Financial Review.

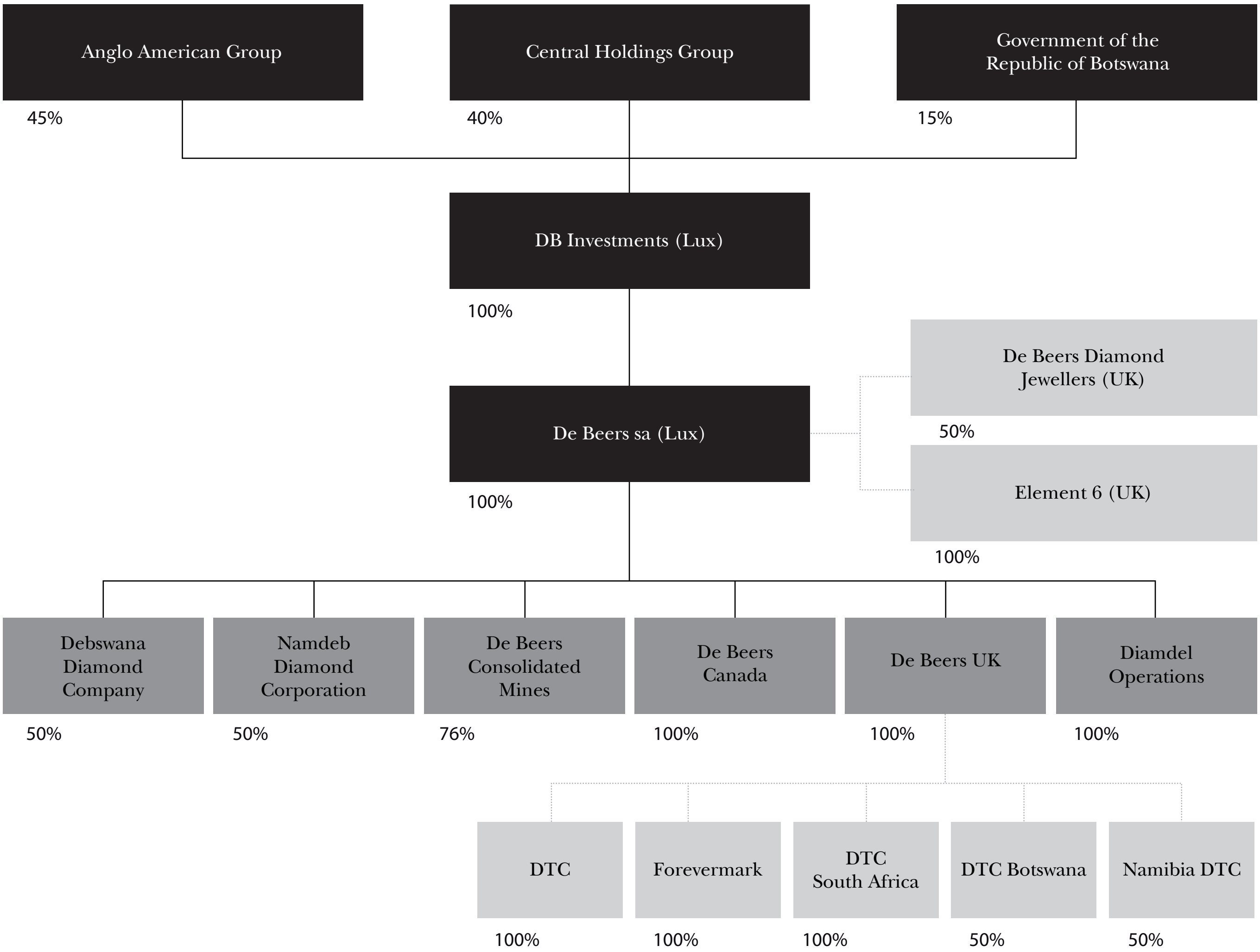
Highlights

- Issues identified as relevant and material and discussed in this report were systematically collated following a series of engagements with stakeholders. This included a panel discussion at the Geological Society, engagements with employees and opinion leaders as well as our ongoing Diamond Dialogues (p11)
- The Multi-Stakeholder Forum also carried out a detailed review of the Report to Society 2007 and presented a series of recommendations and questions to the De Beers panel (p11). Answers to these questions as well as to our shared concerns about the economic downturn and its impact on our continued ability to contribute to sustainable development in host countries are presented in each chapter of this report
- The Family of Companies and its Sightholders implemented the 4th cycle of the externally verified De Beers Best Practice Principles (BPPs) Assurance Programme. An independent statement on our compliance with the BPPs is provided on p102

More online

Our report this year is supported by an extended set of online content as well as further evidence of our performance. Look for the 💻 icon to "find out more"

Figure 1-1: The Family of Companies



Issues relevant and material to our stakeholders that are addressed in this chapter

Stakeholder engagement

Identifying and responding to the concerns of stakeholders remains one of our guiding Principles. It defines our responsibilities, promotes trust between the Family of Companies and those impacted by our operations, and influences our reputation.

Identifying and engaging with stakeholders

Our approach to reporting is to identify and prioritise those issues that are most relevant and material to our stakeholders. This includes groups that the company has a significant impact on, as well as groups that can have a significant impact on the company. They include our shareholders, producer governments, local communities, civil society organisations and inter-governmental organisations.

The exact profile of these groups is different for every country and operation. Each operation identifies, prioritises and engages the specific stakeholder groups that its activities have most impact on. Impacts and stakeholders are context dependent and differ depending on the issue, the stage of the project and the location. These engagements are increasingly catalogued for each entity and operating company.

Identification, mapping and guidance

The Family of Companies continuously reviews and tests the rigour of its stakeholder engagement methodologies at both a group and operational level. This ensures suitable guidance and tools are available to facilitate effective stakeholder mapping, identification of issues and outcomes.

In 2008, this included completing the Anglo American Socio-Economic Assessment Toolbox (SEAT) pilot initiated at our Venetia mine in 2007. The pilot highlighted the need for effective planning as well as tools and processes that provide consistency and facilitate open, honest and transparent engagement with local stakeholders. SEAT is currently being evaluated by other mining entities for implementation where appropriate in 2009. This includes our De Beers Canada operations, where detailed guidance materials have been used to inform impact assessment and Impact Benefit Agreement processes (p74). Issues identified and follow-up actions are systematically logged in our electronic database and reporting process.

Working together in partnerships

Members of the Family of Companies engage with a number of civil society organisations, local communities, intergovernmental organisations, academics and other stakeholders through formal partnerships on specific projects, as well as through informal networks. Examples of organisations engaged in 2008 are presented throughout this report in case studies, interviews, questions from stakeholders and in our narrative descriptions of performance for each discipline area.

Identifying issues for inclusion in the report

The content of this report and its online companion text has been defined through a series of direct and indirect engagements with stakeholders.

Rigorous approach to engagement

Direct engagements include surveys, roundtable discussions, dialogue at conferences and focus groups, as well as one-to-one meetings between the Family of Companies and its stakeholders. These group engagements are complemented by "ground up" engagements with local stakeholders at each mine.

Indirect engagements include independent multi-stakeholder dialogue, and the use of independent benchmarks and standards that represent societal expectations. Examples include the Global Reporting Initiative (GRI) G3 Guidelines, the 10 principles of the United Nations (UN) Global Compact and the completeness, materiality and responsiveness principles of the AA 1000 Assurance Standard. A table showing our compliance with both GRI and the UN Global Compact principles is presented as part of the online content that supports this report.

Sphere of influence

Some of the issues identified through these engagements with stakeholders are within our direct control and are our responsibility to address (Figure 1-2). Examples include our beneficiation activities and contribution to development, our anti-corruption commitments or our use of energy. Other issues are external to the company but are within our sphere of influence. These can only be fully addressed in partnership with fully committed stakeholders. Examples include actions taken in response to the current economic crisis, revenue transparency, the elimination of conflict diamonds, and artisanal and small-scale mining. Addressing these issues is part of our moral imperative as a responsible business.

Including stakeholder viewpoints

This report also provides evidence of how we respond to these issues responsibly and proficiently. It does this in the form of questions, quotes or "voices" of stakeholders, as well as stakeholder involvement in the development of case studies. These mechanisms enable our key stakeholders to provide feedback on the rigour and integrity of our performance by commenting directly on the quality of our work undertaken in 2008. For the first time, this report pilots the deployment of expert commentary from one of our key Non-Governmental Organisation (NGO) stakeholders: International Alert (p35).

Find out more

www.debeersgroup.com

www.geolsoc.org.uk

Key engagements undertaken in 2008

Five of our key engagements undertaken over the last year include (Figure 1-3):

The Geological Society

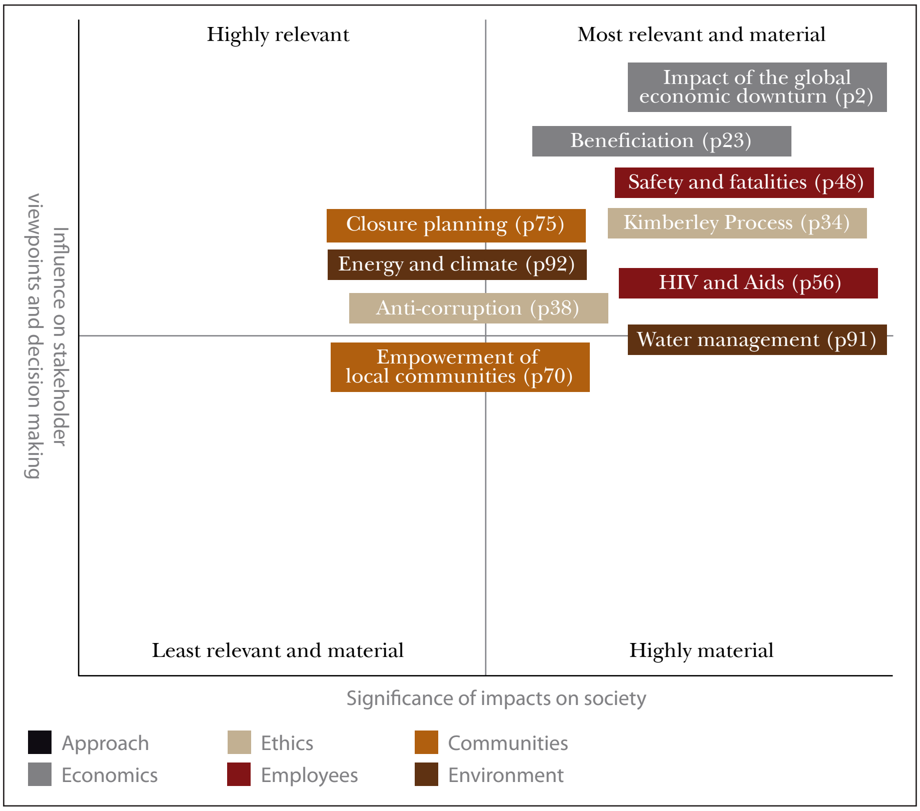
On 1 May 2008, De Beers hosted a panel discussion on the challenges of leveraging natural resources to drive sustainable development in Africa. This was titled, "From Natural Resources to Shared National Wealth". The expert panel included Professor Paul Collier of Oxford University, Dr Jane Nelson from the Kennedy School of Government at Harvard University, and Dr Nkosana Moyo, a managing partner of Actis United Kingdom, formerly Zimbabwe's Minister of Industry and International Trade and the Associate Director for Africa at the World Bank. The event was opened by De Beers Chairman Nicky Oppenheimer and chaired by De Beers Director of Corporate Citizenship Dr James Suzman. It was attended by about 150 key stakeholders.

Managers Perception Survey

Our employees are the ambassadors of our company. They reflect our commitment to ethics and responsible business wherever we operate. Each year we implement a Managers Perception Survey to learn more about how employees use this report, whether it covers the appropriate issues and whether it demonstrates the extent to which we are "living up to diamonds".

Our 2008 survey of managers perceptions was sent to over 120 people who contributed to the production of our Report to Society 2007. It was also circulated to all senior managers who attended our Strategic Leadership Conference. Results from the survey indicate that our employees use the report mainly in their discussions with external stakeholders and colleagues. Sections of the report considered most useful in these discussions included performance data on issues such as our investment in Africa, case studies of our engagements, and our policy statements and positioning on issues such as corruption (p38) and human rights (p59).

Figure 1-2: Key areas for reporting within our direct control[1]



[1] Further issues identified as relevant to stakeholders and that are material to our business are presented at the beginning of each chapter

These responses, as well as numerous requests for shorter, more accessible and simpler content, have been instrumental in informing the style and content of the current report. Most notably, we have introduced more summary content at the beginning of each chapter. We have also added new design innovations, quotes, feature pages and sought to reduce the use of overly technical information or complex tables.

Opinion Leaders Survey

In 2008, the Family of Companies completed a survey of 500 opinion leaders among the general public in the United States. The survey was a follow-up to a similar survey of 250 opinion leaders in 2006. The main aim of this engagement was to identify areas of reputational risk, learn more about stakeholder viewpoints and prioritise the most relevant and material issues. The survey identified eight key "reputation drivers", each of which have been addressed in different parts of this report (see Figure 1-3).

"

James Suzman, De Beers Director of Corporate Citizenship

"Our engagements in 2008 suggest our sustained contribution to social and economic development where we operate is the issue most relevant to a broad cross-section of our stakeholders. This is also the theme of our report."

Figure 1-3: Further issues identified as relevant and material by stakeholders in 2008

Questions asked at the Geological Society

"relevance of joint venture arrangements with host governments for junior miners" (p31)
"importance of monitoring whether mineral licences are developed or not" (p86)
"role of international mineral buyers in improving governance within mineral producing countries" (p32)
"role of civil society in encouraging responsible business in Sierra Leone, Angola and Democratic Republic of Congo" (p32)
"avoidance of local conflict where there has been a rapid expansion in mining operations" (p34, p75)
"leverage to get certain governments to improve their standards of governance" (p34)

Voices of employees on content for the report

"information on stakeholder engagement activities" (p8)
"add a section on learnings made over the past year" (p15)
"include more content on communities" (p68)
"focus on energy and water management" (p92, p91)

Reputation drivers identified by opinion leaders

"producing high quality, reliable, trustworthy products and charging a fair price" (p1, p2, p26, p41, p42)
"performing well and having effective, competent managers" (p66)
"contributing to economic growth in host countries" (p16, p18)
"conflict diamond prevention and ensuring profits do not help fund local conflicts directly or indirectly" (p34)
"integrity, being transparent and communicating honestly on performance" (p8, p15, p34)
"being a good employer, treating employees well and maintaining high safety standards" (p59, p48)
"providing employees with access to HIV and Aids prevention and treatment" (p56)
"being sensitive to indigenous peoples and being socially responsible" (p71)

Key subjects discussed at the Diamond Dialogues

"business integrity in Africa and accountability as the basis for sustainable development" (p32)
"a joint Africa-European Union strategy (for development in Africa) including partnerships with government" (p2, p16)
"role of the private sector in promoting good governance as a driver for economic growth in Africa" (p16, p32)
"business responsibility, African development and the economic slowdown" (p2)

Issues identified by the Multi-Stakeholder Forum

"being responsible during the economic crisis" (p2)
"responding proactively to the issue of Zimbabwe, diamonds and human rights" (p34, p38)
"responding to fatalities and improving safety performance" (p49)
"decision-making on the selection and implementation of social investment projects" (p77)
"responsible closure or "sale" programmes" (p31, p75, p76, p85)
"not operating in World Heritage Sites" (p86)
"climate change and water management programmes" (p92, p91)

Diamond Dialogues

The Diamond Dialogues are a series of roundtable discussions hosted by De Beers and facilitated by external subject experts. They bring stakeholders together for candid discussion of topics relating to mining, beneficiation and how responsible investment in natural resources contributes to sustainable development in Africa. The dialogues were launched in 2007 with the first four meetings at the De Beers offices in London. Four topics were discussed during the course of 2008, with meetings held in Europe and the United States (Figure 1-3).

More than 60 civil society organisations, opinion formers and academics, shareholders and employees have participated in the dialogues since their inception in January 2007, with 49 organisations attending in 2008. The outputs of these dialogues have helped inform the content of this report as well as our policy-making and projects. We also draw on the constructive relationships we develop for advice and consultation. Outputs from each dialogue are available online at the Business and Human Rights Resource Centre and through the De Beers group website.

Multi-Stakeholder Forum

The Multi-Stakeholder Forum met for the second time on 19-20 January 2009. Participants included six individuals from civil society. These individuals were invited to participate as experts on issues previously identified as relevant and material to our stakeholders, and as professionals knowledgeable about one or more of those countries in which the Family of Companies operates across the diamond value chain. Emphasis was placed on prior preparation and education about the diamond industry and the Family of Companies. This helped ensure an informed dialogue.

Find out more

www.accaglobal.com
www.africamatters.com
www.business-humanrights.org
www.cpi.cam.ac.uk
www.debeersgroup.com
www.fauna-flora.org
www.geolsoc.org.uk
www.maplecroft.com

Participants at the January 2009 Multi-Stakeholder Forum in London (from top left): Dr. Kevin Franklin (Maplecroft), Pippa Howard (Flora & Fauna International), Professor Alyson Warhurst (Maplecroft), Sheila Khama (De Beers Botswana), Stephen Lussier (De Beers), Dr. James Suzman (De Beers), Martin Roberts (Cambridge Programme for Industry), Baroness Lynda Chalker (Africa Matters), Andy Bone (De Beers), Jermyn Brooks (Transparency International), and Vicky McAllister (Association of Chartered Certified Accountants)

The Multi-Stakeholder Forum had two key objectives:

- To provide feedback on the Report to Society 2007 and influence the content of future reports by commenting on coverage, relevance, performance and usability to different stakeholder groups.
- To provide independent scrutiny and commentary on issues including our response to the current economic crisis, the contribution of diamonds to development, the Kimberley Process and climate change.

Participants in the forum elected to present a series of questions instead of a formal assurance statement. Our answers to some of these questions are presented throughout this report in the boxes marked as "Questions from stakeholders". These answers provide some of our initial responses on issues material to stakeholders.

Vicky McAllister, Association of Chartered Certified Accountants

"Good mix of people, although I think having someone with an HIV/Aids viewpoint would add value as this is such a significant issue for De Beers."

Pippa Howard, Fauna and Flora International

"I felt the Multi-Stakeholder Forum was very well organised and balanced, and enjoyed the variety of input from participants; additional voices from both environment and humanitarian sectors would have been valuable."

Sustainability management

Sustainability management, performance and assurance are core business processes. They are implemented primarily through the Environment, Community, Occupational Hygiene, Health and Safety (ECOHS) programme, the De Beers Best Practice Principles (BPPs) and its assurance programme which supports the ECOHS functions. Effective management and assurance of our performance leads to clear operational and reputational benefits that result in cost efficiencies, as well as greater access to land, talent and financial resources.

The Environment, Community, Occupational Hygiene, Health and Safety programme

The ECOHS programme provides the technical skills, leadership and governance required to align ECOHS performance with our core business strategy. It also drives the integration of ECOHS practices and accountability into core business processes at each stage of the diamond pipeline.

In 2008, the ECOHS programme and our discipline Principals for each of the five areas facilitated the sign-off and progressive implementation of all five ECOHS policies by each business unit across the Family of Companies. This includes Namdeb and Debswana, both of which are independently managed. The ECOHS function is the only technical discipline to have secured group-wide acceptance of policies, aided by our strong peer group framework (Figure 1-4).

ECOHS Principals and Committee

Our ECOHS Committee provides strategic oversight of the ECOHS disciplines and their respective peer groups. In 2008, the ECoHS Committee underwent a formal name change to the ECOHS Committee. The capitalisation of Occupational Hygiene in the ECOHS acronym acknowledges our increased focus and resourcing in this area, as well as an increasing maturity of our sustainability management and governance processes.

There were four ECOHS Committee meetings in 2008. Each of the meetings included reporting on major incidents including fatalities, as well as performance updates from each of the five Principals on their respective discipline areas. In 2009, our ECOHS Committee agendas will increasingly focus on high risk material issues such as fatal risk controls for all of our mines and biodiversity rehabilitation at our West Coast operations in Namibia and South Africa.

Figure 1-4: ECOHS peer group achievements in 2008

Safety
- Fatal risk control guidelines for contractors (p48)
- Separation of performance data for contractors (p50)

Occupational Health
- Advancement of our HIV and Aids standards (p56)
- Risk-based data collection and surveillance (p52)

Occupational Hygiene
- Guidelines on risk assessment, noise, thermal stressors etc. (p52)
- Guidelines on hearing loss and conservation programmes (p54)

Communities
- Development of a Social Investment Handbook (p70)
- Co-ordination of the SEAT pilot at Venetia (p70, p71)

Social Investment[2]
- Development of the Social Investment Policy (p78)
- Initiation of our Guide to Corporate Grant Making (p78)

Environment
- Strategic environmental review and assurance framework (p84)
- Improvement of environmental indicators (p84)

Biodiversity
- Strategic biodiversity review and assurance framework (p86)
- Implementation of biodiversity action plans (p87)

Energy and Climate Change
- Evolution of Energy and Climate Change Strategy (p92)
- Review against the Greenhouse Gas Protocol (p93)

[2] The Social Investment Peer Group currently functions as a "working group" rather than a formal peer group

Peer groups

In 2008, the Family of Companies initiated a formal review of its peer group structures and functions. We identified two main types of peer groups. The first type involves less formal networks of people that share knowledge and information on best practices and sometimes include external participants. An example can be found in the Biodiversity Peer Group, which invites participation from Conservation International and the Endangered Wildlife Trust.

The second type is mission-driven, where each individual has a firm and explicit mandate from his or her business unit to make recommendations on policies and standards. This type of peer group has proven invaluable in embedding ECOHS policies, programmes of work and driving synergies and coherence across the Family of Companies. It has also helped in the maturation of the Assurance Programme for the Principles (APPs) as a self assessment tool that helps business units check process implementation and performance.

Patti Wickens, De Beers Environment Principal

"Peer groups are powerful vehicles not just for knowledge-sharing, but for setting standards and policies and for driving implementation."

Find out more

www.conservation.org

www.ewt.org.za

The De Beers Best Practice Principles[3]

In 2008, the Family of Companies implemented the 4th cycle of the Best Practice Principles (BPPs) Assurance Programme. It submitted 97 BPP workbooks for different entities and business units around the world. Desk-top reviews of all workbooks were completed by Société Générale de Surveillance (SGS). SGS also verified the implementation, accuracy and performance of 10% of workbooks through site visits to ten Family of Companies entities as well as Sightholder operations (p102).

All business units across the Family of Companies were found to be "compliant" with the BPPs. Only the Hindustan Diamond Company (HDC), which forms part of the Diamdel group of companies, was found to have a major breach. This breach arose from the fact that HDC was found to have drafted and implemented but not signed off a policy on anti-money laundering. This is a marked improvement on the 2007 BPP cycle where HDC was also found to be non-conformant in relation to freedom of association and health and safety. Both issues have now been addressed. HDC conformance with the BPPs will continue to be tracked during the course of 2009, with particular emphasis on building and enhancing local management understanding of sustainability issues and risks in a collaborative and supportive manner.

[3] The BPPs were initially developed and implemented in order to enhance "diamond equity"; our investment in building consumer confidence and marketing diamonds in consumer countries

The Principles programme

In 2006, we committed ourselves to a set of Principles that translate our Purpose, Vision and Values into practice. They define how we do business, inform our understanding of what is right and wrong and describe what is important to us. The Principles are more comprehensive, rigorous and relevant to diamond mining than the BPPs. They cover the same economic, ethics, employee, community and environment issues included in this report and were derived from best practice standards as well as a rigorous process of internal and external engagement.

Mission-guided assurance

In 2008, we continued to refine and run pilot implementation of the Assurance Programme for the Principles. Engagements were completed with De Beers Diamond Jewellers and with our exploration entity in Angola. Each of the seven pilots completed have resulted in programmes of work to improve the sustainability performance of each entity. These programmes of work were developed in partnership with entity and group ECOHS professionals as well as Internal Audit. Depending on the risks, technical assurance on aspects of the ECOHS and Principles remit will be provided through self assessment, peer review, assurance from discipline leads and external benchmarking.

We are also exploring further the potential development of a mission-guided approach to assurance and continuous improvement in our sustainability performance. This approach focuses on key risks and opportunities. It invites expert stakeholders to comment on how well we are managing and reporting on "relevant and material" sustainability issues about which they have specialist knowledge. This allows us to draw on specific expertise to improve performance beyond what a traditional assurance provider might offer. It also provides greater scope for building stronger relationships with stakeholder groups.

The Principles Committee

The Principles Committee was established in 2007 and was initially charged with overseeing the roll-out of the Principles Programme across the Family of Companies.

In November 2008, a Terms of Reference for the Principles Committee was signed off by the Executive Committee. This granted the Principles Committee a central oversight role on Principles compliance, sustainability and reputation risk management. Further information on the Principles Committee is also provided in our Operating and Financial Review. Its remit covers all sustainable development issues and reputational risks contained in the Report to Society, including those that fall outside the scope of the current ECOHS Committee.

Find out more

www.debeersgroup.com

Figure 1-5: SGS review and findings from the 2008 BPP cycle

Business unit	Workbooks Submitted	Workbooks Reviewed	Site visits	Status
De Beers Canada	9	9	0	Compliant
De Beers Consolidated Mines	10	10	2	Compliant
De Beers Global Mining	7	7	0	Compliant
De Beers Group Services	4	4	0	Compliant
De Beers Marketing	5	5	1	Compliant
De Beers Société Anonyme	4	4	0	Compliant
Debswana	3	3	0	Compliant
Diamdel	4	4	1	Under observation
Diamond Trading Company	7	7	1	Compliant
Exploration	23	23	3	Compliant
Namdeb	13	13	2	Compliant
Williamson	8	0	0	Compliant

The United Nations Global Compact

WE SUPPORT

De Beers is committed to making a real and lasting contribution to the communities and countries in which it operates. We do this through the revenues we generate, but also through our direct engagements and partnerships with governments, local communities and other stakeholders including business.

What is the UN Global Compact?

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact has two objectives:

- To mainstream the 10 principles in business activities around the world
- To catalyse action in support of broader UN goals, including the Millennium Development Goals (MDGs)

Our engagement with the UN Global Compact

De Beers joined the UN Global Compact in 2005 and remains a committed and active member of the national and international Compact community. Our own Principles and assurance programmes are directly aligned with the sentiment of the 10 principles, as well as the Universal Declaration of Human Rights and the MDGs. We submitted our first "Communication on Progress" to the UN Global Compact in 2006. Our third Communication on Progress is submitted with this Report to Society 2008 and through the online compliance table.

In 2008, De Beers also contributed case studies and corporate learnings to the United Kingdom network. It attended the Leaders Summit in July and contributed towards the Business Guide to Partnering with NGOs and the United Nations, and the Partnership Assessment Tool. In 2009, De Beers plans to continue its ongoing engagement with the United Kingdom network. It also plans to engage with the New York office and its forthcoming online solutions forum on Human Rights Dilemmas for Multi-National Corporations in Emerging Markets.

Find out more

www.un.org

www.unglobalcompact.org

www.un.org/millenniumgoal

Approach

Sustainability management (p12)
To evolve our assurance model to monitor accountability to our Principles

Economics

Preferential procurement (p21)
To increase our "preferential" procurement including procurement from Historically Disadvantaged South Africans (HDSAs), empowered groups and local suppliers

Ethics

The Kimberley Process Certification Scheme (p34)
To confirm our commitment to the elimination of conflict diamonds from the world diamond trade

Anti-corruption (p38)
To monitor and report on our business ethics and anti-corruption compliance in high risk countries

Employees

Safety (p48)
To continuously improve our safety management systems

To reduce our Lost Time Injury Frequency Rate (LTIFR)

HIV/Aids (p56)
To improve our HIV/Aids Management Systems (AMS)

Non-discrimination and employment equity (p62)
To increase our employment equity status, in particular with respect to HDSAs, empowered and local citizens

Community

Investing in communities (p77)
To implement a consistent approach to our annual social investment accounting and project evaluation

Environment

Beyond ISO 14001 (p84)
To improve our environmental management systems

Water management (p91)
To reduce our use of new water as well as our impacts on local communities

Energy and climate (p92)
To reduce our energy use and climate change impacts

Target-setting

“

James Nicholson, De Beers Financial and Sustainability Reporting Manager

“The De Beers Corporate Citizenship team is committed to working with colleagues across the organisation to ensure that a greater emphasis is placed on formalising, tracking and ultimately reporting on sustainability targets in 2009. Transparency of this nature is critical towards advancing the sustainability discipline.”

Target for 2008 and beyond	Progress in 2008
To define a governance structure for our Principles and its assurance programme and implement an effective risk based management model	A Terms of Reference for the Principles Committee was signed-off by the Executive Committee, granting it central oversight of Principles compliance, sustainability and reputation risk management The APPs are now available to discipline Principals and other internal stakeholders as a self assessment tool to check Principles-related implementation and performance
To ensure 40% of South African procurement spend is with HDSA-owned and empowered suppliers by 2009	DBCM met this target in 2008 after spending R1.8 billion (US$232 million) with HDSA-owned and empowered suppliers, accounting for 51.7% of total discretionary spend (2007: 37.8%)
To obtain third party verified compliance with the Kimberley Process for the Family of Companies	Compliance with the Kimberley Process and System of Warranties for 2008 was verified by the Government Diamond Office of the United Kingdom and SGS (p102)
To ensure the Anti-Corruption Policy is communicated and implemented across the Family of Companies	Preliminary results of our 2007 Corruption Perception Survey identified potential risks for our previous Tanzania operations as well as our shared services supply chain function Results from the survey assisted in the development of the RESIST anti-corruption tool-kit. The initiative includes PACI, Transparency International, the UNGC and the International Chamber of Commerce
To implement a confidential third party provider for our whistle-blowing hotline by end 2008	An outsourced global Fraud and Ethics Hotline Service was launched and officially communicated in May 2008 to replace the existing in-house facility. Debswana implemented its own independent hotline in 2007
To implement OHSAS 18001 at 100% of diamond mining operations by end 2008	All of our active mining operations except our new Voorspoed mine are certified to OHSAS 18001. Our Voorspoed mine and our exploration project in Angola expect to attain certification in 2009
To ensure 25% reduction in LTIFR per year	LTIFR increased from 0.18 in 2007 to 0.19 in 2008 (5.6%). Lost Time Injury Severity Rate (LTISR) increased from 22.53 in 2007 to 106.89 in 2008, partly due to a higher number of fatal accidents
To advance the scope and effectiveness of our Voluntary Counselling and Testing (VCT) programmes	By the end of 2008, around 70% (2007: 68%) of our employees had participated in HIV testing at our South African operations. More than 83% of our permanent employees at the Voorspoed mine participated in HIV screening within the first six months of the mine opening
To implement new South African National Standard (SANS 16001: 2007) at our DBCM operations	All of our DBCM mines completed baseline gap reviews against SANS 16001 The Orapa and Jwaneng mines in Botswana are already certified to AMS 16001 (p58)
To ensure 60% HDSAs in management at DBCM by 2009	At the end of 2008, DBCM had achieved 53% designated groups (including HDSA) in management (2007: 39%)
To ensure 75% local citizens in management and key roles at Debswana by 2010	At the end of 2008, Debswana had achieved 73.8% local citizens in management and key roles
To ensure 80% of employees at Namdeb are Historically Disadvantaged Namibians (HDNs)	At the end of 2008, a total of 88.8% of the Namdeb workforce were HDNs
To develop an electronic reporting application that allows for more rigorous social investment accounting	Electronic reporting is being trialled through SAP
To implement a more coherent social investment framework and strategy	We have developed a Social Investment Policy based on international best practice standards. This is supported by a set of newly developed tools including a unified social investment strategy, universal accounting protocols, as well as a Guide to Corporate Grant Making that is in the final phase of production
To implement ISO 14001 at 100% of major mining operations and other key operations	ISO 14001 is in place at 100% of diamond mining operations
To deliver a 15% reduction in water abstracted at our DBCM operations from the 2007 base level by 2015	DBCM's water efficiency initiatives saw significant savings with the Kimberley and Finsch mines showing reductions of 8% and 12% respectively. We also used 10.1% less new water across the Family of Companies, with Debswana achieving a 35% reduction on its 2006 consumption (p91)
To deliver a 15% reduction in energy use by 2015 for our DBCM operations from the 2005 base level	DBCM's energy efficiency initiatives contributed to a 4% energy efficiency saving in 2008 (p93)

Economics

If the global economic crisis has underlined the extent to which the diamond industry is key to the prosperity of our producer countries, it has also highlighted the importance of recent efforts to leverage diamond revenues as a catalyst for building strong diversified post-mining economies in these countries.

The deployment of natural resources wealth as a platform for developing diversified economies in Africa requires firstly an effective model for the creation and distribution of natural resource wealth and secondly an effective model for translating this wealth into a robust economic, social and political capital base. The remarkable contribution of diamonds to development in countries like Botswana, Namibia and South Africa owes a great deal to the effectiveness of our partnership model in achieving the former. The year 2008, however, will be remembered across the Family of Companies for the progress made in supporting governments to achieve the latter through beneficiation programmes.

De Beers support for government-led economic diversification efforts in producer countries has focused until recently on local procurement and enterprise development initiatives. Beneficiation by contrast aims to leverage the current pipeline position of producer countries by facilitating the development and promotion of local downstream diamond sorting, cutting and polishing industries that, it is hoped, will endure well beyond the life of existing mines.

While the short-term success of these initiatives will inevitably be impacted by the current economic downturn, the long-term supply and demand fundamentals of the diamond industry bode well for the success of this process.

Highlights

- De Beers paid US$6.2 billion (2007: US$6.2 billion) to stakeholders around the world
- Payments to partners, joint ventures and suppliers amounted to US$4.8 billion (2007: US$4.9 billion). About US$3.2 billion of this was paid for diamonds and services in Africa (2007: US$3.6 billion)
- Payments to employees in Africa amounted to US$269 million (2007: US$332 million)
- De Beers paid US$1.4 billion in taxes and royalties to governments; 87.9% of this (US$1.2 billion) was paid to governments in Africa
- A total of US$1.1 billion was allocated to preferential procurement in southern Africa and Canada (2007: US$1.0 billion)
- More than US$1.1 billion in rough diamonds was supplied to Sightholders for manufacture in southern Africa (2007: US$1.0 billion)

US$1.2 billion
Amount paid in taxes and royalties to governments in southern Africa

“

Gareth Penny, De Beers Managing Director

“For the African diamond producing countries, beneficiation is not optional, not a passing whim motivated by political correctness, but an imperative, an absolutely essential and critical part of their macroeconomic policy designed to uplift their economies to provide education, jobs and healthcare for their people, and to make poverty history.”

Cutting and polishing at the Steinmetz Diamonds facility in Gaborone, Botswana

Issues relevant and material to our stakeholders that are addressed in this chapter

Contribution to economies

Revenues from diamonds and other natural resources play a key role in enabling the governments of South Africa, Botswana and Namibia to meet their national development goals. The attainment of these goals improves the lives of citizens through economic growth, poverty reduction and job creation. Mining also contributes to the development of local skills, as well as value-adding business activities that maximise the returns from natural resources.

The current economic slowdown raises a number of challenges for both De Beers and our producer partners. We are working closely with our government partners to implement innovative and country-specific strategies to mitigate the very real economic and human impacts of a longer-term reduction in supply. We are confident of our medium- and long-term ability to build on the already substantial contributions we have collectively made to development in southern Africa.

GDP and export earnings

Diamond mining is the largest single industry in Botswana contributing around 30% of GDP and 80% of export earnings. The country contributes around 25% of global rough diamond production by value. Diamond mining is also the largest single industry in Namibia, where it consistently contributes around 8% of GDP and 40% of foreign exchange earnings. Future production in Namibia is expected to fall, however, due to a decline in land-based operations. Namibia has traditionally accounted for about 6% of the world's production by value.

In South Africa, the diamond industry plays a relatively modest role. Nonetheless, it contributes about 1% of GDP and employs around 14,500 people. This has significant impacts on the economy in terms of export earnings, revenues and employment. South Africa accounts for almost 10% of the world's rough diamond production by value. In Canada, the opening of our Snap Lake and Victor mines in July 2008 contributed to a significant expansion of the country's diamond mining industry. Canada accounts for about 15% of the world's rough diamond production by value.

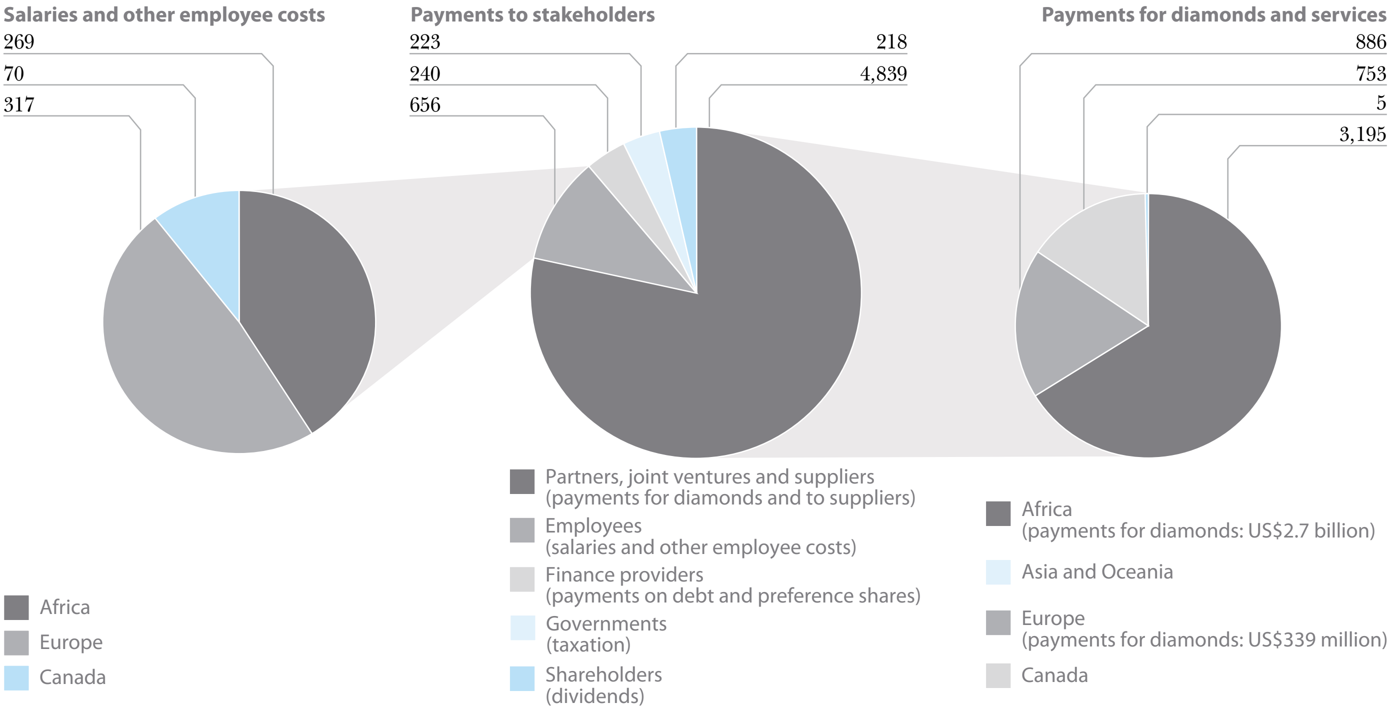
Payments to stakeholders

In 2008, De Beers paid US$6.2 billion (2007: US$6.2 billion) to governments, suppliers, employees, shareholders and other finance providers (Figure 2-1). A total of US$3.7 billion (60%) of this was paid to stakeholders in Africa (2007: 70.7%). Current economics suggest that the value of payments to stakeholders in 2009 will be reduced. Nonetheless, the long-term nature of our presence in southern Africa and Canada means our wider economic contribution in these regions is assured.

Find out more

www.gov.bw
www.gov.za
www.grnnet.gov.na
www.kimberleyprocess.com
Operating and Financial Review (p7)

Figure 2-1: Payments to stakeholders, 2008 (US$ millions)[1]



[1] Payments relate to De Beers sa. This includes majority owned and managed companies and excludes Debswana and Namdeb

Taxes and revenues

In 2008, the Family of Companies paid a total of US$1.4 billion (2007: US$1.4 billion) in taxes and royalties to governments. A total of 87.9% (US$1.2 billion) of these payments were made to governments in Africa (2007: US$1.4 billion). Further indirect tax benefits are generated through payments made by our shareholders, suppliers, contractors, Sightholders and business partners in the diamond value chain.

Botswana and Namibia

Debswana and Namdeb are the largest taxpayers in Botswana and Namibia. Their contributions to government revenues help ensure macro-economic stability and underwrite government capacity to deliver on long-term development programmes. The diamond revenues accruing to the Government of the Republic of Botswana (GRB) include dividend income from its 15% shareholding in De Beers.

Reductions in production in response to demand will inevitably impact on the revenues we pay our host governments. Contributions for 2009 will be lower than for 2008. This lower production is also likely to result in a reduction in the value of dividends paid out by Debswana and Namdeb to the GRB and the Government of the Republic of Namibia (GRN).

The vital role diamond revenues play in the public finances of each country means that any reduction will have consequences on the funding of health, education and other essential public services. Nevertheless the historical revenues generated and managed by our producer partners have meant that they are well positioned to weather the economic downturn relative to other resource-rich countries in Africa. The GRB estimates that it has currency reserves equivalent to roughly 28 months of goods and services. This will help ensure the continuity of key government programmes in spite of reduced diamond revenues.

We are working with our government partners to mitigate the very real impacts that production cuts will have on the citizens of each country. We are also working together to ensure the continued economic sustainability of our mining and sorting operations, as well as the cutting and polishing operations of our local Sightholders. This will ensure Botswana and Namibia are well placed to capture increased medium- to long-term revenues during the economic recovery.

Canada and South Africa

Our contributions to public revenues are relatively less significant in Canada and South Africa than in Botswana and Namibia. The impact of any reduction in revenues during 2009 on public finances and services is likely to be much smaller in these countries, due to our more modest role in the wider Canadian and South African economies.

“

Michael E Porter, Harvard University, Klaus Schwab, World Economic Forum, Global Competitiveness Report 2008-2009

“The [Botswana] government has succeeded in using its wealth from key natural resources to invest in factors that have set it on a more sustainable growth trajectory. Among the country’s strengths are its reliable and legitimate institutions, ranking a high 21st worldwide for the efficiency of government spending, 22nd for public trust of politicians, and 26th for judicial independence. Botswana is rated as the country with the lowest corruption in Africa (22nd out of 134 countries). Over past years, the transparency and accountability of public institutions have contributed to a stable macroeconomic environment, and this is one key area of improvement: the government has been running a healthy budget surplus, which is allowing it to reduce debt levels, and inflation has come down from its peak in 2006 as well.”

Find out more

www.weforum.org

Case study

Namdeb uncovers hidden treasure

In April 2008 Namdeb geologists uncovered what may be the oldest sub-Saharan shipwreck ever discovered. All mining operations were halted, and the site secured, when the geologists found copper ingots and the remains of three bronze cannons. Dr Dieter Noli, an archaeologist and expert in the Sperrgebiet, was brought in to review the situation. It is thought that the shipwreck could date back to the late 1400s or early 1500s, making it a discovery of global significance.

The discovery was made inside Namdeb’s Mining Area 1, which is only accessible with permits issued jointly by the Ministry of Mines and Energy and the government’s Protected Resources Unit. This ensured that the wreck remained secure.

After securing the appropriate permit from the National Heritage Council of Namibia, and with the support of Dr Bruno Werzw of the Southern Africa Institute of Maritime Archaeological Research, the site was excavated and the hidden treasure salvaged safely. Objects yielded by the site include six bronze cannons, several tons of copper, more than 50 elephant tusks, pewter tableware, navigational instruments, weapons and thousands of Spanish and Portuguese gold coins.

If the find proves to be a contemporary of the ships sailed by the likes of Diaz, Da Gama and Columbus, it would be of immense national and international interest, and Namibia’s most important archaeological find of the century.

Investment in people and infrastructure

The Family of Companies makes substantial investments in people, businesses and infrastructure wherever it operates. These investments help ensure the short-term operational success of our mines and provide a foundation for the longer-term success of our business and industry in host countries. Our investments take a number of forms including direct equity ownership and the indirect empowerment of host country citizens through preferential procurement (p21), enterprise development (p29) and social investment (p77).

Equity ownership[2]

All of our mining companies in Africa are part-owned either by governments or empowerment partners. These equity partnerships and the shared sense of vision and responsibility are at the heart of our business model and success in Africa. The continued strength of our joint venture partnerships will be an important asset as every country in the world struggles to weather the global economic crisis.

Botswana

Debswana is a 50/50 joint venture between De Beers and the GRB. It is the world's largest diamond producer by value. The substantial revenues generated by Debswana's mining operations have been instrumental in the transformation of Botswana from an agricultural-based economy in the 1960s to one that consistently displays one of the world's highest economic growth rates. It is also the largest producer of rough diamonds within the Family of Companies. In addition to its holding in Debswana, the GRB also owns a 15% stake in De Beers.

[2] In December 2008, De Beers announced the sale of its 75% equity stake in Williamson Diamonds Limited

Namibia

Namdeb is a 50/50 joint partnership between De Beers and the GRN. Revenues generated by Namdeb have played a central role in the development of Namibia's social and physical infrastructure since its establishment in 1994. It is also one of the largest employers in the country. Namdeb is increasingly focusing on marine operations in order to maintain production and revenues as land-based production declines.

South Africa

In South Africa, Mining Charter regulations require 26% Historically Disadvantaged South African (HDSA) ownership of all extractive companies by 2014 in order to bring about the effective transformation of the mining sector. DBCM is already 26% owned by Ponahalo Holdings, a Black Economic Empowerment (BEE) company. Ponahalo is 90% owned by HDSAs and 50% owned by DBCM employees and pensioners, with at least 27% overall participation by women.

DBCM has also been active in the divestment of operations to consortia with BEE credentials. In 2008, the Petra Diamonds Cullinan Consortium took control of the Cullinan mine following its sale by DBCM. The consortium is 26% owned by BEE partners including Thembinkosi Mining Investments (Pty) Ltd (14%) and a broad-based Petra employee share trust (12%) (p31).

In 2008, DBCM continued to seek ways to further transform the South African economy and to increase the role played by HDSAs and companies with BEE credentials throughout the diamond value chain. This includes working towards meeting internal BEE targets on management, employment equity, skills development, procurement and social investment. Progress towards these targets is presented throughout this report.

Direct employment

At the end of 2008, the Family of Companies employed over 17,000 permanent and non-permanent personnel worldwide (Figure 2-2 and Figure 2-3). Almost 16,000 (92.3%) of these employees were based at our mines, exploration entities and offices in Africa. The Family of Companies also employed about 6,500 contractors, mainly at its mining operations. In 2008, our employee salaries and other costs including social security, health care and pension contributions, amounted to US$656 million (2007: US$644 million). This excludes the employee salaries and other costs paid by our Debswana and Namdeb joint ventures, which are the largest private sector employers in Botswana and Namibia respectively.

While adjusting production to meet lower demand will impact on employment levels across our operations, we are making every effort to minimise job losses by deploying innovative alternatives including redeployments, production holidays and shorter working weeks. We also remain confident of our long-term role in creating local employment.

Figure 2-2: Total workforce at year end by region (permanent)[4]

	Africa	Asia	Europe	Canada	Total
2006	17,604	89	691	260	**18,644**
2007	17,021	42	566	656	**18,285**
2008	14,131	21	538[3]	857	**15,547**

Figure 2-3: Total workforce at year end by region (non-permanent)[4]

	Africa	Asia	Europe	Canada	Total
2006	1,635	0	2	55	**1,692**
2007	2,274	6	8	42	**2,330**
2008	1,605	8	12	50	**1,675**

[3] A number of employees at our operations in Europe declined to offer ethnic definitions of themselves, meaning their data has been presented separately from our standard templates. This means we are unable to accurately categorise such employees into permanent and non-permanent categories. As the large majority are likely to be permanent employees, we have classified them as such

[4] Figures include employees from our joint ventures. They do not include contractors or employees at Diamdel or De Beers Diamond Jewellers

Find out more

- www.debeersgroup.com
- www.debswana.com
- www.dme.gov.za
- www.namdeb.com
- www.petradiamonds.com

Preferential procurement

Preferential procurement plays an important role in our strategy of driving economic development in host countries. It promotes diversification and also offsets historical economic inequalities. In 2008, about US$1.1 billion was allocated to preferential procurement in southern Africa and Canada (2007: US$1.0 billion).

Debswana

Debswana aims to stimulate local economic diversification by encouraging foreign direct investment, joint ventures with suppliers, Small and Medium Enterprise (SME) development and increasing its expenditure with companies owned by the citizens of Botswana. This forms an important part of our wider strategy of supporting the development of secondary industries and associated opportunities generated not only by our mining activities, but also by local sorting, valuing, cutting and polishing (p23-27).

Procurement spend from citizen-owned and local companies increased from P1.8 billion (US$293 million) in 2007 to P3.1 billion (US$$478 million) in 2008 (Figure 2-4). About 24.9% (P778 million or US$119 million) of this was spent with citizen owned suppliers. The significant increase in Debswana spend is partly due to the introduction of a new software platform, the outputs of which will be reviewed during 2009 to ensure consistency of reporting with the past.

Namdeb

The Namdeb BEE Policy provides guidance on how the company can contribute to Namibian transformational requirements and the Vision 2030 National Development Plan. The Namdeb Preferential Procurement Policy gives specific guidance on the identification and prioritisation of historically disadvantaged local suppliers. In 2008, Namdeb spent N$72.7 million (US$9.2 million) with Historically Disadvantaged Namibian (HDN) owned, empowered and influenced businesses (2007: US$7.8 million). This expenditure is likely to increase as the national framework is progressively implemented.

De Beers Consolidated Mines

In 2008, total procurement from HDSA-owned, empowered and influenced companies was R2.1 billion (US$271 million). This represents 63% (2007: 61%) of DBCM's total discretionary spend of R3.4 billion (US$439 million). DBCM aims to spend 40% of its procurement costs with HDSA-owned and empowered suppliers. This target was met early in 2008 after it spent R1.8 billion (US$232 million) with HDSA-owned and empowered suppliers, accounting for 51.7% of total discretionary spend (2007: 37.8%).

De Beers Canada

The Snap Lake and Victor operations aim to include Aboriginal and local businesses in contracting and procurement. In 2008, De Beers Canada procurement spend with Aboriginal suppliers was C$235 million (US$218 million). This reduction compared to 2007 (C$291 million, US$269 million) is mainly due to the completion of mine construction activity.

Case study

Procurement from Aboriginal groups in Canada

Our efforts to support Aboriginal suppliers reflect our belief in the capacity of diamonds to drive local economic development. Targeted procurement with Aboriginal communities helps create employment opportunities, promotes economic growth and builds a pool of Aboriginal suppliers to assist in the operation of our mines.

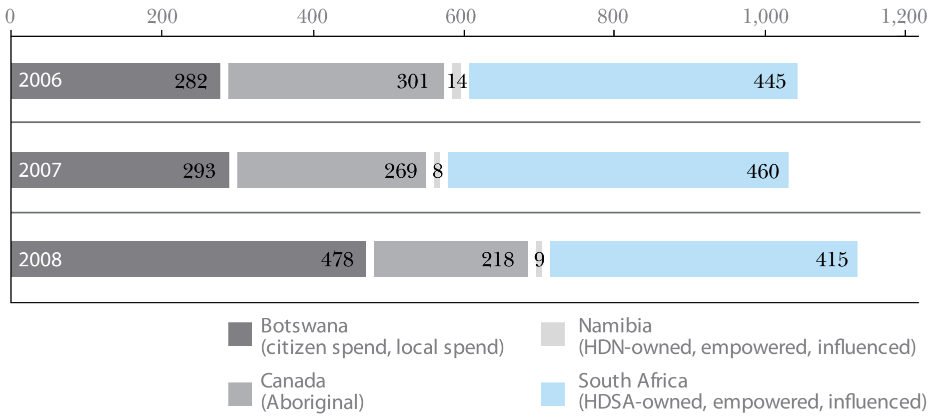
In 2007 De Beers Canada spent C$290.5 million (US$268.5 million) on Aboriginal procurement. Of this 67.2% was spent at Snap Lake, and 32.8% at Victor. In 2008 De Beers Canada spent C$235.3 million (US$217.5 million), with Snap Lake accounting for 56.5% and Victor 43.5%. Examples of recent supply contracts for the Victor mine include:

- C$33.6 million (US$31.1 million) for site development, road maintenance and contractor management from North American Enterprises Ltd., an Attawapiskat company.
- C$14.7 million (US$13.6 million) for air transport services from Air Creebec Inc., a Cree-owned local airline that provides routine, charter and emergency services.
- C$12.1 million (US$11.2 million) for welding and other mechanical services from CMS Mechanical – Timmins Division, an Attawapiskat-operated company.

Find out more

www.aircreebec.ca

Figure 2-4: Preferential procurement spend (US$ millions)



Capital investment

Our capital investments are focused primarily on exploration, the maintenance of existing operations and, where appropriate, expansion programmes at existing mines. Of the US$403 million of capital investment in 2008, 32.5% (US$131 million) was made in Africa and 49.9% (US$201 million) was invested in Canada at our Snap Lake and Victor mines (Figure 2-5). With capital intensive projects such as our Canadian mines having come on-line and with current expansion and exploration programmes having been moderated in the wake of the global economic slowdown, we anticipate capital expenditure in 2009 to be significantly lower than in 2008.

Exploration and major projects

Although the Family of Companies is facing short-term challenges, strategic investment in exploration is vital to the long-term health of the business. Exploration in Africa is in its most advanced stages at our Endiama-De Beers (ENDEB) joint venture in Angola. The advanced exploration project at Gahcho Kué in the Northwest Territories of Canada is ongoing.

Our AK06 joint venture project in the Orapa region of Botswana is being developed by the Boteti Exploration Company, a joint venture partnership between De Beers, African Diamonds plc and Wati Ventures. Although the mining licence was issued for the mine in October 2008, development has been hampered by worsening global economic conditions and the challenge of raising project funding in the current environment. It also faces concerns regarding the availability of a sustainable and cost effective supply of power in the short- to medium-term.

Mining

Diamond mines are often located in remote and inaccessible areas, necessitating the development of new infrastructure. The provision of such infrastructure can benefit local communities and host countries by providing better access to key utilities including education and healthcare.

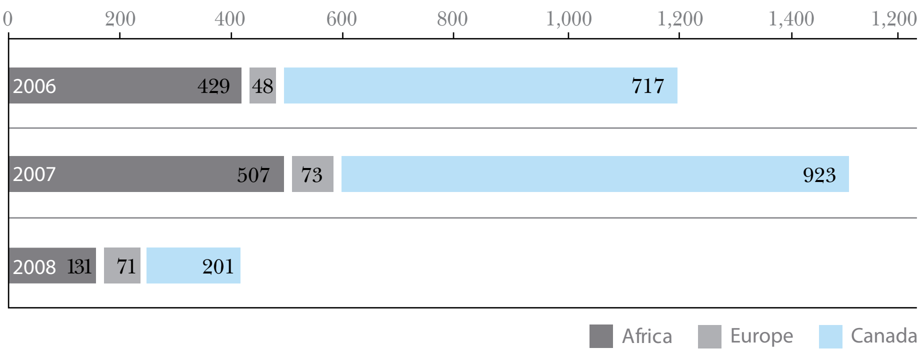
Three major mining projects were opened in 2008. Our Voorspoed mine was officially opened in November 2008 and is expected to be operational for the next 12-16 years. Both the Snap Lake and Victor mines were officially opened in Canada in July 2008. Together, they are expected to account for around 10% of our revenue and produce 2.5 million carats a year. Production at all operations started in 2008.

In South Africa, infrastructure provision is often included in our Social and Labour Plans (SLPs) in the form of corporate social investment projects in and around our South African operations (p72). Infrastructure provided under SLPs is focused on improving the socio-economic circumstances of the communities in which we work and are otherwise unconnected to our operational needs.

Find out more

www.afdiamonds.com

Figure 2-5: Capital investment (US$ millions)



Sustained contributions through diversification

The Family of Companies works with producer country governments as they manage today's diamond revenues intelligently and responsibly to secure a robust and broad-based economic future. This means support not only for economic diversification, but also for good governance to help ensure the equitable investment and distribution of diamond revenues. This responsible investment of diamond revenues by producing country governments is the key to ensuring countries maximise the benefits of diamond resources during the finite life of each mine. Our primary role in this process is to optimise diamond revenues. We do this by developing new deposits, operating efficient mines and diamond distribution systems and driving demand. Through our involvement in large-scale beneficiation projects (p24), diligent closure planning (p31), procurement of local goods and services (p21), direct support for enterprise development (p29) and through technology transfer projects we also assist in economic diversification.

Beneficiation

Beneficiation is the process by which De Beers, through its sales and distribution arm the Diamond Trading Company (DTC), and working closely with government partners, promotes, develops and implements value-adding diamond-related economic activities in producing countries. These activities include the sorting, valuing, cutting and polishing of rough diamonds, as well as local skills development in all aspects of the downstream supply chain to retail. Driving beneficiation is a core part of the sustainability of our business. It offers shared benefits to the Family of Companies, our partner governments and the communities in which we operate. These include local skills development, increased employment, enhanced revenues, diversification and the fostering of a more conducive business environment, thereby helping to optimise the economic returns from diamond resources.

Our investment in beneficiation is long-term. If the diamond producing countries in which we operate are to compete with lower cost cutting and polishing centres such as India and China, they must identify sustainable, competitive opportunities. They would be characterised by the appropriate combination of strong governance, world class skills and facilities, and the maintenance of a favourable and responsible business environment. De Beers is working closely with producer partner countries and Sightholders to ensure that they meet this challenge.

Our contribution to beneficiation is delivered primarily through DTC Botswana (DTCB), Namibia DTC (NDTC) and DTC South Africa (p24) and their respective local Sightholder arrangements in southern Africa, as well as through sales from "DTC International" to Canadian Sightholders.

Boipelo Mothoemang in Gaborone, Botswana

Case study

Marketing DebTech technology

The role of the De Beers Technical Division (DebTech) is to deliver advanced mining-related technology. This helps sustain De Beers competitive advantage in diamond exploration, mining and ore treatment. The DebTech research and development function manages the entire technology pipeline, from requirement analysis and concept generation, to final design. It tailors products to the operational requirements of De Beers.

DebTech is also active in pursuing commercial opportunities for the sale and distribution of its developed technologies in the wider market – including those related to mining automation, marine mining, diamond sorting and security. These technologies are instrumental in helping De Beers and the wider diamond industry mine deposits responsibly and sustainably. In particular, they help in the recovery of as many diamonds as possible, prevent their theft and minimise damage during the recovery process.

DebTech's role has also resulted in the development and commercialisation of important spin-off technologies. These include the Lodox medical X-ray unit, which is already available to medical practitioners worldwide. This unit was developed from the Scannex body scanner, used by De Beers to deter diamond theft from its operations, and was further evolved by a separate company called Lodox. Its low X-ray dose offers significant advantages in terms of protecting patients from over-exposure to radiation.

Find out more

www.lodox.com

Beneficiation in southern Africa

Ensuring diamond producing countries benefit from more of the downstream diamond value chain

What is beneficiation?

Beneficiation is the term used to describe diamond-related downstream activities that add value to locally-mined rough diamonds. It includes:

- Sorting and valuing rough diamonds
- Cutting and polishing rough diamonds
- The manufacture of diamond jewellery

The process of beneficiation, as well as associated capacity-building, is central to our wider strategy of converting natural resources into shared national wealth. It forms part of our contribution to the national development goals of the countries in which we operate.

How does it work?

Beneficiation in southern Africa is driven through three locally established distributors of De Beers rough diamond output: DTC Botswana (DTCB), Namibia DTC (NDTC), and DTC South Africa. In addition, beneficiation is further supported in South Africa through our assistance to the State Diamond Trader. Each of these entities promotes local wealth creation and skills development by:

- Establishing their own local sorting and valuing operations
- Making assortments of rough diamonds available to local Sightholders
- Providing marketing support and expertise to local Sightholders

What is the objective?

The beneficiation process aims to further the strategic interests of both De Beers and its government partners by extracting maximum long-term value from our producer countries' diamond assets. It does this by maintaining and developing local employment opportunities and by developing local skills and capabilities including sorting, valuing, cutting, polishing and jewellery manufacturing. It also acts as a catalyst for further domestic investment from international business.

The long-term aim is to achieve true sustainability within the southern African diamond processing sector.

DTC Botswana

Established: May 2006

Ownership: 50% joint venture with the Government of the Republic of Botswana

Purpose: DTCB makes economically cuttable assortments of diamonds available for sale in Botswana for local cutting, polishing and manufacturing

Activities: Our objective is to supply US$550 million worth of rough diamonds (equivalent to 3% of GDP) via this channel by the end of 2010. By the end of 2008, more than 3,000 jobs had been created through this process in Botswana.

NDTC
Namibia Diamond Trading Company

Established: January 2007

Ownership: 50% joint venture with the Government of the Republic of Namibia

Purpose: To make diamonds available for sale in Namibia for local manufacturing and to sort and value Namdeb's diamond production as well as encouraging marketing practices

Activities: All of Namdeb's production is sorted and valued at NDTC. Prior to aggregation, 10% by value of this production is directly made available for sale to NDTC Sightholders (NDTC only sells to Sightholders who commit to local cutting and polishing). In addition to this direct supply, our objective is to sell a further US$230 million of aggregated diamond supply through NDTC by 2010, meaning total sales equivalent to around 5% of GDP.

DTC
A DE BEERS GROUP COMPANY

Established: DTC Valuations in South Africa was established in 1974. In 2007 it was renamed DTC South Africa

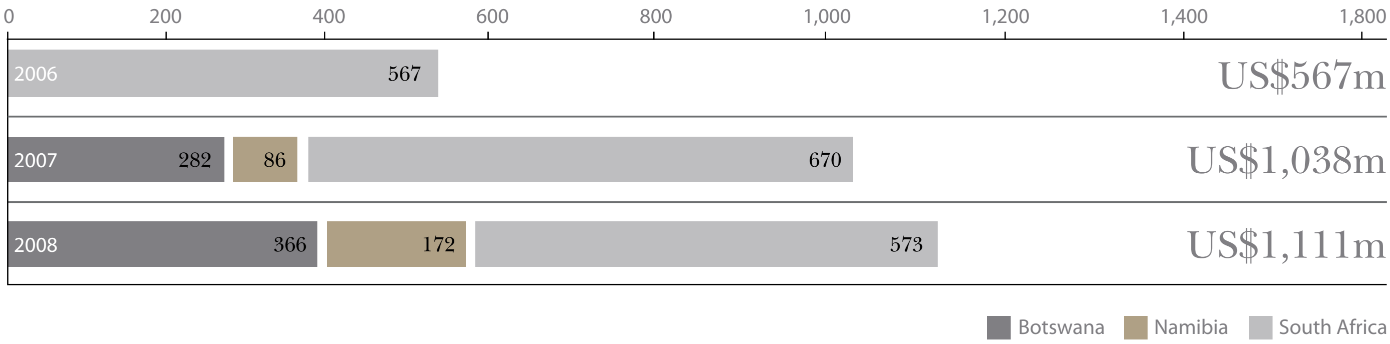
Ownership: 100% De Beers owned

Purpose: To sort and distribute rough diamonds locally, and to encourage the development of local cutting, polishing and jewellery manufacturing skills

Activities: About 50% of De Beers total production by value in South Africa is sold to the local cutting industry via DTC South Africa and the State Diamond Trader. In 2008, these sales of rough diamonds to South African Sightholders and their BEE partners amounted to US$573 million (2007: US$670 million).

> Sheila Khama, De Beers Botswana CEO
>
> **"In Botswana, diamonds are not a luxury, they are bread on the table."**

Figure 2-6: Rough diamond sales to Sightholders in southern Africa (US$ millions)



US$1.1bn

Value of diamonds supplied for manufacture in Africa in 2008

DTC Botswana

In May 2006, the GRB and De Beers signed three agreements covering the renewal of the mining licences for the Debswana mines for a further 25 years; the sale of Debswana's production to the DTC for another five years; and the establishment of the DTCB joint venture (p24). DTCB's role is to sort and value Debswana's production and to make aggregated rough diamond assortments available for sale in Botswana for local manufacturing. Our objective is to supply US$550 million worth of rough diamonds for domestic manufacturing in Botswana (equivalent to 3% of GDP) by the end of 2010. By the end of 2008 more than 3,000 jobs had been created through this process.

Strategy
DTCB is a 50/50 joint venture between De Beers and the GRB, similar to but independent from Debswana. It works actively to support the sustainability of a local cutting and polishing industry and the GRB's new economic development strategy. This includes the development of local cutting and polishing capabilities, the promotion of secondary investment by diamantaires and the facilitation of sales to local Sightholders. The strategy also includes the promotion of jewellery manufacture and wider ancillary services such as insurance and banking. DTCB is at the heart of the developing diamond activity in Gaborone and as a consequence plays an important role in the global diamond industry.

Sales
In 2008, diamonds sold through DTCB, sourced from the DTC's global aggregated mix, were made available locally to clients in Botswana for the first time. DTCB was responsible for setting supply eligibility criteria and assessing applicants against those criteria. These comprised mandatory "business hygienics" requirements, such as the ability to demonstrate financial standing and reliability, general business reputation and full compliance with the De Beers Best Practice Principles, and a relative assessment of "business performance" criteria, such as local job creation and rough diamond utilisation in Botswana. The eligibility criteria were largely to ensure successful applicants are in a position to make a positive and long-term contribution to the establishment of a quality-driven, responsible and competitive local cutting and polishing industry.


DTC Botswana building in Gaborone

Applications for supply were made directly to DTCB for client (Sightholder) status and 16 international companies have been awarded three-year supply contracts from 2008. There has been significant progress since then, with 15 of these local Sightholders fully operational during 2008 and one in the process of becoming operational. This has significantly added to local employment and skills transfer, with over 3,000 jobs having been created. The current economic situation is likely to slow progress, however, and DTCB is working closely with its Sightholders in order to maintain the momentum of beneficiation despite difficult market conditions.

"

His Excellency Mr. Festus G. Mogae,
Former President of Botswana

"One of the steps Government has taken to establish Botswana as a diamond trading centre was to agree with De Beers to set up a Diamond Trading Company in Gaborone. By the time I left office sixteen (16) diamond cutting and polishing companies had been granted licenses and about 2,000 people were employed."

Marketing
DTCB works with clients on marketing initiatives to stimulate local and regional consumption of diamonds and to maintain the integrity of gems as a magnificent and unique product of nature. It is hoped that, through such support, a small and sustainable retail market can be developed in Botswana, focusing on local consumers and tourists.

In 2008, DTCB participated in the Shining Light Awards, inviting local diamond jewellery designers to put forward entries for the event. This was the first time Botswana took part in the prestigious awards, which are intended to help develop skills in jewellery design, spark interest in diamond jewellery within Botswana and showcase designers and jewellery at an international level.

Case study

Local supply agreements in Canada
De Beers Canada has extended the beneficiation model to Canada through the agreement of local supply contracts with the Government of the Northwest Territories and the Government of Ontario. These arrangements ensure a proportion of rough diamond production is made available for local processing and help drive the growth of secondary industries. In July 2008, De Beers Canada and the Government of Ontario signed an agreement that sees 10% of Victor mine production by value being made available to cutting and polishing operations in Ontario. This builds on similar local supply agreements to make available10% of production by value from our Snap Lake mine in the Northwest Territories as well as the proposed Gahcho Kué project.

Namibia DTC

NDTC, a 50/50 joint venture between the GRN and De Beers, was established in 2007. It aims to create long-term benefit from diamonds through the development of downstream diamond processing and marketing capabilities. The establishment of NDTC also supports the GRN's Vision 2030 National Development Plan.

NDTC's Sightholder selection criteria are designed to select only those companies that deliver on the shared beneficiation goals of the GRN and De Beers, based on an assessment of job creation, rough diamond utilisation in Namibia, local equity holdings and national marketing and branding. There are currently 11 Sightholders operating in Namibia, compounding the positive impact of our local beneficiation efforts.

"

Namibia: 2007 Article IV Consultation – Staff Report, February 2008, IMF

"Fostering employment growth in the non-mining sectors to reduce unemployment remains a key priority of the Namibian authorities, who view economic diversification from the mineral sector to non-mineral manufacturing, tourism and other services as a significant step in reducing high unemployment. In this regard, they are committed to continue to create a conducive environment and putting in place measures to increase competitiveness, through improved skills and labour productivity. The government efforts of diversification have started bearing fruits as reflected by a growing number of diamond cutting and polishing companies established over the past 3 years."

A catalyst for wider growth

Up to US$230 million worth of aggregated diamond supply, and 10% by value of the unaggregated Namdeb production, will be made available locally in Namibia by 2010. This represents almost 5% of Namibia's GDP. The formation of NDTC also acts as a catalyst for wider growth opportunities amongst companies that help support the cutting and polishing industry in Namibia. This includes businesses in the local banking, security and IT sectors. The growth of the downstream diamond sector is also expected to help attract other foreign businesses. NDTC's commitment to beneficiation is also about job creation and skills transfer.

Marketing

NDTC is working to drive consumer demand for diamonds and create a sustainable market for Namibia's diamonds. This includes collaboration with Namibian Sightholders to support local marketing initiatives and create a specific Namibian brand focused on local consumers and tourists. NDTC joined DTCB in the 2008 Shining Light Awards in order to promote local jewellery skills and showcase Namibian jewellery and design.

Find out more

www.debeersgroup.com

www.imf.org

www.shininglightawards.co.za

Multi-Stakeholder Forum

Q How is the global economic crisis affecting the beneficiation partnership between De Beers and the GRB?

A The current economic downturn has only confirmed the importance of the close partnership between the Family of Companies and the GRB. Our shared interest in a sustainable diamond industry in Botswana, coupled with an enduring relationship now in its fifth decade, has enabled us to meet the challenges associated with periods of reduced demand and revenues.

Our current focus in Botswana is to support the existing Sightholders that remain critical to our beneficiation activities. A healthy Sightholder community is needed to ensure the viability of the local rough diamond market, the growth of the secondary industry and entrepreneurship.

We conduct regular meetings with the GRB to discuss the potential impact of the global economic situation on mines, diamond sales and energy use. These meetings enable us to develop collaborative mitigation strategies that reduce negative impacts. This kind of relationship offers real advantages to both parties, as it encourages more informed and constructive decision-making about how we collectively respond to the economic crisis.

DTC South Africa

DTC South Africa is helping in the continued development of an integrated domestic diamond industry in South Africa. It does so through local sorting and the distribution of rough diamonds to its Sightholders. Other activities include local skills development and marketing.

In South Africa, the new Diamond Export Levy Act imposes a 5% levy on diamond exports. This is with the aim of using revenues generated by the tax to promote beneficiation activities in South Africa. DBCM has an exemption from the levy as it makes at least 40% of its sales by value available domestically.

Sorting and distribution

In 2008, DTC South Africa sorted and valued 11.9 million carats of diamonds (2007: 14.7 million). South Africa supplied 19 Sightholders for the 2005-2008 contract period and these businesses provide valuable diamond industry employment opportunities. At the start of the contract period, 12 (63%) of these Sightholders had BEE partners. By July 2008, all of the Sightholders had BEE partners in place, in line with new licence requirements.

Skills development

DTC South Africa is helping to develop local cutting and polishing skills. Since its establishment in 1999, about 450 students have graduated from the Harry Oppenheimer Diamond Training School in Johannesburg.

Marketing

Skills development is also promoted through the Shining Light Awards, which were established in 1996 in order to showcase South African design talent. Botswana and Namibia participated in the awards for the first time in 2008. The awards bring together local Sightholders, sponsors, manufacturers and designers to create innovative jewellery. Competitors receive guidance from world experts in diamond jewellery who assist in turning their designs into stunning works of beauty. The winning collection is launched to the public through both domestic and international road shows. DTC South Africa provides five bursaries to educational establishments in South Africa for each biennial competition.

Marketing in South Africa is conducted by Forevermark, a separate business unit within the DTC. It is focused on promoting the Forevermark diamond brand, driving consumer demand for diamond jewellery and maintaining consumer confidence in diamonds (p45).

Find out more

www.diamond.co.za

www.dme.gov.za

www.forevermark.com

Report to Society 2007 (p38)

Case study

The Namibia Institute of Mining and Technology

The Namibia Institute of Mining and Technology (NIMT) is an autonomous technical institution subsidised by the GRN. Its main campus is in Arandis, central Namibia. NIMT trains boilermakers, electricians, fitters, diesel mechanics and other artisans for the Namibian mining and engineering industry. The institution recently established a satellite campus in the northern town of Tsumeb to meet the growing demand for skilled technicians and increase national mining expertise. Tsumeb is a historically significant mining town.

The inauguration ceremony of the Tsumeb campus was officiated by De Beers Chairman Nicky Oppenheimer and Minister of Mines and Energy Errki Nghimtina in November 2007. During the inauguration, Nicky Oppenheimer announced the creation of the De Beers Namibia Fund. The Fund will act as the main vehicle for De Beers social investment activities in Namibia. NIMT was the first beneficiary of the Fund, which provided N$2.1 million (US$265,000) to enable the acquisition of buildings for the Tsumeb campus. In its first year, the Tsumeb campus enrolled 64 students. This number is expected to grow to 214 students by 2009. De Beers funding is intended to support the growth of skilled Namibians entering the local and regional mining industry. This in turn helps promote the sustainability of the Namibian mining sector.

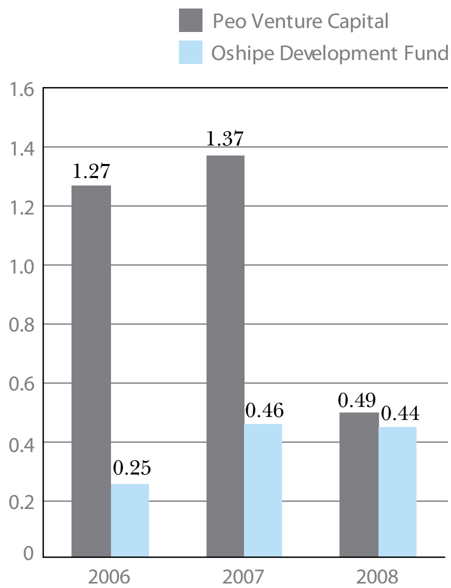
Enterprise development

The Family of Companies operates investment funds in Botswana, Namibia and South Africa. These funds support enterprise development, employment, economic diversification and alternative livelihoods that last post-mining. In addition to investing capital, the funds provide the companies they invest in with advice and mentoring. This includes skills development relating to project and personnel management, finance techniques and business procedures. The provision of skills development is vital to avoid the high failure rate typically associated with small businesses.

Peo Venture Capital

Peo ("seed") is a 50/50 joint venture between Debswana and De Beers Botswana. Since its inception, Peo has assisted in the establishment of 59 businesses and has invested a total of P36.1 million (US$5.5 million). It has created employment for 1,305 Batswana. About 87% of businesses in the Peo portfolio are profitable. Peo is managed by De Beers Botswana with guidance and support from the Debswana supply chain function. These links help Peo to ensure alignment with the Debswana Citizen Economic Empowerment policy and local procurement guidelines.

Figure 2-7: Investment in enterprise development (US$ millions)



Okawe Vegetables produces fresh vegetables in Oranjemund, Namibia

In 2008, Peo invested P3.2 million (US$491,000) in the expansion of three supported companies: Crittal-Hope, Mamasi and Carnation. Crittal-Hope is a window and door frame manufacturing project that Peo has supported from an early stage. Peo's further injection of investment in 2008 was to help the company respond to the high demand for its products. Mamasi is a project to provide accommodation for tourists, as well as related attractions. Peo's funding for Mamasi in 2008 was to help the company increase the number of vehicles and boats available for game and boat drives while the Carnation investment was to assist the company to execute the second phase of the Lumwana mining town construction project in Zambia. The Peo annual investment level was significantly lower in 2008 in comparison to other years. This was because the company reviewed its investment strategy at the close of the year, following depletion of the initial P40 million (US$6.1 million) capital injection made in 1997.

Peo built upon plans to increase its visibility by holding its first Peo Day in August 2008. The theme for this year was "Outsourcing as a Driver of Business Opportunities". The event also helped Peo ensure the close alignment of its activities with national policy.

Oshipe Development Fund

Oshipe is a wholly owned subsidiary of Namdeb. Its mission is to promote and facilitate sustainable business development and the growth of SMEs. Preference is given to SMEs owned partly or wholly by previously disadvantaged Namibians. Since its inception in 2005, Oshipe has made 14 investments worth a total of N$8.5 million (US$1.1 milllion) in 11 projects in Namibia. Oshipe provides financial assistance either through loans, or a 26-49% equity investment coupled with a loan. Where an equity investment has been made, Oshipe is represented on the Board of that company for the duration of that investment.

During 2008, Oshipe reoriented its strategy to make investments only in the Karas Region of Namibia, with particular focus on the towns of Oranjemund and Lüderitz, where Namdeb has a mining presence. This included the establishment of a satellite Oshipe office in Oranjemund to facilitate and monitor business opportunities in the wider region. This strategy shift aims to better align Oshipe activities with the Namdeb closure plan, the securing of economic stability in Oranjemund and the promotion of wider regional growth. In 2008, Oshipe invested N$3.5 million (US$442,000) in five projects.

De Beers Matlafalang

De Beers Matlafalang (DB Matlafalang) was launched in September 2003 as DBCM's enterprise development vehicle. It facilitates the creation, promotion and expansion of sustainable, HDSA-owned businesses in South Africa. DB Matlafalang primarily focuses on the development of large-scale partnerships with third party experts, financial institutions and other businesses. These partnerships aim to develop sustainable business opportunities in and around mining operations where there is a need for alternative livelihood projects.

In 2008, DB Matlafalang facilitated a joint venture worth R40 million for an on-shore Abalone project at Namaqualand mines. The project, which is operated in partnership with a leading seafood brand, was established as a BEE company and will be staffed mainly by local employees. DB Matlafalang and Conservation International co-funded conceptual and prefeasibility studies for "The Living Edge of Africa Project" (LEAP) that hopes to transform a diamond mining area with an uncertain future into a carbon neutral economic development zone (p74). The intention of LEAP is to create a high number of permanent jobs while generating renewable power, producing an abundance of food and fresh water and restoring globally important biodiversity. DB Matlafalang assisted the Namaqualand Restoration Initiative, under the auspices of the University of Cape Town, with the creation of a BEE SME that is assisting Namaqualand Mines with community plant restoration works. The SME employs 15 people (mainly women) from the local community.

Find out more

	www.conservation.org
	www.uct.ac.za
	Report to Society 2007 (p85)

The Cullinan mine was sold to Petra Diamonds in July 2008

Case study

Sale of the Cullinan mine to Petra Diamonds and BEE partners

In July 2008, the Petra Diamonds Cullinan Consortium took control of the Cullinan mine following its sale by DBCM. The consortium is made up of Petra Diamonds Limited (37%), Al Rajhi Holdings W.L.L. (37%) and BEE partners (26%). The shares of the BEE partners have been funded by Petra and Al Rajhi and are to be repaid from future cash flow from the mine. The BEE partners include Thembinkosi Mining Investments (Pty) Ltd (14%) and a broad based Petra employee share trust (12%), underscoring Petra's belief in employee participation.

The sale forms part of DBCM's portfolio review process, which will allow it to concentrate on newly developed projects such as South African Sea Areas and the Voorspoed mine. Petra has an established track record for the effective management of more marginal deposits. Its specialised portfolio, skills and experience are expected to ensure the long-term profitability of the mine. Petra is also known for its social initiatives, as well as best practice environmental standards. The sale of Cullinan to Petra is expected to help secure a sound and sustainable future for this historic mine, with long-lasting benefits for the local community.

Gareth Penny, De Beers Managing Director

"The sale of Cullinan mine is part of our ongoing drive to position De Beers for long-term growth by reviewing our portfolio of mining assets and focusing on those with the best strategic fit. As we build the De Beers of the future we are also creating new opportunities for other players in an increasingly diversified and competitive global diamond industry."

Find out more

www.alrajhiholding.com

www.petradiamonds.com

Planning for closure

All of our mining operations have partial or complete closure plans in place (p75, p85). Provisional plans are developed as part of the impact assessment process for all new operations and are progressively reviewed throughout the lifetime of the mine in cooperation with employees and stakeholders. We have also sought to carry out concurrent rehabilitation as we operate. This helps limit post-closure liability from the outset. Complete scope closure plans include measures to address socio-economic and environment issues such as labour transition, employee skills training, enterprise development, social investment and rehabilitation.

Mines nearing closure

Our Finsch, Namaqualand and Namdeb land-based operations have the most developed mine closure plans. The Oaks mine, which stopped production in July 2008, was subject to an accelerated closure plan using the Anglo American Mine Closure Toolbox (p85).

As a minimum, closure plans ensure legal compliance and the remediation of environmental impacts. They also aim to ensure positive contributions to the livelihoods of employees and communities post mining. The plans include measurable and time-bound performance targets developed and agreed with stakeholders in areas such as employee relations, socio-economic developments, rehabilitation or biodiversity. Regular reviews of the mine closure strategies are completed with employees and other stakeholders including government, unions, local communities and relevant civil society organisations.

Divestments

Where the Family of Companies makes divestments, a status report is jointly prepared with the purchaser. This report aims to identify potential liabilities in relation to a minimum set of closure planning requirements and relevant national legislation. This includes largely physical and environmental criteria. These liabilities are formally catalogued and benchmarked through an independent State of the Environment Report. The cost of addressing these liabilities is factored into the sale price of the operation.

In July 2008 the Petra Diamonds Cullinan Consortium took control of the Cullinan mine in South Africa. This followed agreement of a R332 million (US$42.8 million) environmental rehabilitation guarantee in 2007, to ensure effective rehabilitation by the consortium post acquisition.

In December 2008, De Beers announced the sale of its 75% equity stake in Williamson Diamonds Limited, the operator of the Williamson mine in Tanzania, also to Petra Diamonds. The mine, which was operated as a joint venture between the Government of the United Republic of Tanzania and De Beers, was running at a loss primarily due to low ore grades. Petra was selected due to its reputation as a responsible and technically competent miner and its proven ability to reinvigorate loss-making operations.

Ethics

Our commitment to meeting the highest ethical standards is embedded in our commitment to "live up to diamonds" and guides us in the delivery of our business goals. The behaviour of our employees, the robustness of our assurance systems and the transparency of our business transactions all underwrite stakeholder confidence in our business and play a critical role in protecting the equity of our product, the diamond.

All De Beers operations aspire to meet or exceed all applicable statutory requirements, as well as international standards on issues ranging from conflict diamonds to anti-corruption. This includes compliance with, and promotion of the Kimberley Process and the Extractive Industries Transparency Initiative (EITI) protocols which in tandem assure the provenance of our diamonds and facilitate the responsible distribution of the revenues our business generates in producer countries.

The Family of Companies also works with its business partners to develop and embed ethical standards throughout the diamond value chain. Our Best Practice Principles (BPPs) apply not only to our own operations, but also to Sightholders, contractors and suppliers. We also work with sectoral initiatives such as the Responsible Jewellery Council (RJC) to drive high standards throughout the industry.

Highlights

- All diamonds sold by De Beers are 100% conflict free. Compliance with the Kimberley Process and System of Warranties for 2008 was verified by the Government Diamond Office of the United Kingdom and Société Générale de Surveillance
- More than 1,700 individuals within the Family of Companies were given on-line competition (or antitrust) compliance training
- In May 2008, the Federal District Court in New Jersey issued its written opinion approving the settlement of all of class actions in the United States involving De Beers (p39)
- The De Beers Best Practice Principles (BPP) Assurance Programme was enhanced through the development of customised SMART self-assessment workbooks linked to the risk exposures of each individual Sightholder entity, to verify Sightholder and De Beers business unit conformance with the De Beers BPPs efficiently

100%

Proportion of diamonds sold by De Beers that are guaranteed conflict free

Dr James Suzman, De Beers Director of Corporate Citizenship

"The extent to which a business has successfully internalised corporate responsibility into its core operations and strategy is an increasingly relevant measure of its potential future success in a rapidly changing world."

The traceable contents of a secure shipment box ensure compliance with the Kimberley Process

Issues relevant and material to our stakeholders that are addressed in this chapter

Conflict diamonds

All De Beers diamonds are certified conflict free and are produced or purchased in full compliance with national and international law, the Kimberley Process Certification Scheme (KPCS) and our De Beers Best Practice Principles (BPPs). Today, about 99.8% of world diamond production originates from countries that participate in the KPCS.

The Kimberley Process Certification Scheme

The Kimberley Process was established in 2000 by the United Nations (UN), governments, Non-Governmental Organisations (NGOs) and the diamond industry to eliminate conflict diamonds from the legitimate diamond supply chain (p41). De Beers engages actively in the Kimberley Process and with participating states, civil society and the UN through our membership of the World Diamond Council (WDC) executive committee. This includes participation at each inter-sessional and plenary meeting of the Kimberley Process. We also work actively with other members to ensure the programme is continuously strengthened and, where appropriate, to share our expertise and resources.

Key Kimberley Process events in 2008:

- De Beers supported civil society in voicing concern over Venezuela's non-compliance with the KPCS. In July 2008, Venezuela voluntarily suspended all exports and imports of rough diamonds.
- This past year also saw reports on the smuggling of rough diamonds from deposits in Zimbabwe into neighbouring countries. De Beers requested the Kimberley Process ensure adequate mitigation measures and that national authorities were supported to investigate and eliminate alleged smuggling.
- The UN Security Council renewed its diamond trade ban on Côte d'Ivoire for a further year in October 2008. The Ivorian Government continued its dialogue with Kimberley Process representatives over the establishment of a certification system in the country.
- The Kimberley Process strengthened its relationship with the Diamond Development Initiative (DDI) during 2008. DDI complements the Kimberley Process by seeking to address the political, social and economic challenges of the artisanal diamond mining sector and optimise its developmental impacts (p75).

The System of Warranties

The international diamond industry has developed a System of Warranties to support implementation of the KPCS. Whilst the KPCS is restricted to the trading of rough diamonds between countries, the System of Warranties also applies to polished diamonds. It requires companies to implement a system that ensures all invoices for the sale of diamonds, and jewellery containing diamonds, include a written guarantee that the diamonds are conflict free. Records of all warranty invoices given and received must be kept and subjected to second or third party auditing on an annual basis.

The Family of Companies played a key role in developing the System of Warranties through its work with the WDC. The KPCS and the System of Warranties are also embodied in the BPPs and our Principles. Any non-compliance with the KPCS and System of Warranties by our Sightholders will result in a material breach of contract and subsequent sanction. No Kimberley Process-related material breaches were identified for the Family of Companies or Sightholders in the 2008 BPP assurance cycle.

"

Festus Mogae, Former President of Botswana

"Botswana took a lead as the world's most diamond-dependent economy, in the establishment of the Kimberley Process to protect the reputation of diamonds, and to assure the international community that our diamonds were for development."

Verification of compliance

Our worldwide compliance with the Kimberley Process and the industry System of Warranties was reviewed by a third party. This engagement excluded Element Six, Hindustan Diamond Company and De Beers Diamond Jewellers (DBDJ). It related to the period commencing 1 January 2008 and ending 31 December 2008.

This report includes two statements that support our compliance and commitment to the Kimberley Process and the industry System of Warranties. The first is supplied by Société Générale de Surveillance (SGS) as part of its verification of the BPP Assurance Programme. The second is provided by the Government Diamond Office of the Foreign and Commonwealth Office of the United Kingdom (GDO), which confirms compliance for our DTC operations in the United Kingdom. In 2008, these operations where a channel for 81% of our global exports (p103).

The Diamond Task Force

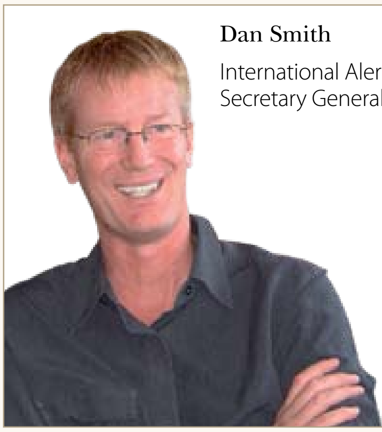
In 2000, De Beers established a Diamond Task Force (DTF) to provide technical services to those countries rebuilding their post conflict diamond industries. The DTF facilitates technology transfer and professional cooperation in partnership with stakeholders such as governments, international organisations, NGOs and local communities. In 2008, members of the Government Gold and Diamond Office in Sierra Leone attended technical courses held by the DTF on diamond sorting and valuation techniques in South Africa. Assistance was also provided to the Government Diamond Office in Liberia through the provision and installation of an electronic ID card system. Work carried out by the DTF in Liberia was integral to the country's admission to the Kimberley Process in May 2007.

Find out more

- www.ddiglobal.org
- www.debeersgroup.com
- www.international-alert.org
- www.unmil.org
- www.worlddiamondcouncil.com

Conflict sensitivity for the extractive sector during the economic crisis

Dan Smith, International Alert Secretary General



Dan Smith

International Alert Secretary General

In economic crisis as always, the poor suffer most. Poor countries today are facing a threefold hit that will only get worse as recession continues. First, diminishing markets mean less export income. Second, less easily available finance capital plus reduced market opportunities mean some key investment projects are cut, cancelled or deferred. Third, growing unemployment means less need for migrant labour; many countries are suffering as the remittances that workers abroad send home are falling and the workers are returning home, with neither jobs nor a welfare system to support them.

Tough though it is going to be and uncertain though its duration is, the economic crisis will pass. So how could (or should) a company that is having to cut back on its activities respond to the downturn and prepare to bounce back – in particular, in the extractive sector?

NGOs often have a lot to say, including both criticism and advice, when major extractive companies are investing and operating at full blast. On the part of International Alert, both criticism and advice are aimed at the need for conflict sensitivity. That is, we argue that extractives should pay attention not only to the risks to their operations that can arise from conflicts in localities where they invest, but also to the risk that their operations can create for those localities by unintentionally triggering or feeding conflicts – a two-way risk analysis, in short.

As investment is cut back and operations reduced, new risks and new opportunities arise. Especially where investment and operations have been carried out without an adequate two-way risk analysis, it is unlikely that any reductions will be assessed for their conflict impact. Yet putting thousands of people out of work in poor countries with no social safety net could indeed exacerbate local conflicts, make them harder to manage, and in the extreme cases provide pools of resentful recruits to join the militias of local leaders. It is a big ask for companies that are rushing to protect their balance sheets, but actually cutbacks should be carried out as carefully as growth.

The second risk is that, if cutbacks are implemented, companies will hunker down, look after the basics and wait for global conditions to improve in 18-24 months. This is easily understandable but, as a result, conflict sensitivity could be treated as a luxury that has to be abandoned along with others. The temptation will be only to attend to such issues when the good times have returned.

The trouble is that extractives have a large and usually long-term local presence; errors of omission made early in the investment process have lasting impact. In other words, the time to think about conflict sensitivity is not when the good times have returned but beforehand.

And this is where the key opportunity arises because the analytical components of conflict sensitivity do not cost much. During the bad times, companies will prepare for the bounce-back by keeping a weather eye out for the most promising investment opportunities. We argue that they can and should also raise their heads from their balance sheets and ask the societal questions about conflict impact that are part of good corporate practice for extractive industries.

International Alert.

Douglas Hengel, US State Department Deputy Assistant Secretary

"We were very pleased, in particular, in September (2007) to see the first official diamond exports from Liberia since UN diamond sanctions were lifted and Liberia was admitted as a participant in the Kimberley Process. With United States government funding and additional support for equipment and training from the United Nations Mission in Liberia (UNMIL), De Beers, the Dubai Diamond Exchange, this truly multilateral effort should be a model for the Kimberley Process in the future. We hope that diamond export revenues will play an important part in Liberia's economic reconstruction."

The Kimberley Process

The Kimberley Process Certification Scheme (KPCS) is an inter-governmental initiative to eliminate the trade in conflict diamonds. De Beers played an integral role in the development of the KPCS, which brings together governments, industry and civil society. This was due to growing consciousness about the role of conflict diamonds in financing and perpetuating rebel factions in Angola, Liberia, the Democratic Republic of the Congo and Sierra Leone during their civil wars in the 1990s. Since the establishment of the KPCS, De Beers has played a leadership role in the eradication of conflict diamonds from the global diamond value chain. We work with participating governments and civil society to strengthen the system in order to ensure its goal is achieved.

www.kimberleyprocess.com

Kimberley Process participants must:

- Put in place national legislation and controls to ensure imports and exports are free from conflict diamonds
- Certify that imported or exported rough diamonds are conflict free
- Only trade rough diamonds with other Kimberley Process participants
- Commit to transparency and the exchange of statistical data regarding imports and exports

99.8%

Percentage of global rough diamond production from conflict free sources

75

Number of participating countries, including 27 European Union Member States

Definition of conflict diamonds

"…rough diamonds which are used by rebel movements to finance their military activities, including attempts to undermine or overthrow legitimate Governments"

Source: UN General Assembly Resolution 55/56, December 2000

Statement

Certificates specify that rough diamonds within each shipment have been handled in accordance with the KPCS

Anti-forgery measures

Certificates include watermarks and embossing to ensure they are forgery and tamper-proof

Serial number and data

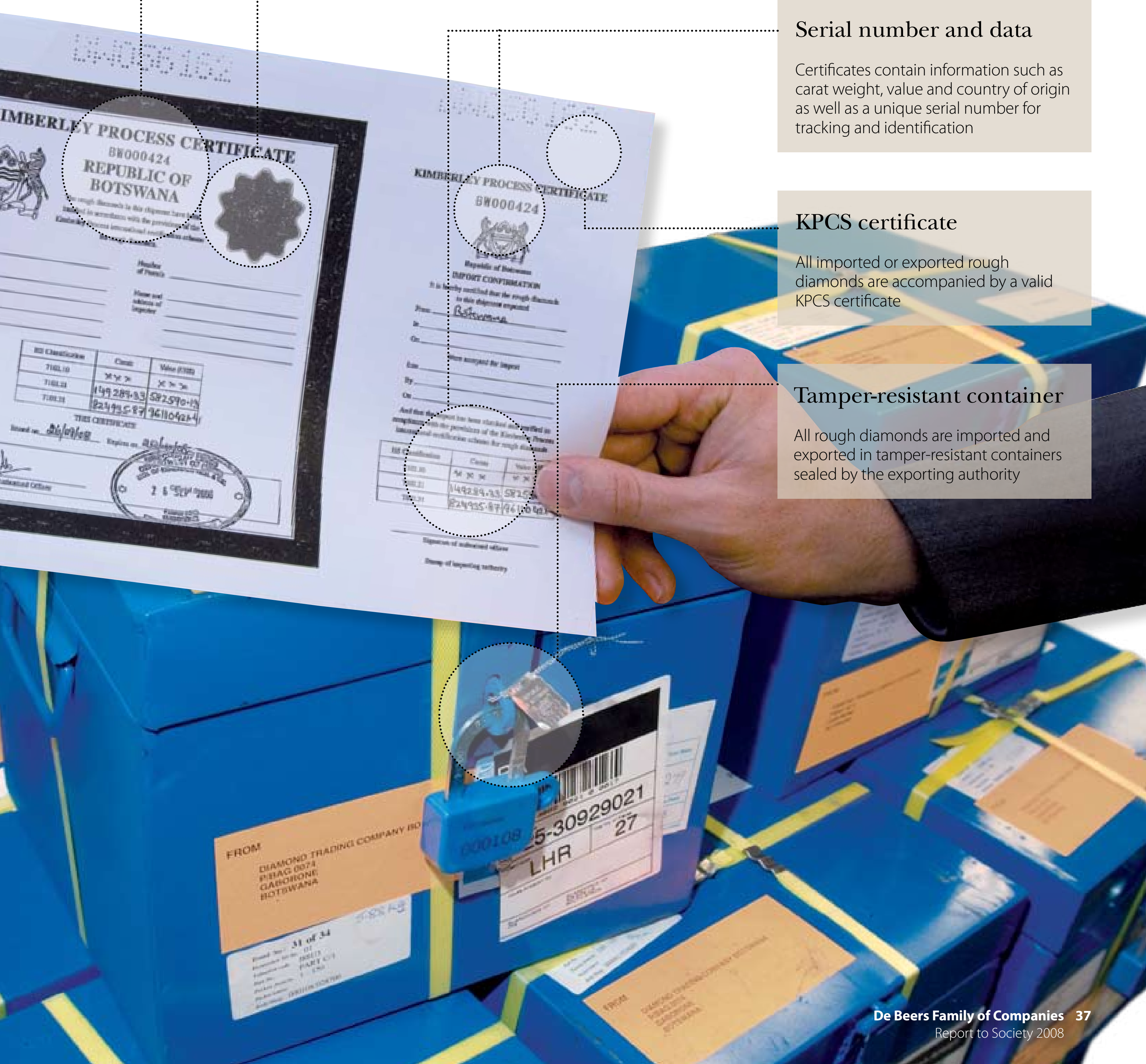
Certificates contain information such as carat weight, value and country of origin as well as a unique serial number for tracking and identification

KPCS certificate

All imported or exported rough diamonds are accompanied by a valid KPCS certificate

Tamper-resistant container

All rough diamonds are imported and exported in tamper-resistant containers sealed by the exporting authority



Business Principles

"Living up to diamonds" demands application of the highest standards in our relationships with our host governments, business partners, competitors and suppliers. These standards are embodied in our Purpose, Vision and Values. We also seek to encourage similar standards amongst others in the diamond industry and value chain, where possible and appropriate.

Political donations

The Family of Companies does not directly or indirectly participate in party politics nor does it make payments to individuals. In exceptional cases, political donations may be made in support of the democratic process. They are made only to pro-democratic registered parties that are committed to the protection of human rights, good governance and the rule of law. These are parties that support regular multi-party elections, sound revenue policies, executive accountability and parliamentary oversight. We believe these criteria support our shared long-term goal of a more conducive, transparent and responsible business environment.

Our support of this goal is embodied in the social investment policies of our different operating companies (p78). In 2008, De Beers Canada donated US$1,800 in support of provincial political events and receptions with stakeholders. Donations were made in accordance with the Ontario Election Finances Act and are registered with and published by Elections Ontario.

Anti-corruption

Accepting or giving bribes in all forms is prohibited in business transactions undertaken by the Family of Companies or through third parties. This includes subsidiaries, joint ventures or agents. This requirement is present in our Principles as well as the BPPs, our commitment to the UN Global Compact and our Code of Business Conduct and Ethics. De Beers also supports EITI and is a founding signatory to the Partnering Against Corruption Initiative (PACI) of the World Economic Forum (WEF).

No significant incidents of corruption were identified during 2008. No significant fines or non-monetary sanctions were imposed on the Family of Companies in relation to non-compliance with anti-corruption legislation and regulations.

Our Anti-Corruption Policy requires full compliance with national and international legislation. It also requires the disclosure of transactions and relationships that might give rise to illegalities.

Corruption Perception Survey

In 2007, the Family of Companies undertook an internal Corruption Perception Survey covering our business units in Angola, Botswana, the DRC, India, Namibia, South Africa and Tanzania. The survey was implemented to identify which areas of the business are most exposed to potential corruption and to assist in the development of scenario-based guidance materials for employees to protect themselves against corruption and bribery at work. Preliminary results from the survey identified potential risks for our previous Tanzania operations as well as our shared services supply chain function.

RESIST anti-corruption tool-kit

Results from the Corruption Perception Survey have assisted in development of the RESIST anti-corruption tool-kit. RESIST helps private sector companies develop stronger anti-corruption and bribery strategies. It is based on a range of scenarios and solutions developed from the experience of others operating in areas of poor governance. The initiative includes PACI, Transparency International, the UN Global Compact and the International Chamber of Commerce.

Multi-Stakeholder Forum

Q Can De Beers positively influence the situation in Zimbabwe regarding diamonds and human rights?

A De Beers and other members of the diamond industry provided customs authorities, bourses and the Chair of the Kimberley Process with expert instruction and photographic examples to help identify the type of diamonds being illegally exported from Zimbabwe. Several parcels of rough diamonds were seized by customs officials in 2008 and there have been several notable arrests of people suspected of transporting rough diamonds from the country. During the course of the year, a Kimberley Process Working Group convened a meeting and set up a task force that includes NGOs to review the import and export of rough diamonds from Zimbabwe. Depending on its findings, this could lead to the suspension of Zimbabwe from the Kimberley Process. De Beers is also encouraging Zimbabwe to adopt fast-track, interim measures to deal with the situation and to address NGO/industry-driven concerns raised at the November 2008 Delhi meeting of the Kimberley Process. This includes a suspension of all imports and exports of rough diamonds. The Kimberley Process is limited in its implementation by the capacity of member governments.

Anti-money laundering

The Family of Companies is committed to the prevention of money laundering and to combating the financing of terrorism. In 2008, no fines or non-monetary sanctions were imposed on the Family of Companies in relation to money laundering.

No material breaches

The BPP third party Assurance Programme verifies compliance with national and, where appropriate, international legislation with respect to money laundering, terrorism financing, bribery, corruption, smuggling, embezzlement, fraud, transfer pricing and tax evasion. It checks for the development and application of relevant policies, programmes and practices, including the recording of all transactions over US$10,000. Most importantly, it requires evidence of due diligence and exceptional record-keeping. No material breaches relating to anti-money laundering have been identified for the Family of Companies or Sightholders since implementation of the BPP assurance cycle in June 2005.

Analysing diamonds using ultraviolet light

Background checks and training

Our policy on Anti-Money Laundering and Combating the Financing of Terrorism applies to all of our operations. It has also been communicated to joint ventures and partner companies. The policy ensures the Family of Companies is only able to enter into transactions with approved financial institutions. It also forms part of the Sightholder selection process, which relies on background checks. In 2007, De Beers Internal Audit (DBIA) conducted a review of how well the policy has been implemented. It found that all business units, group functions and, where applicable, shared services have implemented the policy effectively. Good progress was also evident with respect to the introduction of background checks on Sightholders and suppliers. De Beers Canada, De Beers UK Ltd, De Beers Marine Namibia and Namdeb are in the process of extending these checks to include all suppliers. In 2008, the Diamond Trading Company (DTC), DTC Botswana and Namibia DTC implemented a new system of customer checks. Debswana, De Beers Marine and Namdeb also completed training against the policy. All relevant staff have now received training applicable to their area of work. DBIA suggested the Sightholder and supplier checking process would benefit from increased consistency and formalisation. A new Datanomics system was launched in early 2009 with further intelligence support provided by World-Check.

Competition laws

The Family of Companies has taken clear and demonstrable action to ensure continued compliance with competition and antitrust laws and regulations in all jurisdictions in which it operates. This commitment is integral to our continued success in a competitive global economy. Our Legal Compliance Policy applies to all relevant members of staff at every level of our wholly owned and managed companies. Companies that are not wholly owned or managed are strongly encouraged to adopt this policy. Compliance training is regularly undertaken by our Corporate Legal Services team, including guidance on competition laws and how these apply to each business and functional area. Employees are requested to report any breaches of this policy through an Ethics Hotline. De Beers will not tolerate violations of competition law, or mistakes resulting from carelessness or inattention to legal compliance requirements by its employees.

Resolution of actions in the United States

In November 2005, De Beers sa announced that agreement had been reached, and a preliminary approval order issued, to settle the majority of civil class action suits filed against the company in the United States relating to allegations of anti-competitive practice. By March 2006, the three remaining civil class action suits were added to the November 2005 settlement agreement, resulting in an overriding settlement arrangement totalling US$295 million. This received preliminary court approval in April 2006.

As part of the class action settlement, De Beers also agreed to offer injunctive relief, which includes a general commitment to comply with the antitrust laws of the United States, and specific undertakings not to engage in certain conduct with third party producers and Sightholders.

In May 2008, following a fairness hearing in April 2008, the Federal District Court in New Jersey issued its written opinion approving the settlement of all of the class actions involving De Beers. A number of objectors to the settlement are appealing the Court's approval. The appeal process is ongoing.

This settlement does not involve any admission of liability on the part of De Beers but, once finalised, it will bring to an end all outstanding class actions. Furthermore, it represents an important step to improving our reputation in the largest diamond consumer market in the world.

Find out more

- www.datanomics.com
- www.eitransparency.org
- www.electionsontario.on.ca
- www.iccwbo.org
- pacer.njd.uscourts.gov
- www.transparency.org
- www.unglobalcompact.org
- www.weforum.org
- www.world-check.com

Case study

Competition law on-line compliance training

Ben Peters

De Beers
Senior Counsel,
Competition

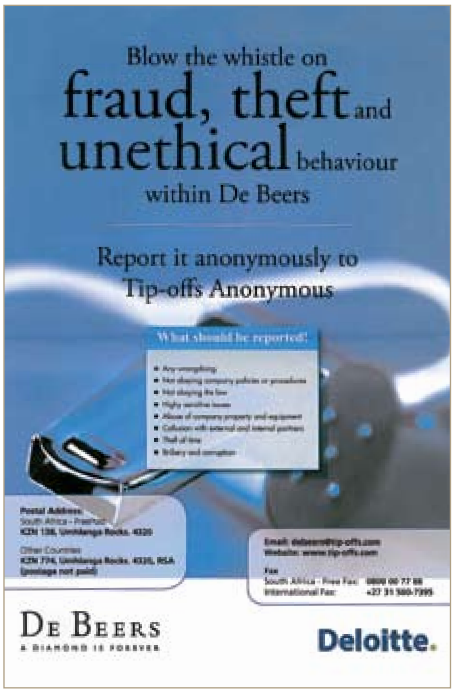
De Beers is committed to legal compliance in all jurisdictions in which it operates. A key part of this commitment is providing employees with guidance and training on competition (or antitrust) law. Potential breaches of the law by any of our employees could have severe consequences for both De Beers and the individual in question. These include heavy fines, a tarnished reputation and, in some countries, imprisonment.

As part of this commitment to legal compliance, in 2008 an on-line competition law compliance training programme, encompassing over 1,700 individuals, was launched. The training provides guidance on what employees can and cannot do from a competition law perspective and includes a series of questions at the end of each section to test their understanding of the concepts discussed. The training comprises three core modules and each module has a number of sections, including an explanation of the law, possible situations that may be encountered, some real life examples and key messages.

Whilst implementing the programme, a balance had to be struck between ensuring a basic and consistent level of training for all participants, yet also including appropriately tailored content to make the training relevant to different business units across the world. A further challenge was the number and geographical breadth of participants, who were required to complete the training on the basis of their employment grade. This inclusive approach helped to broaden awareness of the importance of competition law compliance to operating a sustainable business and, in turn, to support our commitment to legal compliance.

LAW AT THE HEART OF BUSINESS

DE BEERS
CORPORATE LEGAL SERVICES



Dealing with unethical behaviour

Our current Code of Business Conduct and Ethics and Principles covers issues including legal compliance, fraud, corruption and theft. They also address the disclosure of gifts or conflicts of interest, diamond control relationships with external organisations and customers, intellectual property and political support.

Whistle blowing

An outsourced global Fraud and Ethics Hotline Service was launched in May 2008 to replace the existing in-house hotline facility. The hotline is a safe and secure channel where information on fraud, corruption, theft, diamond control, intellectual property or deviations from good corporate governance practices can be anonymously reported without fear of recrimination (p104). All employees are encouraged to use this facility if they have any information they wish to report.[1] Debswana implemented its own independent hotline in 2007.

[1] A detailed set of all contact information is presented on the inside back cover of this report

Breaches of the Code of Business Conduct and Ethics and other criminal misdemeanours

The Family of Companies does not tolerate unethical or illegal behaviour and will remove individuals identified as being in breach of these requirements. In 2008, there were 718 internal investigations into alleged illegalities and/or breaches of the current Code of Business Conduct and Ethics at our operations (2007: 525). This figure includes all allegations irrespective of severity, though they mainly relate to dishonesty including diamond theft. As a result, 120 employees (0.70% of our total workforce) were dismissed (2007: 143, 0.69%). Of these, 69 employees (0.40% of our total workforce) were referred to the appropriate law enforcement agencies (2007: 67, 0.33%). Not all of these cases were as a result of whistle blowing. A number were identified independently by the investigation departments of the various business units through security controls, audits, investigations and other means. No fines or non-monetary sanctions were imposed on the Family of Companies in relation to non-compliance with applicable laws and regulations.

Diamond value chains

We believe it is in the long-term interest of the diamond industry to meet consumer and stakeholder expectations relating to business ethics and economic contributions, health and safety, labour standards and the environment. We have sought to meet these expectations for our own operations and those of our Sightholders through our own Principles, policies and standards and the BPPs respectively. The BPPs are also applicable to contractors and suppliers (p13, p102).

Case study

The DiamondPLus™ detects treated natural diamonds

The De Beers Consumer Confidence Technical Research (CCTR) team works to ensure that the De Beers Family of Companies, the diamond trade, and in particular gemmological laboratories and gemmologists are aware of the issues that could affect the integrity of diamonds.

With the right knowledge and instrumentation synthetics, simulants and treated diamonds can be quickly and easily detected. There are also a number of additional industry safeguards in place to ensure consumers are not misled, including guidelines which require jewellers to clearly identify them. Through the BPPs, the Family of Companies has shown its commitment to industry-wide effective disclosure of synthetics, simulants and treated diamonds.

The latest instrument to be developed by the De Beers CCTR team is the DiamondPLus™. It is a compact screening device intended for use in all locations where polished diamonds are handled, and its primary function is to screen for type II high-pressure-high-temperature (HPHT) treated natural diamonds.

In nature, type II diamonds are rarer than type I. They tend to have irregular shapes, rather than a distinct crystal form. Type II diamonds are very nearly pure, with negligible amounts of nitrogen and as a result are excellent heat conductors. HPHT treatment alters the colour of natural diamonds using presses similar to the ones used to produce laboratory-grown diamonds. HPHT treatments are irreversible and permanent.

To assist in the testing of a diamond by DiamondPLus™, the diamond will need to have been pre-identified as type II (for example by using the Diamond Trading Company DiamondSure™ instrument or by infrared spectroscopy) and standard gemmological tests should be applied to confirm that the diamond is natural.

The DiamondPLus™ instrument makes a laser-excited photoluminescence measurement on stones and within 15 seconds returns an automated "Pass" or "Refer" result. A "Pass" result shows that the diamond under test has not been HPHT treated whereas a "refer" indicates that the diamond must be investigated further to determine whether it has been treated or not. Additional measurements should be carried out by an accredited qualified gemmological laboratory in order to make a positive identification. In addition to referring all HPHT treated type II diamonds, the instrument will also refer a percentage of untreated natural type II diamonds. These can also be identified by using the more sensitive, laboratory-based, low temperature photoluminescence technique.

The DiamondPLus™ performs best on high colour type II diamonds. The referral rate of the instrument may increase as the strength of the brown colour increases.

The instrument is designed to make a measurement with the sample immersed in liquid nitrogen. For this reason the instrument is only suitable for testing loose stones; it is not suitable for testing mounted stones. Testing of non-diamond material is not recommended since the thermal shock may cause the sample to fracture. Testing of such material will result in the message, "No Diamond Detected" being displayed.

The instrument is primarily intended for the testing of type II natural diamonds and should not be used in the classification of other precious gems or diamond simulants.

Suppliers

The BPPs require major suppliers to the Family of Companies to demonstrate "best endeavours" with respect to ethical practices in their operations. We do this partly by advising all of our suppliers of the business ethics, social and environment requirements that form part of our BPP framework. We also have procedures in place to help ensure that we procure third party goods and services from responsible and sustainable partners. This is conveyed to suppliers through ongoing email or letter correspondence and open days, during which we talk to suppliers about issues such as our Principles, the BPPs, HIV and Aids, Black Economic Empowerment (BEE) and the environment.

Our De Beers Group Services (DBGS) supply chain function identifies social and environmental requirements for suppliers depending on the relative risk and exposure of the goods or services provided. Suppliers of hazardous chemicals, for example, are subject to more rigorous environmental checks including possible audit or the need to produce lifecycle data and product data sheets. Additional standards include the legal requirement for all South African procurement processes to take into account BEE criteria. We comply with similar requirements in Botswana and Namibia. Our DBGS supply chain function performs the following checks on suppliers:

- Standard checks: These involve inspection of company registration, tax and credit information, recorded judgments and BEE status.
- Full commercial evaluations: These are performed at the request of managers or if a supplier is under review. They involve a review of market and financial status, pricing, occupational health and safety compliance, as well as environment and quality checks.

Clients

As the sales and marketing arm of De Beers, the DTC is responsible for implementing our Supplier of Choice (SoC) sales strategy. SoC seeks to encourage greater efficiency in the supply of rough diamonds to Sightholders by identifying those clients best placed to drive demand for particular categories of rough diamonds, as well as the promotion of good business practice. Clients are selected against a pre-defined set of performance criteria relating to core strengths (i.e. a strong market focus), distribution and marketing ability, and technical ability. There are additional and mandatory compliance criteria relating to adherence to the BPPs, maintenance of a good business reputation, financial standing and reliability.

De Beers Best Practice Principles

The BPPs is a continuously evolving standard intended to ensure that consumers buying diamond jewellery can rely on the professional, ethical and technical standards of the gem diamond industry. They do so by protecting against unacceptable business ethics and social and environmental practices that might undermine consumer confidence in diamond jewellery.

The BPPs include a requirement for the recording of all KPCS certificates and "warranty" invoices received and issued when buying or selling diamonds. This helps eliminate any possibility of transactions involving conflict diamonds (p34). They also require the disclosure of all use of synthetics, treatments and simulants, and adherence to strict social and environmental requirements, including those relating to health and safety, child labour and forced labour. Sightholders have participated in the BPP programme since 2005.

Contractors which derive 75% or more of their revenue from a Sightholder or a De Beers Group entity have been actively participating in the BPP programme since 2008. Contractors which fall below the 75% mark are required to sign a declaration of integrity stating that they are free of any material breaches.

A new "SMART" approach to the BPP Assurance Programme was developed during 2008. The new approach will be implemented in 2009 and will verify Sightholder and De Beers Family of Companies conformance with the BPPs by generating customised self-assessment workbooks linked to the risk exposures of each individual Sightholder entity. This is expected to increase the efficiency of the BPP process. The SMART system also serves as an online database for the legal, commercial, sales and distribution functions of the DTC providing considerable economies, from cost effectiveness to increased efficiencies, for both the DTC and Sightholders.

Consumers

Reputational research carried out for De Beers in the United States in 2008 demonstrates that integrity, community involvement, labour issues and other related factors continue to be critical amongst opinion formers. These findings were supported by "Luxury: Considered", a global report commissioned by De Beers. The report identified a marked shift from conspicuous to discerning luxury consumption due to worsening economic conditions, as well as consumer fatigue with mass-marketed luxury products. It also suggested this shift would see greater consumer emphasis on social and environmental responsibility. De Beers continues to prioritise sustainability concerns in order to match or exceed consumer expectations as global economic conditions improve.

Case study

Sightholder social investment

Besides working to comply with the BPPs, Sightholders also engage in social investment programmes in the communities where they operate. Three key focus areas are education, health, environment and natural disaster relief.

- Education is a significant challenge in many of the areas where Sightholders operate. This is mainly a result of there being limited resources for large and growing child populations. In addition, girls and women are often the most marginalised members of society. This frequently means they do not have the same access to education, healthcare, or jobs as their male counterparts. Many Sightholders are supporting the empowerment of girls and women through in-kind and cash contributions for primary education and college attendance.
- Healthcare is a top priority for Sightholder Corporate Social Investment (CSI) programmes in both Africa and India. HIV/Aids is one of the most significant threats to economic and social development in Africa. Sightholders operating in these economies are helping to meet the challenge through awareness raising, voluntary counselling and testing, the establishment of HIV/Aids clinics and the provision of anti-retrovirals for their employees. In India, a lack of health resources means many communities do not have access to basic healthcare facilities. Sightholders have responded by establishing hospitals or clinics for diamond workers, as well as members of the local community.
- Environmental and natural disasters affected many of the countries where Sightholders have operations. These include droughts, flooding, earthquakes and disease outbreaks. Sightholders have contributed to providing relief for affected communities by, for example, organising fund raising, relocating families and providing in-kind support such as food, blankets and medical equipment.

Many of the initiatives led or supported by Sightholders are undertaken in partnership with local NGOs or local municipalities to ensure that appropriate skills and local knowledge is leveraged to implement lasting solutions.

Venus Jewel

Venus Jewel was founded in 1969 in India. The company operates from Mumbai and Surat and is a leading manufacturer of solitaires. Venus Jewel has placed ethics and integrity at the fulcrum of its business. In addition to complying with the BPPs and offering highly competitive wages for its diamond workers, Venus Jewel has established an active and beneficial CSI contributions programme, supports humanitarian relief causes, provides education opportunities to underserved children, particularly girls, and supports higher education facilities for the further development of India's youth.

Among the main disbursements are the Rs5 million (US$116,000) provided to the Computer Engineering Faculty of South Gujarat University and Rs12.5 million (US$290,000) donated to the Government of Gujarat for the education for girls. There are about 362 million children in India under the age of 14 years. With significant pressures on the scarce resources of the education system, private donations make a large impact and help ensure a brighter future for India's youth. Venus Jewel has also made donations to numerous other institutions for the development of educational activities in the tribal areas of Dang district, South Gujarat.

Venus Jewel also provides funding for specialist medical facilities in hospitals throughout Surat and in Gujarat and has contributed to the immediate relief effort following natural disasters such as the floods in Surat, the earthquake in Kutch, and the famine in Gujarat. It has also contributed towards the Gem & Jewellery National Relief Foundation.

Sheetal Group

Sheetal Group has been in business for more than 35 years. Its "KIAH" brand of jewellery is well established throughout India and in Dubai. Sheetal's social investment budget ranges between US$600,000 and US$1 million per year, and is directed towards improving the lives of diamond workers and their families. Social investment projects include those relating to the empowerment of women, education, health, environment, natural disasters, art, sport and culture. All projects are reviewed and completed in partnership with local NGOs to ensure they are locally relevant and sustainable. Most initiatives are located in the Gujarat region near the company's headquarters.

Bapunagar is an area of Ahmedebad in Gujarat, where a significant proportion of the population is employed in the diamond industry. In the past, the residents of Bapunagar had to travel long distances to avoid poorly equipped state-run hospitals and gain access to adequate health care facilities. The Sheetal Group invested around US$600,000 to help build the not-for-profit Kakadia Hospital in Bapunagar. This was combined with support from other industry leaders. Today the hospital has 470 beds, a 24-hour emergency service, and houses some of the latest surgical technologies. In the fiscal year 2007-08, the hospital treated 150,000 patients.

Vallabh Kakadia, Sheetal Group Partner

"Some people see corporate responsibility as an additional cost; we don't. We see it as an essential part of business, as much as land, power, raw materials and employees."

Find out more

www.sheetalgroup.com

www.venusjewel.com

Forevermark
In 2008, Forevermark was formally launched in Hong Kong, China and Macau. Further launches will take place in Japan and India during the course of 2009. Forevermark's vision is to become the world's leading diamond brand, inspiring, exciting and reassuring diamond consumers. Each and every Forevermark diamond comes with a promise of quality and integrity – that it has been responsibly sourced and has directly benefited the communities from which it comes.

Forevermark diamonds are assessed, inscribed and graded in a dedicated state of the art facility in Antwerp, Belgium, which uses cutting-edge technology and adheres to the most rigorous criteria.

High standards throughout the industry
In addition to the launch of Forevermark and the BPPs, De Beers supports the downstream industry in maintaining the integrity of diamonds in a number of ways:

- By working to address issues such as conflict (through our support of the Kimberley Process), responsible standards for jewellery businesses (as a founding member of the Responsible Jewellery Council), and support for consistent and accurate use of diamond terminology (through our support of the work of the US Federal Trade Commission, the World Jewellery Confederation and many more trade programmes).
- By developing world-class detection equipment (DiamondSure™, DiamondView™and DiamondPLus™) for distribution to all leading grading laboratories. This helps ensure laboratory grown stones can always be detected. Our DTC Research Centre also conducts extensive scientific research into new treatments, simulants and synthetic materials to support future detection capabilities.
- De Beers provides education programmes and materials to the broader downstream trade. These raise awareness of potential challenges to industry confidence, the need for responsible practice and the positive steps diamantaires, manufacturers and retailers can take to drive consumer confidence.

Advertising standards
De Beers worldwide advertising programmes are handled by J Walter Thompson (JWT). Significant care is taken by JWT to ensure all materials produced on behalf of De Beers are not misleading and are in compliance with applicable advertising rules and legislation. JWT also ensures such materials do not violate the intellectual property rights of third parties.

Find out more
- www.cibjo.org
- www.debeers.com
- www.debeersgroup.com
- www.forevermark.com
- www.ftc.gov
- www.jwt.com
- www.kimberleyprocess.com
- www.responsiblejewellery.com
- Operating and Financial Review 2008 (p20)
- Report to Society 2007 (p55)

Industry

The Family of Companies is currently working with the Responsible Jewellery Council (RJC) to establish an industry-wide standard for responsible business practices across the diamond and gold jewellery supply chain.

In 2008, RJC assembled a first draft of its third party monitoring system and workbooks. This followed extensive discussions with stakeholders including NGOs and representatives of the worldwide diamond and gold jewellery industry. The monitoring system will likely be implemented in phases and is aligned to the Code of Practices. A system of sanctions and enforcement actions, as well as a complaints mechanism, is also in development to identify members that fail to comply with the Code. Implementation is expected in 2009 or 2010.

Case study

Forevermark and ethics
Forevermark is a new diamond brand from the De Beers Family of Companies. Each Forevermark diamond is inscribed with the Forevermark icon and a unique identification number using patented technology developed by the De Beers group. Invisible to the naked eye, the inscription proves that this diamond has met Forevermark standards in terms of quality: cut, clarity, colour and carat (the 4Cs), but also in terms of integrity. Forevermark's robust standards and auditing procedures ensure that every Forevermark diamond originates from conflict-free (i.e. Kimberley Process compliant) sources that are committed to rigorous environmental and ethical standards. It also ensures that every Forevermark diamond has been handled, cut, polished and set in a responsible and professional manner. The Forevermark inscription is 1/20th of a micron deep and can only be seen using a special Forevermark viewer which can be found at Authorised Forevermark Jewellers.

Underpinning the Forevermark promise are the Forevermark Integrity Requirements (FIRs). These must be satisfied by all Forevermark partners at every stage of a Forevermark diamond's journey. The FIRs are based on the core elements of the BPPs, augmented by the proprietary Forevermark Pipeline Integrity Standard that was developed in partnership with the British Standards Institution. Compliance with the FIRs is tested and monitored on a global basis by Société Générale de Surveillance (SGS). SGS inspects the responsible business conduct and the quality procedures of each and every Forevermark partner to ensure all standards are met. Compliance is a critical component in becoming a Forevermark Diamantaire or Forevermark Jeweller.

Find out more
- www.bsi-global.com
- www.sgs.com

Employees

Creating a working culture where each of our employees takes shared responsibility for the delivery of our business goals is a key component of our business model. To achieve this we focus on building local capacity by employing and developing local talent at all levels of the business, a process that in turn helps build the wider skill base wherever we operate. We also engage proactively with priority concerns in our producer countries including management of the HIV/Aids pandemic, black economic empowerment and gender equity. This ensures the harmonisation of our human resources programmes with national human development goals and encourages our employees to make a more substantial emotional investment in the success of our business.

Ensuring the health, safety and welfare of our employees is a priority across all our business units. We aim to meet or exceed all relevant global labour and safety standards in addition to respecting the right of employees to associate freely and bargain collectively. Where appropriate, we also work in partnership with business associations and Non-Governmental Organisations to share the knowledge accumulated as a result of our employee, contractor and community engagements. This is most evident in the management of our health facilities and HIV/Aids programmes which are increasingly accessible to both our contractors and local communities.

Highlights

- We are deeply saddened by the six fatalities amongst our contracted workforce in 2008 and have initiated firm measures to improve our safety performance (p49). Our Lost Time Injury Frequency Rate increased from 0.18 in 2007 to 0.19 per 200,000 hours
- We implemented baseline studies against the South African (SANS 16001) HIV/Aids Management System standard at all our De Beers Consolidated Mines (DBCM) operations, with a view to obtaining certifications in 2009. Similar standards are already in place in Botswana
- At the end of 2008, DBCM had achieved 45.5% Historically Disadvantaged South Africans in management roles (2007: 39%)
- Women constitute about 21.8% of our permanent workforce and 20.2% of management roles, and have been fully integrated into technical positions. Kimberley mine appointed our first female operations manager in DBCM's 120-year history

73.8%
Of those in management and key roles at Debswana are local citizens

Gareth Penny, De Beers Managing Director

"Employee wellbeing is the Family of Companies' highest priority and we have been relentless in working to improve our safety and health performance."


From left: Isaac Morape, Kareli Buster, Sekamotho Thakeng and Petros Lebuso at the Voorspoed mine

Issues relevant and material to our stakeholders that are addressed in this chapter

Safety

The safety of our employees and contractors is our top priority. The effective management of safety risks requires constant vigilance. It requires stringent adherence to international standards, our Principles, leadership from managers and peers, as well as a culture of sustained safety and hazard awareness. It also requires ongoing communication and training, as well as rigorous internal and third party audit. Benchmarking of performance as well as safety risk assessments and other processes are conducted at all of our mining operations. Employees and contractors are required to follow health and safety practices consistent with our Safety Policy.

The high death toll in the broader South African mining sector prompted the government to shut down mining operations temporarily, pass stricter mine safety laws and instigate a national audit of mine safety performance. The recent "Presidential Audit Report on Safety in the Mining Industry" found performance at our De Beers Consolidated Mines (DBCM) operations to be 20% more compliant with the audit guidelines compared to the national and diamond industry average (Figure 4-1). In 2008, we made a number of significant changes in our safety management as well as improvements to our monitoring and assurance. These changes support our target of zero harm to employees and contractors.

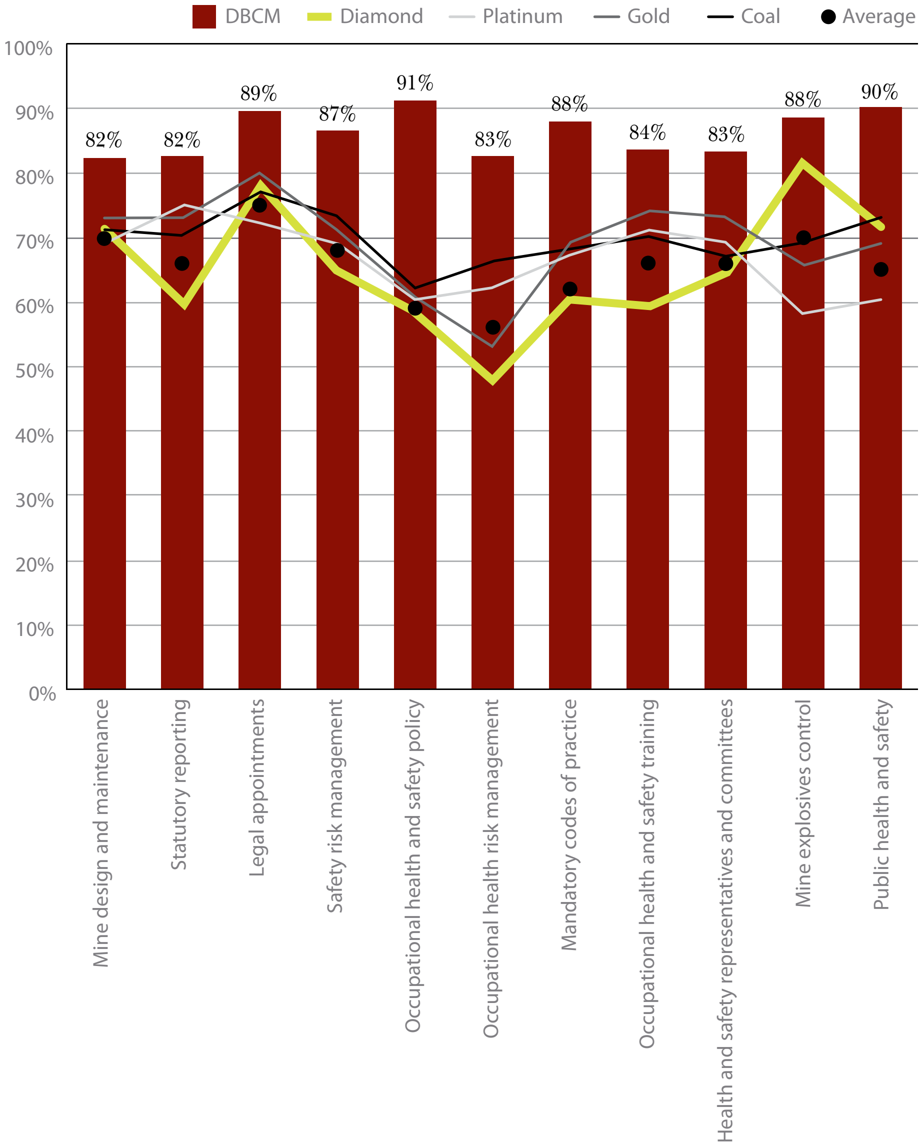
Eliminating fatalities

In 2007, the Family of Companies developed a set of Fatal Risk Control Guidelines. The guidelines identify areas of high risk and provide useful insight into three elements of that risk with a view to preventing fatalities. Insights include: the physical condition of machinery, written procedures required to manage risks and the actions of individuals to avoid hazard and injury. Implementation of the guidelines commenced at all our operations in and throughout 2008. This included communication to employees on a daily basis through scheduled safety briefings, as well as assessments of risk at each operation by an interdisciplinary team of experts.

Find out more

www.dme.gov.za

Figure 4-1: Results of the South African "Presidential Audit Report on Safety in the Mining Industry" in 2008 (% compliance with audit guidelines)



Six fatalities amongst contracted workers

Despite the progressive implementation of these guidelines, there were six fatalities at our operations in 2008 (one fatality in 2007). All of these tragic incidents involved contracted and not full time employees (Figure 4-2). We recognise this increase in fatalities to be a totally unacceptable lapse in performance and extend our most sincere condolences to the families, friends and colleagues of those who died. All incidents have been thoroughly investigated by the business units, the Environment, Communities, Occupational Hygiene, Health and Safety (ECOHS) Committee and the relevant authorities. They have also been analysed to establish both cause and remedy.

Causes and mitigating actions

Our investigation of these fatalities found that whilst each individual had undertaken the appropriate safety inductions, training and risk assessments specific to their work, they had not consciously identified the specific relevant risk associated with the subsequent incident. Third party audit of the Fatal Risk Control Guidelines found the rigour and pace of implementation could be improved and significant variations between operations eliminated. These findings were supported by a separate external benchmarking of our safety culture, leadership and systems. This found variable integration of safety, health and hygiene into core business processes, as well as gaps in contractor management (p50).

Some of our mitigation measures now include improved precautionary and preventative interventions such as the "engineering-out" of risk exposure from machines and the amendment of procedures. There is also a clear need for the closer management of contractors. As a result, a renewed contractor management plan is being implemented. This will include further training and induction programmes, as well as a review of our risk assessment procedures. These programmes will help ensure that contractors are fully embedded into the workforce, training records are checked and background training includes fatal risk control. There is also evidence of significantly different Lost Time Injury Frequency Rates (LTIFR) and Lost Time Injury Severity Rates (LTISR) between employees and contractors.

Figure 4-2: Fatalities in 2008

Cullinan mine

Victor Sebopela (27 years)

Fatally injured in a conveyor belt accident on 21 January 2008

Victor was a cleaning crew member employed by Makalometja Business Enterprises at Cullinan since 2007

Orapa mine

Tumelo Monoka (24 years)

Fatally injured when he was struck by the drill string from a blast hole rig on 13 February 2008

Tumelo was a contract drill helper with B&E Drilling and had been working at Orapa for less than one week

Williamson mine

Seleman Banga (28 years)

Fatally injured when knocked over by a front-end loader on 8 May 2008

Seleman was a driver employed by Caspian contractors and based at Williamson

De Beers Marine Namibia

Niklaas Cloete (37 years)

Fatally injured by the collapse of hoisted gas cylinders onto the deck of the launch Sea Express on 9 July 2008

Niklaas was a Smit Amandla employee who worked on De Beers Marine Namibia operations

Finsch mine

Francois Hugo (33 years)

Fatally injured in an underground vehicle collision accident on 17 November 2008

Francois was a systems technician for Sandvik Mining and Construction, based at the mine since 2007

Jwaneng mine

David Keorapetse (32 years)

Fatally injured when struck on the head by an overhead shovel trailing cable on 5 December 2008

David was a drill assistant employed by BOMARG and had worked at Jwaneng mine for 6 years

Figure 4-3: LTIFR and LTISR[1]

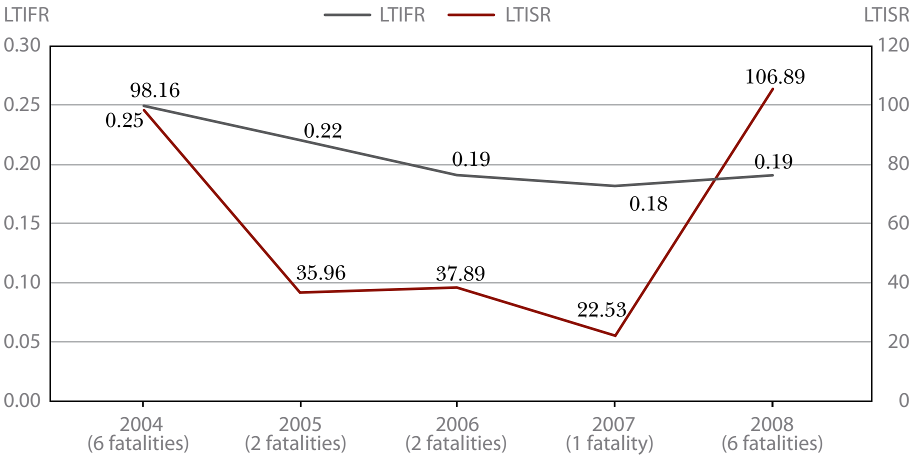


Figure 4-4: LTIFR for employees and contractors, 2008

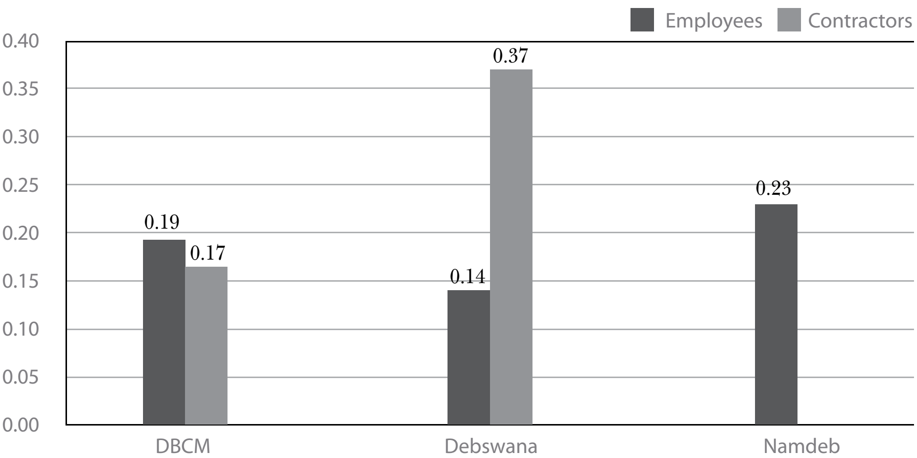
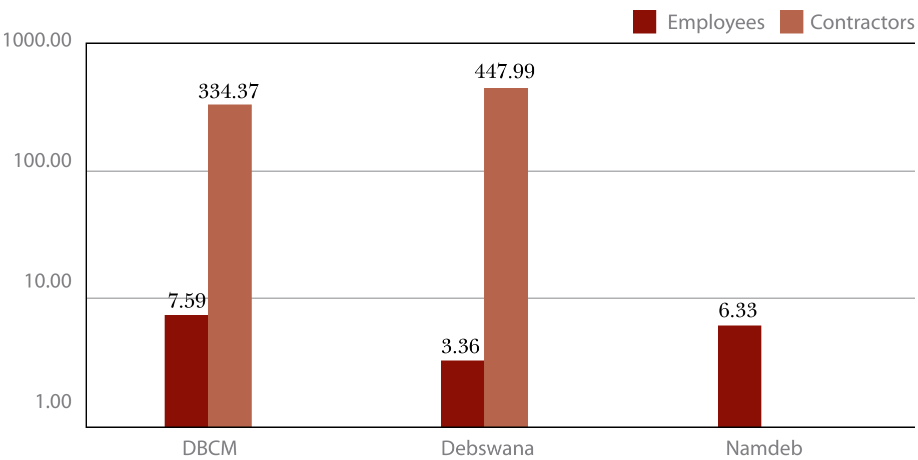


Figure 4-5: LTISR for employees and contractors, 2008



Improving our performance

Along with the significantly higher number of fatalities in 2008, our LTIFR increased marginally from 0.18 in 2007 to 0.19 per 200,000 hours (Figure 4-3). Our DBCM operations in South Africa saw a significant reduction to 0.16 per 200,000 hours from 0.21 in 2007.This is partly due to the ongoing communication, sharing of best practice and momentum facilitated by the Safety Peer Group, as well as continued implementation of the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard and the Safety and Health Diamond Grading System. Our LTISR increased significantly from 22.53 to 106.89 per 200,000 hours. This is primarily due to the impact of fatalities suffered. There were no statutory fines imposed on the Family of Companies in 2008.

In 2008 we took the step of separating out performance data for employees and contractors. This is partly to help eliminate future fatalities by learning more about how to improve the performance of contractors at different operations. See Figure 4-4 and Figure 4-5.

OHSAS 18001 and assurance

All of our active mining operations with the exception of our new Voorspoed mine are currently certified to the OHSAS 18001 occupational health and safety standard. This includes our marine operations in southern Africa as well as the Snap Lake and Victor mines in Canada. The Voorspoed mine and our exploration project in Angola expect to attain certification in 2009. We also expect to attain certification for our headquarters in Johannesburg including the DebTech research laboratories. These certifications will likely occur in 2010 or 2011.

[1] In the African operations we define a lost time injury as "any injury that happened due to, and because of, the employment of the injured (an injury at work) which prevents the injured from returning back to his normal work the day after the accident." This is different and more rigorous than many other industry definitions where three days are allocated before returning to work

Find out more

www.bsi-global.com

In addition to audit and assurance provided through the OHSAS 18001 framework, the De Beers Best Practice Principles (BPPs) and associated Assurance Programme provide additional third party verification of our "system" integrity (p13, p102). While the 2008 audit cycle found no significant health and safety infringements at any of our operations, it clearly failed to identify leading indicators of the deteriorating performance. This observation is further supported by ongoing internal and external assessments against our own Diamond Grading System for all operations in Botswana, Canada, Namibia and South Africa.

A culture of safety awareness

All of our mines have active behaviour-based safety programmes implemented through our Diamond Grading System. These programmes engage and involve employees and contractors in a culture of safety and hazard awareness and leadership. They include the use of experienced workplace psychologists to help align the safety mindset of employees and prioritise safety at all times. These programmes also foster constructive relationships between management and employees to promote transparency about the root causes and consequences of poor safety behaviour.

Engaging employees and contractors

All new employees, contractors and site visitors are required to attend a health and safety induction before being allowed on site. Contractors are legally required to adhere to the same standards and monitoring practices as our own employees. Employees and contractors are also represented in joint committees and daily briefings with managers to monitor and advise on health and safety programmes. We actively work with regulatory agencies, employee representatives and local communities to promote partnership and shared responsibility on safety issues and enable a supportive and accident-free safety culture.

Zero Incident Process

In 2008, our De Beers Marine operations initiated a pilot of the Zero Incident Process (ZIP) approach to further improve our behaviour-based safety performance. ZIP is a psychology-based safety process that increases our understanding of how we think about safety as well as our individual attitudes and values. De Beers Marine is being guided by an external company in its implementation of ZIP. Our other operations are reviewing the pilot findings as well as similar systems for possible implementation in 2009 and beyond.

Protecting yourself

Our DBCM operations are currently implementing a new company-wide project on behaviour called Project Vika ("protect yourself"). The intention of Vika is to move workers away from being passive observers of safety regulations to becoming active participants. It does so by asking "what can I do to protect myself and those around me?" The first phase of the project will gather information to help understand employee and contractor viewpoints, ideas, perceptions and behaviours around safety. We will also be identifying and working towards "leading" targets that provide insight into the continuous improvement of employee safety, empowerment and productivity.

Case study

Benchmarking our safety performance

In 2008, the Family of Companies commissioned an external third party organisation to complete a review of its health and safety culture and benchmark practices against international best practice. The review was commissioned to facilitate improvement in our safety performance and achievement of the company's goal of "zero harm". It included a series of interviews, 17 focus groups with key personnel, an audit of our safety systems and contractor management processes, as well as visits to the De Beers headquarters in Johannesburg, South Africa and five mines.

Areas of strong safety performance included:

- Commitment at the senior management and executive level
- Safety systems and structures aligned with the best in the industry
- Communications, relationships and a caring environment
- Primary healthcare support of all employees

The Finsch mine was found to be a sector leader with respect to leadership, commitment, safety management and performance measurement. The Letlhakane, Orapa and Damtshaa mines were found to be leaders in occupational health and emergency preparedness.

Areas identified for improvement included:

- Variable integration of safety into business processes between locations
- Contractor management and processes
- Integration of health and hygiene into the business (p52)
- Employee application of existing safety systems

The review presented a number of recommendations. These are currently being integrated into De Beers Diamond Grading System, fatal risk control guidelines and ongoing safety audit processes.

Health and wellbeing

Employee health and wellbeing is one of our headline priorities. Managing risks associated with employee health and wellbeing effectively requires a holistic programme of work that aligns hygiene and medicine with our wider employee health and safety programmes. Increasing the integration across each of these areas was a key focus for 2008. It also forms a critical part of how we achieve our health vision: to be recognised for excellence and leadership, and to achieve zero harm as well as a healthy, productive workforce.

This comprehensive and coordinated approach to employee health is informed by our Occupational Health Policy and our Occupational Hygiene Policy. These are supported by a suite of standards, guidelines, performance metrics and a rigorous assurance programme. Health is managed across the Family of Companies by professional Principals and practitioners at each of the business units. They work collaboratively through the Health Peer Group and the Occupational Hygiene Peer Group (p12).

Find out more

www.angloamerican.co.uk
www.icmm.com
www.nioh.ac.za

Integrated health strategy

In 2008, the Family of Companies developed a joint occupational health strategy and assurance programme to improve the management of our health risks. The framework is both performance and outcome oriented. It ensures "minimum" standards of practice are in place for sustainable occupational health performance. It also enables business units to determine the resources, management systems and activities required to achieve:

- A culture of protecting, promoting and supporting health both within and outside the workplace
- Implementation of effective physical controls to "engineer-out" sources of potential health risk
- Pro-active monitoring, identification and mitigation of potential health risks
- Involvement of hygiene and health personnel across the Family of Companies
- Improvement and maintenance of a healthy working environment and work practices
- Promotion and maintenance of worker health, productivity and capacity

The Family of Companies adopted the health metrics of the International Council for Mining and Metals (ICMM) as well as the definitions of occupational health incidents used by Anglo American.

The role of peer groups

In 2008, the Health Peer Group developed new guidelines on emergency medical response, as well as alcohol and substance testing. It also developed a set of physical ability assessment guidelines that will facilitate the evaluation of employee fitness to work and on return to work post-illness. The Hygiene Peer Group initiated the development of guidelines on baseline risk assessment, emergency preparedness, noise, thermal stressors, airborne pollutants and flammable gases.

Progress was made with risk-based health and hygiene data collection and surveillance across the Family of Companies. This included data on recognised occupational exposures and illness, as well as non-occupational diseases such as hypertension and diabetes. DBCM, Namdeb, Debswana and De Beers Marine Namibia operations are aligning their electronic health management systems. This will enable better health incident reporting and the linking of exposure data and health outcome data. Our primary goal remains the elimination of any new cases of occupational disease or the progression of existing cases by controlling exposure at source.

Health issues are discussed with employees through health and safety representatives or during interactions with health professionals. We have collaborated with a variety of internal and external stakeholders including unions, management and the National Institute for Occupational Health in the piloting and development of educational material for the prevention of occupational diseases.

Doug Dungey doing a cervical spine assessment during the Mine Rescue Competition as part of Northwest Territories Mining Week

Internal health audits

The Family of Companies has developed a common health and hygiene audit tool aligned with our Diamond Grading System and occupational medical service standards. The tool recognises the need to address local operating risks, as well as the legislative requirements of different host countries. In 2008, application of the audit tool was extended from our DBCM operations to include Debswana, De Beers Marine and Namdeb operations. Further adaptation for exploration sites, other marine operations and sites downstream in the diamond pipeline will be investigated in 2009.

The occupational medical service audits at our DBCM operations show a 4% increase in our performance rating to 92% compliance with the audit tool criteria (2007: 88%) (Figure 4-6). There are limitations with the comparability of this data, due to the exclusion of Cullinan mine from the 2008 audit schedule following its sale to Petra Diamonds, as well as the inclusion of our new Voorspoed mine. The 2008 audit results represent a 12% improvement since implementation of occupational health services auditing in 2005.

Health hazards and disease

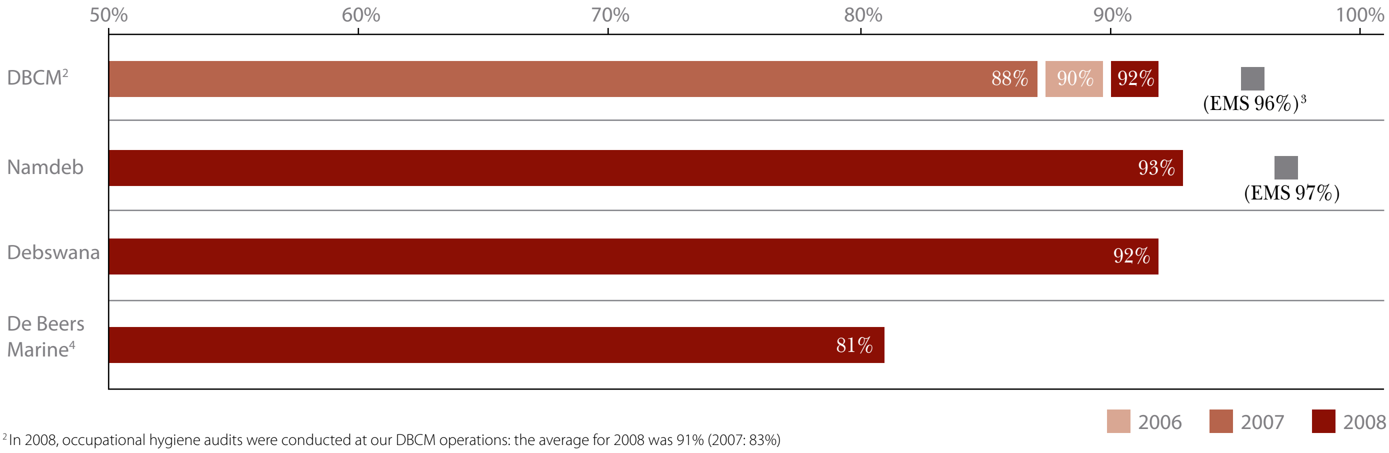
Health risks vary across the diamond pipeline depending on the country and type of operation. In exploration and mining operations, the inherent occupational health risks include noise and vibration, airborne pollutants, thermal stress and infectious diseases. Ergonomic exposures are increasingly emerging as a common hazard across all operations. These vary from manual handling at mine sites to computer operation and office ergonomics. Accurate measurement of employee exposure to occupational health hazards remains a challenge. Significant progress has been achieved, however, with the development of the occupational hygiene discipline, the involvement of health and hygiene functions in the design phase of projects and the roll out of guidelines for major hazards.

In 2008, there were 14 new cases of occupational disease diagnosed at our DBCM operations (Figure 4-7). As three of these were contractors, this results in an Occupational Illness Frequency Rate (OIFR) of 1.02 cases per million person hours worked (2007: 2.01), or an incidence of 0.22 cases per 100 person years (2007: 0.50). The reduction in OIFR from 2007 reflects a decrease in the number of cases of Noise Induced Hearing Loss (NIHL), increased emphasis on hearing conservation programmes and a decrease in total employee numbers.

Find out more

www.petradiamonds.com

Figure 4-6: Occupational medical service audit results for 2008 (performance rating)



[2] In 2008, occupational hygiene audits were conducted at our DBCM operations: the average for 2008 was 91% (2007: 83%)

[3] Emergency Medical Service (EMS) audits were completed for DBCM and Namdeb with each entity achieving a rating of 96% and 97% respectively

[4] De Beers Marine occupational health services are contracted-in and not provided by full-time on-site personnel

Noise

Noise induced hearing loss remains one of the most significant occupational health risks to our employees. In 2008, NIHL accounted for more than 50% of occupational disease cases. The development of guidelines to mitigate potential hearing loss was a key action for the Hygiene Peer Group, which also focused on reducing exposure to noise and developing hearing conservation programmes. Preventing and reducing exposure, "engineering-out" noise from machinery, promoting the use of protective equipment and monitoring exposure levels remain key components of our hearing conservation strategy.

In 2008, we continued to reduce the noise and dust exposure and improve disease surveillance throughout the Family of Companies. We also continued to share expertise and disseminate guidelines through the peer groups and our assurance activities. In our DBCM operations, the hearing surveillance component of our audit programme showed an improvement in performance from a rating of 87% in 2007 to 98% in 2008. This was aligned with a drive to identify all existing cases of NIHL before the end of 2008.

Dust

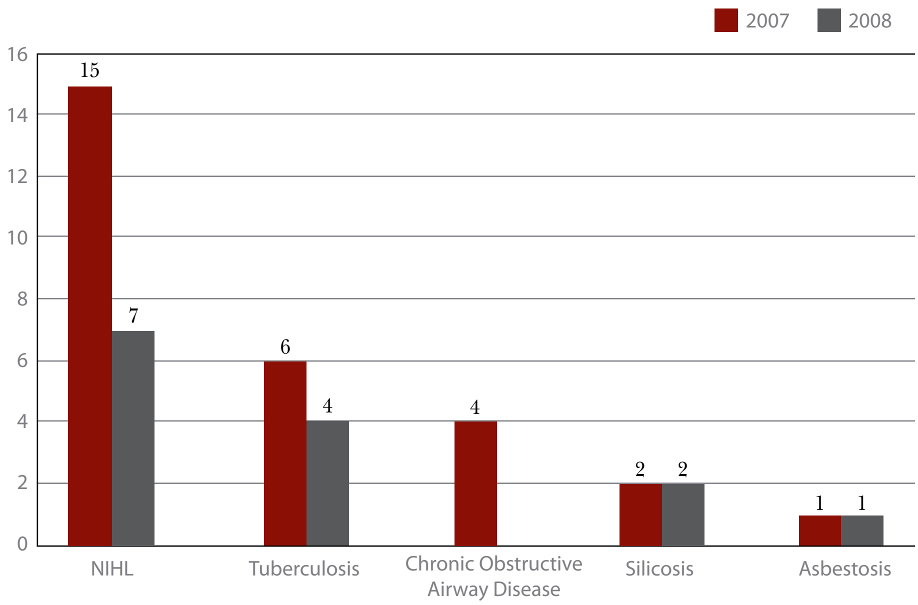
A baseline risk assessment was conducted at the new underground Snap Lake mine in Canada in mid-2008. This followed the discovery of crystalline silica at the mine during initial assessments. Plans have been put in place to implement monitoring. Dust measurements at our other underground operations are ongoing, with results obtained remaining below occupational exposure limit levels. The frequency of these measurements is reviewed as part of our occupational hygiene audits.

Endemic diseases

A stakeholder health and safety workshop was convened in Lucapa, Angola in February 2008. It included De Beers employees as well as government health experts and external health service providers. Together, they reviewed occupational health and safety priorities, legislation and endemic diseases at our exploration sites in Angola. Malaria is a significant occupational health challenge at exploration sites in Angola and the Democratic Republic of Congo (DRC), as well as a significant health issue for local employees. A number of improvements were made to our vector control programme and medical surveillance following operational research on the malaria risk. Regular reviews of endemic and epidemic diseases in areas where we operate inform medical preparation and response for expatriates and local inhabitants. This includes immunisation and training for diseases such as Poliomyelitis in Angola and Meningitis in the DRC as part of our comprehensive endemic disease prevention programme.

Worker at the Finsch mine wearing hearing protectors to eliminate risk of NIHL

Figure 4-7: Incidence of occupational disease for DBCM[5]



[5] Equivalent data is not available for Namdeb and Debswana. This is due to the lack of national reporting systems or definitions on "occupational" disease

Emergency preparedness

The Family of Companies continues to use the South African draft guidelines for emergency preparedness. In 2008, we developed complementary guidelines on emergency medical response. Emergency medical service audits were also introduced at our DBCM and Namdeb operations. A common standard for the transportation, use and disposal of hydrofluoric acid is being developed by a team of internal experts.

Emerging risks

Additional health risks were identified and addressed during 2008. This included the identification of epilepsy and poor vision in contract drivers. Our Tanzanian operations, which only initiated occupational health services in 2007, carried out medical surveillance of more than 85% of their contract drivers in 2008 before the sale of Williamson mine to Petra Diamonds (p31).

Additional health risks identified in 2008 included shift work fatigue, as well as non-occupational diseases such as diabetes, hypertension and obesity. Innovative wellness programmes are being progressively developed at operations to promote improved health and well-being. These are designed to interface with existing employee assistance programmes that provide social and financial advice and support. These initiatives will be accelerated in 2009 to cope with the expected psychosocial effects of the global economic crisis.

The cholera outbreak in Zimbabwe required us to take measures to protect the health of employees working near the country's borders, such as those at our Venetia mine in South Africa. Measures include enhanced surveillance of water quality and gastrointestinal disease, as well as education programmes for employees about the transmission, prevention, symptoms and management of cholera.

In 2008, the Family of Companies introduced surveillance for flammable gases at exploration drilling sites. The management of diesel particulate exposure will be a priority for our underground operations in 2009. Baseline risk assessments will be conducted and we will continue to work with relevant national authorities to assist with the development of appropriate regulations and exposure limits.

Case study

Malaria amongst exploration personnel in Angola

In 2008, we carried out a study of malaria prevalence and prevention with our exploration team in Angola. The study also sought to assess the value of using rapid diagnostic tests for the most dangerous form of malaria parasite, ***Plasmodium falciparum***. The study was carried out in collaboration with volunteers from our exploration staff, health service personnel, the National Institute for Communicable Diseases (NICD) and the National Institute for Occupational Health.

The study, which was designed with assistance from Professor John Frean, Director of Parasitology at the NICD, included questionnaires on malaria prevention, blood smears and rapid tests conducted on 176 people living in Angola. The rapid test kits identified two positive results, whilst the laboratory-analysed smear tests identified four. Two of these positive smear test results showed very low concentrations of the parasite below that likely to be picked up by rapid tests. All of the positive results came from our local Lucapa employees, who were not showing symptoms and who were not using any specific personal measures or chemoprophylaxis to prevent malaria.

The results of the burden of disease research suggested a relatively low infection rate of 2.3% in the workforce, and identified potential improvements for malaria prevention and diagnosis. There were no cases amongst expatriates indicating that the preventive medication used is effective. De Beers has introduced on-site rapid tests for ***P falciparum*** and initiated a quality review programme that refers locally diagnosed smear tests to external laboratories for validation.

Find out more

www.nicd.ac.za

www.nioh.ac.za

Team captain Clark Milner carrying out safety checks on Marcel Boulanger during the Mine Rescue Competition as part of Northwest Territories Mining Week, with Cory Stinson observing

HIV and Aids

The majority of our employees (92.3%) live in southern African countries classified as hyper-endemic for HIV. These are countries with prevalence rates in excess of 15% in the general population. The exposure of our employees in these countries to HIV and Aids is a real threat to their health, to their families, to the continuity of our business and to continued development in Africa. Managing this risk is a complex social and developmental challenge for our operations. It requires an integrated and systems-based approach that makes HIV and Aids a central part of our ongoing operational risk management processes.

Evolving our management programme

Our initial HIV and Aids management programme focused on the three pillars of prevention, treatment, and care and support. Over time this has evolved to include the communities in which we operate and associated social investment activities that specifically address the impact of HIV and Aids (p80). This community engagement now forms a central part of our Aids risk management. Services associated with these activities have been implemented for all appropriate operations. Our ultimate goal is integration with the public health systems in the countries in which we operate.

Our HIV and Aids treatment programmes differ for each of the major business units across the Family of Companies. Outcome measurements from each of the highest risk countries show positive results from our pioneering treatment programmes including the Anti-Retroviral Treatment (ART) and other services offered to employees and their life partners (Figure 4-8). Further evolving this initial management response into something fully integrated as a quality-oriented management system requires a paradigm shift in how we prioritise HIV and Aids as part of the way we work.

During the course of 2008, we held an advanced clinical workshop for our leading Aids clinicians from Botswana, Namibia and South Africa. The workshop was a significant enhancement to our understanding of HIV and Aids treatment. It enabled the exchange of experiences, the development of programme performance indices and the definition of best practices in respect of patient treatment, care and support. The Health Peer Group provided a comprehensive set of standards as well as reviewing and communicating the updated Family of Companies HIV and Aids Policy to different business units and functional areas within each operation.

Figure 4-8: Participants on our ART programmes, 2008

Country (start date)	Current Registered	Deceased from all causes[6]	Left programme	Ever registered
Botswana (1 May 2001)	1,114 (78%)	121 (8%)	190 (13%)	1,425 (100%)
South Africa (1 July 2003)	440 (79%)	65 (12%)	49 (9%)	554 (100%)
Namibia (1 May 2004)	259 (92%)	14 (5%)	9 (3%)	282 (100%)
Total	**1,813 (80%)**	**200 (9%)**	**248 (11%)**	**2,261 (100%)**

[6] The % deceased indicator is a "crude" measure that ideally needs to be adjusted for the duration of enrolment and the cause of death
Source: Aid for Aids, December 2008

Prevention

The Family of Companies continued to provide awareness and training interventions to prevent and manage HIV and Aids and related risks including tuberculosis. Confidential HIV testing and male and female condoms are available free of charge to employees through on-site medical centres, clinics and in restrooms at our operations and offices.

Key activities during 2008 included manager training programmes, publicity campaigns, and our third successful Children's Art Competition (p80). The art competition produced outstanding visualisations of how HIV and Aids is impacting children and their communities. It also stimulated discussion by promoting dialogue within extended families. An additional highlight of 2008 was the formal qualification of DBCM Managing Director, Mr. David Noko, as an HIV and Aids Peer Educator. Mr Noko now serves as a resource, not only to the DBCM management team, but also to his peers and senior executives across the Family of Companies.

Confidential HIV testing has been provided since the inception of our respective country-specific treatment programmes. Confidential testing is a key motivator for employees to know their HIV status. By the end of 2008, around 70% (2007: 68%) of our employees had participated in HIV testing at our South African operations.[7]

Provider Initiated Counselling and Testing (PICT) helped maintain the momentum for testing in 2008. Routine HIV testing enables the provision of testing during medical consultations at mine clinics, either through occupational medical examinations or primary care consultations. This practice supplements the annual testing campaigns and has helped promote more than 83% of our permanent employees at the Voorspoed mine to participate in HIV screening within the first six months of the mine opening. HIV tests are available to all employees, spouses, life partners and contractors. Private-public partnerships help make testing available in communities.

[7] This "% reach" indicator of our HIV testing is an approximation. Figures are approximate because we offer testing through numerous mechanisms both on and off site, and confidentiality requirements preclude the linkage of tests to individuals

"

Dr Mary Ross, De Beers Group Medical Consultant

"Measurement and evaluation of our practice is vital and must become the fourth pillar of activity in our management of the Aids risk going forward in order to achieve our commitment to the Millennium Development Goals."

Research

The Family of Companies is engaged in numerous operational and "in-field" research projects to improve the effectiveness of our existing HIV and Aids risk management programmes.

This includes a partnership with the Health Economics & HIV/AIDS Research Division (HEARD) to investigate the low levels of uptake of testing and adherence to treatment in workplace settings. This independent research, which is funded by the Merck Foundation, is being conducted at our Finsch and Kimberley operations in the Northern Province of South Africa in partnership with management and organised labour. Preliminary results released in 2008 suggest that while HIV/Aids Counselling and Testing (HCT) uptake is high for both contractor and employee populations (86%), spousal uptake is still low. Among the main barriers to further HCT and uptake of treatment programmes, including ART, are the perceived violation of confidentiality and privacy as well as religious beliefs and use of traditional medicines. Many employees are also afraid of obtaining a positive result. This suggests that significant education is required on the consequences and benefits of early diagnosis and treatment.

Future research to be initiated in 2009 and funded by the Colt Foundation (UK) involves the occupational health, sociological and cultural aspects of HIV/Aids at our Voorspoed mine and the local community. It focuses on the social and personal reasons as well as the "softer" societal frameworks and beliefs about health and Aids that, if better understood, could inform our ability to enhance prevention of the disease.

Treatment

Our Disease Management Programme (DMP) provides employees with access to comprehensive health programmes that address physical and psycho-social wellbeing. This includes wellness advice, consultations with doctors, pathology, counselling and support, prophylactic medication to prevent opportunistic infections such as tuberculosis, nutritional supplements, post-exposure prophylaxis and Preventing Mother-to-Child Transmission as well as ART when clinically required.

Our experience with a dedicated HIV treatment programme in South Africa has identified the need for a closer alignment with primary and occupational healthcare providers to enable a more integrated service and improved patient care. This includes holistic wellness ("stay well") programmes.

ART is available free to HIV infected employees and their spouse or life partners where it can be provided in a responsible and sustainable manner. This includes our South African operations and joint ventures in Botswana and Namibia. ART at the Williamson mine in Tanzania is provided in partnership through the Elizabeth Glaser Pediatric AIDS Foundation.

The ART programmes are externally coordinated by Aid for AIDS via a network of accredited service providers. Key indicators enable us to understand more clearly how well our service providers perform in getting employees to adhere to the programme.

Multi-Stakeholder Forum

Q How is De Beers improving its HIV testing and treatment services?

A The prevention of HIV infection and early diagnosis of infection are critical to the successful management of HIV and related risks. The World Health Organization describe two main avenues of HIV Counselling and Testing: self-initiated or provider-initiated which includes routine HIV testing, diagnostic testing and campaigns. HIV testing has a dual purpose. It supports those who are found to be HIV negative to remain negative. It also enables us to offer those who are HIV infected access to wellness, support and treatment programmes that help them live a longer healthier life and extend the duration of productive employment. It is important that HIV positive status and progression to Aids are diagnosed early. We offer treatment alongside a number of other chronic diseases and as part of our health services, which we hope will reduce the stigma associated with having HIV and Aids. Implementing routine HIV testing as an all-year-round resource will counteract the visible "campaign fatigue" we experienced in 2007 and improve management of infected individuals.

Find out more

www.aidforaids.co.za
www.coltfoundation.org.uk
www.debeersgroup.com
www.heard.org.za
www.merck.com
www.pedaids.org
www.unaids.org

Management and measurement

In 2008, we made significant headway towards implementing the new South African National Standard (SANS 16001: 2007) for HIV/Aids Management Systems (HAMS) at our DBCM operations. All of our DBCM mines completed baseline gap reviews against this standard. The results of this work indicated that HIV/Aids management had not yet replaced the "programmatic approach" as part of mainstream business at our DBCM operations.

Despite having won numerous awards for our HIV/Aids activities, the baseline reviews found a number of gaps in our performance. This related to the lack of a "systems approach" in the management of our prevention, community response and treatment initiatives. Some aspects which will be rectified in 2009 include a lack of individual risk assessment or management data, a lack of rigour in checking service provider compliance with standards as well as a lack of comprehensive outcome and impact indicators. Many of these gaps exist because HIV coordinators tend to be untrained in systems management and thus focus on their areas of competence e.g. nursing, social work, psychology and human resources. Since completing the benchmark reviews, all of our DBCM mines have participated in training programmes to build skills further for what is required to achieve the SANS 16001: 2007 standard. Training materials for all operations are also available to all mines on compact disc or through our group intranet resource.

SANS 16001 differs from the Aids Management System (AMS 16001: 2003) standard, which was pioneered and developed jointly by Debswana and the National Occupational Safety Association. It goes beyond workplace programmes focused on HIV/Aids to cover prevention of infection in the community, and as such requires a more wide-ranging approach to risk management. The Orapa and Jwaneng mines in Botswana are already certified to AMS 16001 and are evaluating a transition to the South African standard.

Multi-Stakeholder Forum

Q Do employees still receive access to ART if they are retrenched or if a mine is sold?

A De Beers provides free ART for spouses and retired and retrenched employees for life in South Africa. This is because our programme predated the government initiative. This commitment applies to former employees at both Cullinan mine and The Oaks mine which were sold and closed respectively in 2008.

In Botswana and Namibia, we provide ART during employment. We collaborate closely with the Public Health programmes to ensure continuation after employment is provided on the respective government programmes.

The mine hospital in Tanzania has a joint programme funded partly by the Government of Tanzania, the United States Centre for Disease Control and the Elizabeth Glaser Pediatric AIDS Foundation (EGPAF). The Tanzanian operation was sold during the latter part of 2008 to Petra Diamonds and the HIV and Aids programme continues.

Find out more

www.cdc.gov

www.pedaids.org

Stanslaus Kashindye at the Mwadui mine hospital in Tanzania

Human rights

The Family of Companies is dedicated to promoting and maintaining a diverse and equitable work environment where employees are empowered to contribute to business success and realise their full development potential. We do this through our comprehensive Employee Human Rights Policy, as well as our Principles, the BPPs and the Security Services and Human Rights Policy.

Working conditions

Our Principles and Employee Human Rights Policy require us to comply with the International Labour Organization (ILO) fundamental principles, rights at work and core labour standards. These ideals are also embedded in the Best Practice Principles and apply to Sightholders as well as the Family of Companies (p13).

Terms of employment

All contracts of employment include information on roles, hours of work, conditions of employment, security requirements, intellectual property stipulations, non-disclosure and the declaration of outside interests. The terms of employment are explained to all new employees during the recruitment process and on the first day of work during the induction process. Remuneration is based on the band and corresponding salary scale pre-defined at a business unit or group level. Where skills are scarce, salaries may be re-negotiated to ensure De Beers remains competitive to key employees. Third party verification through the BPP Assurance Programme demonstrates that all employees earn greater than their respective country's minimum wage. Many of these wage agreements are derived together with the relevant mineworkers unions in each operating country.

Employee benefits

Employee benefits differ between operations and tend to include leave, sick leave, maternity and paternity leave, medical aid, pension plans, life insurance and compensation for injuries or disease at work. In South Africa, for example, our employees have access to the De Beers Pension Fund, which manages defined benefits and defined contributions for its members. Medical benefits are managed via the De Beers Benefit Society. This is a contribution-based private medical scheme covering a wide range of issues such as consultations, medication, dental care and hospital care.

Employees are also able to access study assistance, skills development, fuel and maintenance allowance, rental allowance, family responsibility allowance and a number of other benefits depending on operation and salary scale.

Retrenchments

In 2008, the Family of Companies saw a marked increase in redundancies compared to previous years, particularly in Europe (Figure 4-9 and Figure 4-10). This was partly due to the relocation of diamond processing jobs to southern Africa as a result of our beneficiation activities (p23). The Family of Companies deeply regrets the significant impact this has had on affected staff.

The recent global economic crisis has led the Family of Companies to reduce its production and operating costs. We have made every effort to minimise the impact of this necessary production slowdown on employees and employment. This includes consultations with relevant unions and an emphasis on avoiding compulsory redundancies. Emphasis has instead been on redeployment, voluntary redundancy, voluntary retirement, shorter working weeks and other intermediate initiatives including the temporary suspension of our mining operations.

Where compulsory redundancies are unavoidable, we consult extensively with employees and employee representatives. We mitigate the impact of such redundancies through a variety of means. These include redundancy packages commonly above and beyond those required by law and the engagement of employment agencies to help employees find alternative employment. Lower-skilled employees are often given the option of paid training. Significant programmes are in place at our Finsch, Namaqualand and Namdeb land-based operations to provide training to employees in anticipation of possible closure or production "holidays".

Find out more

www.dbbs.co.za

www.debeerspensionfund.co.za

Figure 4-9: Labour turnover (%)

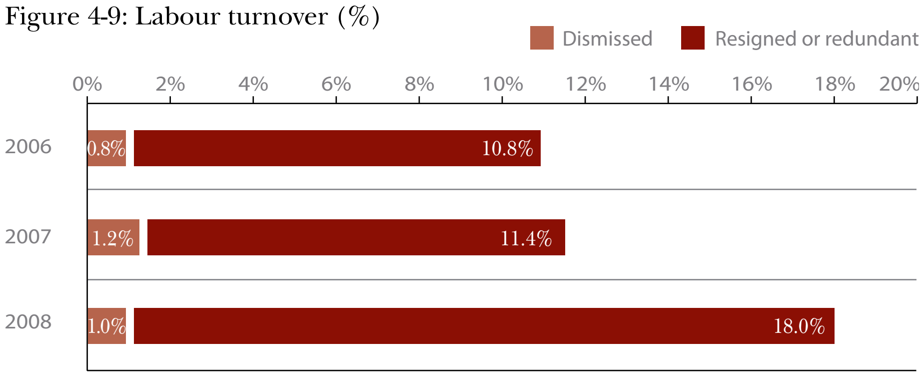
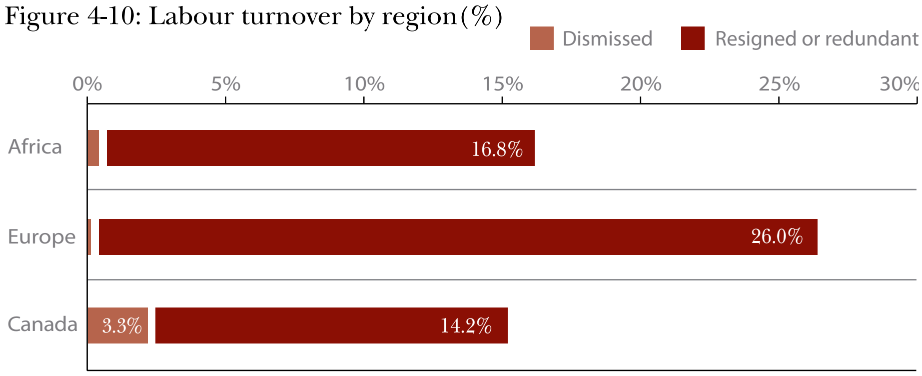


Figure 4-10: Labour turnover by region (%)



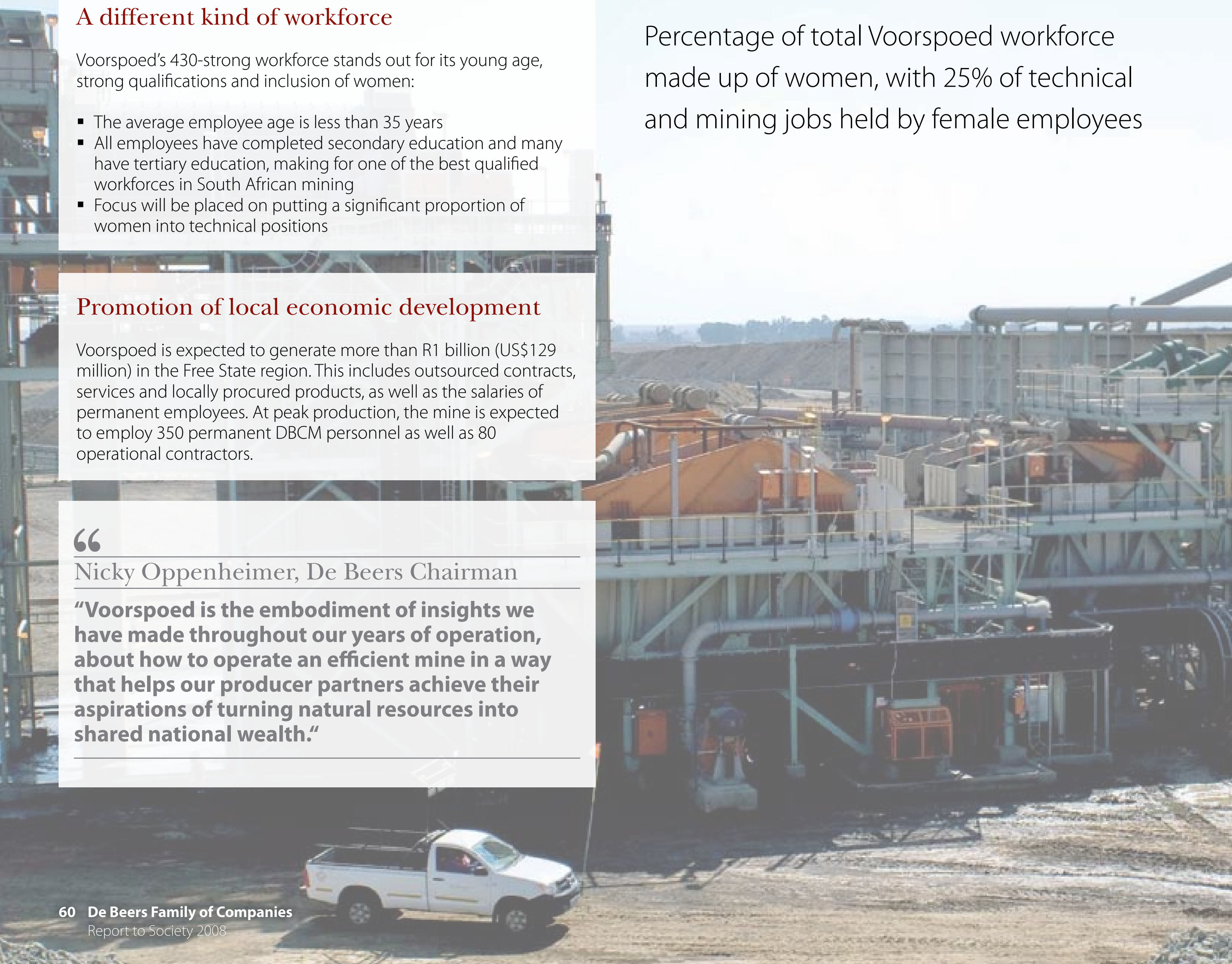
Voorspoed – empowering a new generation of miners

The Voorspoed mine in the Fezile Dabi Region of the Free State Province was officially opened in November 2008. It is the first De Beers mine to be opened in South Africa since De Beers Consolidated Mines (DBCM) entered a broad-based Black Economic Empowerment (BEE) partnership with Ponahalo Holdings Limited in 2006 (p20). As a new generation mine aimed at setting new standards in social performance and empowering its workforce, Voorspoed will be operated by a new generation of miner.

www.dti.gov.za

36%

Percentage of total Voorspoed workforce made up of women, with 25% of technical and mining jobs held by female employees



A different kind of workforce

Voorspoed's 430-strong workforce stands out for its young age, strong qualifications and inclusion of women:

- The average employee age is less than 35 years
- All employees have completed secondary education and many have tertiary education, making for one of the best qualified workforces in South African mining
- Focus will be placed on putting a significant proportion of women into technical positions

Promotion of local economic development

Voorspoed is expected to generate more than R1 billion (US$129 million) in the Free State region. This includes outsourced contracts, services and locally procured products, as well as the salaries of permanent employees. At peak production, the mine is expected to employ 350 permanent DBCM personnel as well as 80 operational contractors.

Nicky Oppenheimer, De Beers Chairman

"Voorspoed is the embodiment of insights we have made throughout our years of operation, about how to operate an efficient mine in a way that helps our producer partners achieve their aspirations of turning natural resources into shared national wealth."

US$997,000

Funds earmarked for training of Voorspoed employees in 2009

US$2.7m

Allocated to Social and Labour Plans at Voorspoed for the 2008–12 period

Broad-Based Black Economic Empowerment

Broad-based BEE is an integrated socio-economic process that builds upon BEE – a process primarily aimed at the redistribution of existing wealth to Historically Disadvantaged South Africans (HDSAs). Broad-based BEE goes beyond wealth distribution by focusing on the promotion of growth and development, reductions in income inequalities, and meaningful participation of a broader spectrum of society in the economy.

As part of this broad-based BEE commitment, Voorspoed has targets in place for the inclusion of HDSAs into its management. Likewise, more than 70% of the mine's employees will be recruited from the Fezile Dabi region. Voorspoed's Social and Labour Plan (p71, p72) includes extensive training programmes for its employees. Voorspoed is also planning to maximise the use of local suppliers for non-core activities.

Empowering people with disabilities

Specific provision is being made for the employment of disabled people under the Disabled People's Employment Equity Programme, a joint initiative between the Ponahalo De Beers Disabled Persons Trust and Voorspoed.

Ponahalo funded a local recruitment drive for disabled candidates in partnership with the Tumahole Self-Help Association of People with Disabilities (TSHAD) and the Association of People with Disabilities. A short-list of 20 was then selected to undergo professional testing and evaluation. Four of the candidates have already secured positions at Voorspoed, two as services operators, one as a public and corporate affairs assistant, and one as a diamond sorter. Those who were unable to secure positions have been included in the TSHAD database so that they can be called on when other job opportunities are found.

From left: Laticia Joseph (electrician) and Madireng Lentsa (maintenance operator)

Fundamental principles and rights

Our human resources policies have been reviewed to ensure they do not discriminate in any way or contain "barriers of entry" into roles or responsibilities that would negatively impact on employees. De Beers pays more than the local minimum wage in all of the countries in which it operates.

Freedom of association and collective bargaining

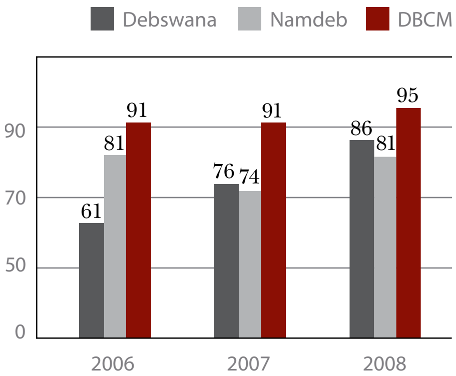
Our Employee Human Rights Policy stipulates that employees and employers are free to form associations for the protection of their interests and to bargain collectively where the required membership thresholds are met. These rights are enshrined in law in the countries in which we operate and in many instances are integral to our mining licence agreements with governments. Trade union and employee associations have a strong presence and operate freely at all of our mining operations (Figure 4-11).

Employees at our Namibian operations are subject to a one month minimum notice period regarding operational changes. For employees at DBCM, De Beers Group Services (South Africa) and De Beers Marine (South Africa), a two month consultation process in addition to the one month notice period is applied where changes to our operational requirements are contemplated. At Debswana the notice period is either three months (for more junior grades) or six months (for more senior grades).

Forced and compulsory labour

The Employee Human Rights Policy recognises that "employees will not be subjected to forced labour" and acknowledges overtime to be voluntary in accordance with the national permitted level. No incidents of forced or compulsory labour were recorded at our operations in 2008. This has been third party verified through the BPP Assurance Programme. None of our operations has been identified as posing potential forced and compulsory labour risks.

Figure 4-11: Union membership at our major operations (semi-skilled workers, %)



Child labour

Our Employee Human Rights Policy prohibits any child under the age of 16 from being employed. It also requires that "no persons under the age of 18 will be employed in roles that may be hazardous to their health, wellbeing or safety, including any night work, underground work and work involving machinery."

No incidents of child labour were recorded in any of our operations or those of our Sightholders, suppliers or contractors in 2008. This has been third party verified through the BPP Assurance Programme. None of our supplier or contractor checks identified instances of child labour during 2008.

Non-discrimination

Our Employee Human Rights Policy requires there to be "no unfair discrimination in employment on the basis of race, colour, sex, religion, political opinion, gender orientation, national extraction or social origin". During 2008 there were five incidents of alleged discrimination at De Beers Canada. These were investigated and resolved internally. No other incidents of discrimination were identified anywhere else in the Family of Companies.

Employment equity

The Family of Companies is committed to ensuring its workforce is reflective of the societies in which we operate and to support government efforts to offer opportunities to previously disadvantaged groups.

Case study

The 2008 wage agreement in South Africa

De Beers is committed to respecting the rights of its employees to bargain on a collective basis. This was demonstrated when the company reached a wage agreement with South Africa's National Union of Mineworkers (NUM) in July 2008. The NUM bargains for five of the six De Beers land-based operations, and in a separate forum for employees in De Beers Marine (South Africa). The union represents 2,612 of our 4,198 employees in South Africa.

Agreement was achieved after De Beers offered a 12% increase in wages for 2008, backdated to May. The NUM accepted the offer thereby settling the wage dispute and averting industrial action scheduled for July 2008. Following the agreement, the new entry-level salary rose to R4,459 (US$575) a month. This is equivalent, when adjusted to reflect differences in purchasing power, to a monthly wage in the United States of US$943.[8] This was in addition to other employee benefits and the quarterly bonus scheme that applied in 2008.

Find out more

www.num.org.za

[8] Purchasing power adjustment based on the latest 2005 Price Level Index of the International Comparison Programme of the World Bank

Designated groups

The Family of Companies will ensure designated groups have representation in decision-making positions that reasonably reflects the demographics of the country's economically active population. A number of structures including our Employment Equity Committee have been established in order to monitor our performance in this respect. They include management representatives, union representatives and functional personnel.

Our South African operations have a plan to achieve an employment equity target of 60% participation of Historically Disadvantaged South Africans (HDSAs, p15) in management by the end of 2009. While figures are likely to be impacted by the effects of the economic downturn these operations including DBCM, De Beers Group Services (South Africa) and De Beers Marine all aim to achieve equitable representation of HDSAs throughout the workplace.

At the end of 2008, HDSAs (excluding white women) made up 78.7% of DBCM's workforce (2007: 78.9%, 2006: 77.1%).[9] HDSAs (excluding white women) made up 45.5% of DBCM management (2007: 39%, 2006: 35%) (Figure 4-13).[10]

The workforce of De Beers Group Services (South Africa) included 57.0% HDSAs (excluding white women) (2007: 45.8%).[11] HDSAs (excluding white women) made up 31.7% of De Beers Group Services (South Africa) management.[12]

[9] HDSAs (including white women) accounted for 83.7% of the DBCM workforce

[10] HDSAs (including white women) accounted for 53.1% of DBCM management

[11] HDSAs (including white women) accounted for 74.9% of De Beers Group Services (South Africa) workforce (2007: 65.8%)

[12] HDSAs (including white women) accounted for 47.1% of De Beers Group Services (South Africa) management

Find out more

www.dme.gov.za

institute.davinci.ac.za

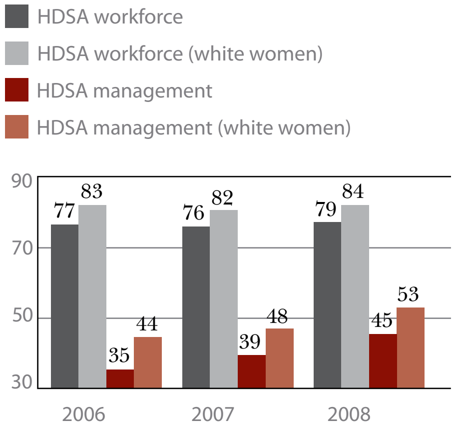
By the end of 2008, Debswana had achieved a 95.3% localisation rate (2007: 94.5%). In Namibia, the focus is on achieving a workforce profile that is representative of the country's demographics. Namdeb has set itself an employment equity target of 80% for Historically Disadvantaged Namibians (HDN).

Women in the workforce

Women constitute about 21.8% of our global permanent workforce and about 20.2% of management roles (Figure 4-12). DBCM is required by the South African Mining Charter to ensure women make up a minimum of 10% of the technical related workforce by 2009. At the end of 2008, DBCM had achieved a workforce rate of 8.8% women in technical related positions and a management rate of 21% (2007: 18%).

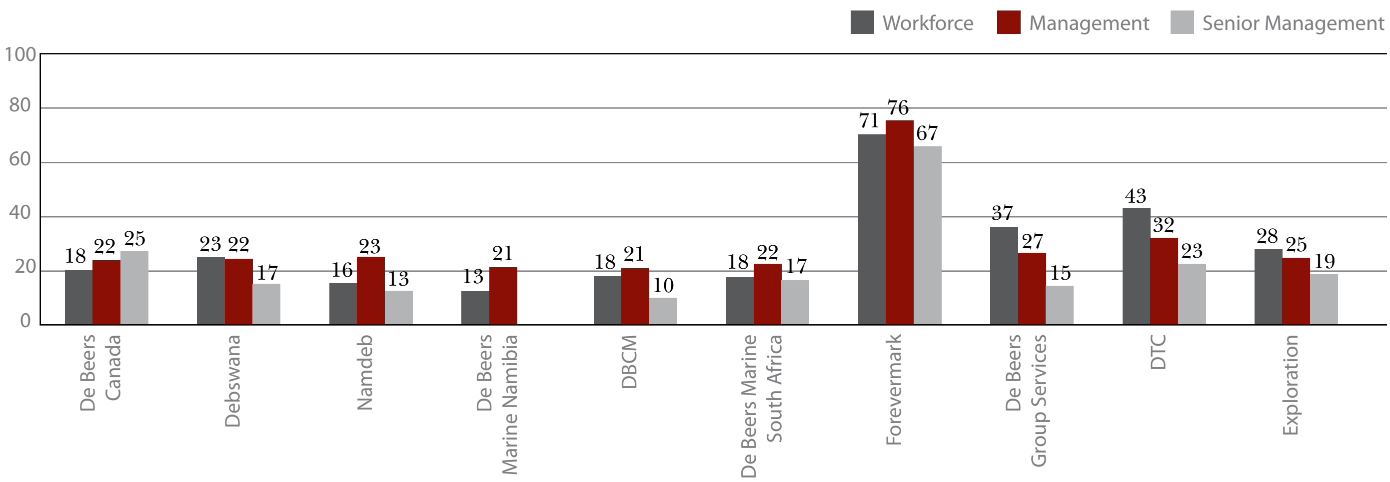
The Family of Companies is actively supporting efforts to increase the proportion of women achieving senior management positions. This includes our support of the "Women in Mining" programme, which is facilitated by the Department of Minerals and Energy through the Da Vinci Institute of Technology. We also support the establishment of mentoring schemes within our operations. These schemes promote women in senior positions to share their experience and to motivate women in more junior positions to achieve their full professional potential.

Figure 4-13: HDSAs in workforce and management at DBCM (%)

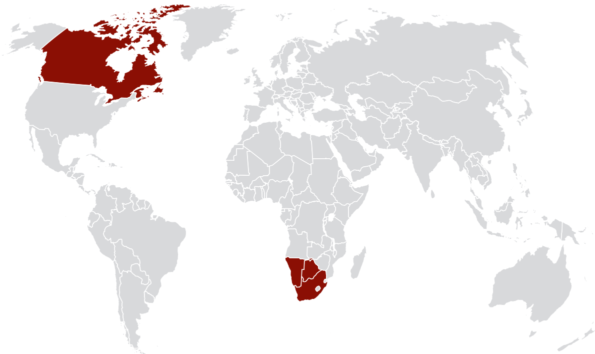


In May 2008 DBCM celebrated its "Women in Mining" projects at an event attended by Minister of Minerals and Energy Buyelwa Sonjica and leaders from the mining sector. Initiatives included the appointment of 26 employees to the "Women in Mining Development Programme". This is a technical leadership course focused on mining, metallurgy and engineering. It is facilitated through our Centre for Human Capital Development (the Lesedi Centre) in Kimberley. Last year also saw significant progress in DBCM's transformation process. The Voorspoed mine introduced female haul truck drivers, which are already in place at the Venetia mine. The Kimberley mine appointed the first female operations manager in DBCM's 120 year history.

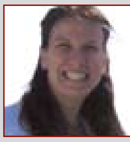
Figure 4-12: Women in workforce, management and senior management (%)



Employee profiles – women in mining



Q&A

	 Anca Burger	 Maggy Hochobeb	 Nicole Januszczak
Position	Project Engineer, Namdeb Strategic Projects	Training as a Mining Engineer, Namdeb	Senior Geologist, Exploration Division, De Beers Canada
Location	De Beers Marine Namibia, Namibia	Oranjemund, Namibia	Exploration, Canada
Why did you join De Beers, and what are your most memorable opportunities since you joined?	I joined the De Beers Family of Companies in 2000, drawn by the excellent development prospects that it offers. Working as an engineer on the Marine Dredging Project (including conceptual work, design, trial mining, production and close-out) has been one of my most memorable experiences. This is due to the constant and diverse engineering challenges, and the very talented people I work with.	I have been working at Namdeb for one year and eight months having joined as a bursary student. This bursary meant I could study Mining Engineering and go on to pursue the strong development prospects offered by Namdeb. Exposure to the production process in 2007 and 2008 has had the greatest impact on me. It exposed me to issues such as risk elimination and mitigation, short-term production planning, and the management of a number of resources.	I have worked for De Beers Canada for three and a half years. I was attracted by the high performing environment it offers, as well as the opportunities to learn, lead and innovate. One of my most memorable experiences was spending Canada Day judging an Inukshuk competition [stone navigation landmarks]. It is this kind of experience that lets you see first-hand the contribution of local communities to our operations – and vice versa.
How do you see women taking a greater role in mining, and what are your own professional aspirations?	The diversity of views that women bring to mining should be valued. This is because they can translate into innovative solutions. Furthermore, many women now play leading roles in mining and are able to extend their positive influence and expertise into their communities. For my part, I hope to become a Project Manager. This involves the integration of different disciplines and leadership of a professional team.	Women should strive to reach their full potential and balance the gender scale. It is always a great motivation to both myself, and others, to see successful women operating in a traditionally male-dominated industry. I aim to be a successful Mining Engineer in the company and to obtain my certificate of competency.	Very promising! It is encouraging to have role models like Anglo American's CEO Cynthia Carroll who show that women with families can achieve great professional success. Carroll has said that success comes down to delivering results. I believe that this, as well as hands-on experience and perseverance, is essential.
Are you involved in any initiatives to encourage women in mining?	The Family of Companies, and Namdeb in particular, has a strong culture of coaching and mentoring. I am privileged to be the mentor of a young lady who I am confident will play a leading engineering role in the future.	I attend initiatives aimed at motivating women to reach their full potential. There are a number of people who act as mentors and provide me with direction and support as I pursue my aspirations.	As well as participating in Women in Mining events, I work with local schools and organisations to expose students to the excitement, challenges and rewards of a career in geoscience. I also hope to serve as a role model for female geoscientists through my work with various academic, industrial and government organisations.

Q&A

	 Theresiah Monyeke	 Tapiwa Kruger	 Rebaone Lechuti
Position	Ore Extraction Operator (driving hauling, tanker and service trucks), DBCM	Section Engineer, Debswana	Process Engineer, Treatment Projects, Debswana
Location	Voorspoed mine, South Africa	Jwaneng mine, Botswana	Jwaneng mine, Botswana
Why did you join De Beers, and what are your most memorable opportunities since you joined?	I have been working at De Beers for one year and three months. There are not so many women in the mining industry, so I saw it as a good challenge and could see the potential opportunities a career in mining could offer. My most memorable experience was speaking at the CBI conferences, where I received an award as the best speaker. I also enjoyed being on the organising committee for the Voorspoed mine opening held on 4 November 2008.	I joined Debswana in 2003 having received a company bursary to study engineering. I was particularly keen to join a company that makes such a significant contribution to the Botswana economy. Debswana has offered me real opportunities in terms of training and development. For example, the exposure I have had to different sections has given me a much better understanding of the business, as well as its interdependencies.	I chose a career with Debswana because of its major contribution to my country's economy and its strong reputation for taking care of its employees. I also wanted to be one of the first few women to venture into Metallurgy. One of the most memorable aspects of my work at Debswana has been my leadership training. This has helped make me who I am today.
How do you see women taking a greater role in mining, and what are your own professional aspirations?	Women are already getting opportunities in mining that they never had before. These include leading roles in which their voices can be heard. This is good news and a sign of greater things to come. I hope to become part of the management team one day. I am already working with some of my colleagues at production support, and this is a great starting point.	Women bring diversity into the organisation. I am thankful for all those women before me who braved the challenges that exist in the mining industry. It is they who demonstrated that the challenges are not insurmountable and who paved the way for people like me. I believe that women with experience in mining should encourage the younger generation of women, and mentor them as they build their careers.	I honour the women who have already managed to achieve decision-making positions. Their contribution to Debswana is visible, and they act as valuable role models to people like me. I also have great respect for those women working in technical positions. Their vigour and enthusiasm shows they have a valuable contribution to make. For my own part, I want to gain an executive position within the Family of Companies.
Are you involved in any initiatives to encourage women in mining?	I play a positive role in recruiting from the community. In particular, I motivate people to come for assessments and explain the nature of the work to them. I am also an active member of the Women in Mining Focus Group.	I play an active role in the Women in Mining initiative, which was launched at the Jwaneng Mine in late 2008.	In Debswana we have just established a Women in Mining Forum. This is aimed at equipping women with the skills to flourish in the workplace and attain their career aspirations. We are looking to get those women who are in influential positions to coach and mentor other women.

Harnessing and developing talent

As we enter the economic downturn, our ability to remain agile and responsive to changing markets and to ensure a sustainable business is crucial. Talent remains a key asset and will impact significantly on whether we emerge from the downturn as a lean, efficient and competitive organisation. Whilst we recognise the importance of "right-sizing" to respond to current demand levels, we continue to be committed to the development and retention of talented people and to a philosophy of high engagement of our workforce.

Consequences of the global economic downturn

The Family of Companies is committed to minimising the impact of the global economic downturn on our employees (p2). In 2008, we were able to avoid significant involuntary redundancies through a variety of measures including voluntary early retirement and voluntary special leave. Our efforts to identify alternative solutions will continue in 2009 but involuntary redundancies will be unavoidable. The Family of Companies deeply regrets the possibility of such measures, which would only be made to ensure the sustainability of the business and the continued employment of our remaining employees. Any redundancies are being made in close consultation with affected employees and any relevant representatives and include severance packages with terms that go beyond local legal requirements.

In spite of any downsizing, we continue to promote local skills development by empowering employees to participate in workplace learning initiatives, and most importantly, by providing critical experiences and on the job development. This work also drives the establishment of sustainable and highly skilled pools of local labour and broader economic development. Our approach is also influenced by our desire to harness the diversity of ideas, cultures and approaches within our workforce and ways of working. We believe this will contribute positively to our long-term success.

We are confident of the ultimate recovery of global demand for diamonds and our ability to create fresh employment opportunities as global growth returns.

Talent management

Our Talent Management Policy supports the recruitment, development, succession and retention of employees across the Family of Companies. It mandates the appointment of the best qualified internal or external candidates in line with job requirements and national legislation relating to employment equity. It also ensures employee performance is gauged against a defined set of key performance indicators, through regular dialogue and feedback. We also seek to maximise the deployment of talent across the Family of Companies in order to ensure we build our leadership and technical strength for the future. This last year saw a threefold increase in executive talent mobility across the Family of Companies for top talent in key roles.

Professional development

In 2008, the Family of Companies spent a total of US$9.3 million on professional development, including formal training and qualifications (Figure 4-14 and Figure 4-15). All of our operations provide internal courses to assist employees in their personal development, enable them to be more productive and improve their contribution to business goals. These include mentoring and coaching systems, e-learning, part-time and full-time training courses. We monitor the training provided to all employees by category of employment. This last year saw particular emphasis on embedding the concept of lifelong learning through accredited learnerships and building front-line supervisory skills as a vehicle for enhancing engagement and productivity.

Multi-Stakeholder Forum

Q How will the global economic downturn affect the strategy for skills and talent development?

A **The Family of Companies remains committed to a number of key priorities that we will pursue irrespective of the current economic situation. This includes the phasing out of the "expat" model in order to increase the employment of local people at all levels of seniority. We will also build on our efforts to employ, empower and develop local citizens from company CEOs to miners. Not only is this the right thing to do, it also offers us significant cost benefits and ensures our long-term access to highly skilled and sustainable local talent. Our commitment to the training of host country citizens is backed by a strong business case, particularly in locations where much of the population lack widespread access to high school or university education. We also remain fully committed to the provision of HIV and Aids programmes for our employees and their spouses. These programmes are fundamental to our business and to the lives of our employees.**

Figure 4-14: Average hours of training by employee category

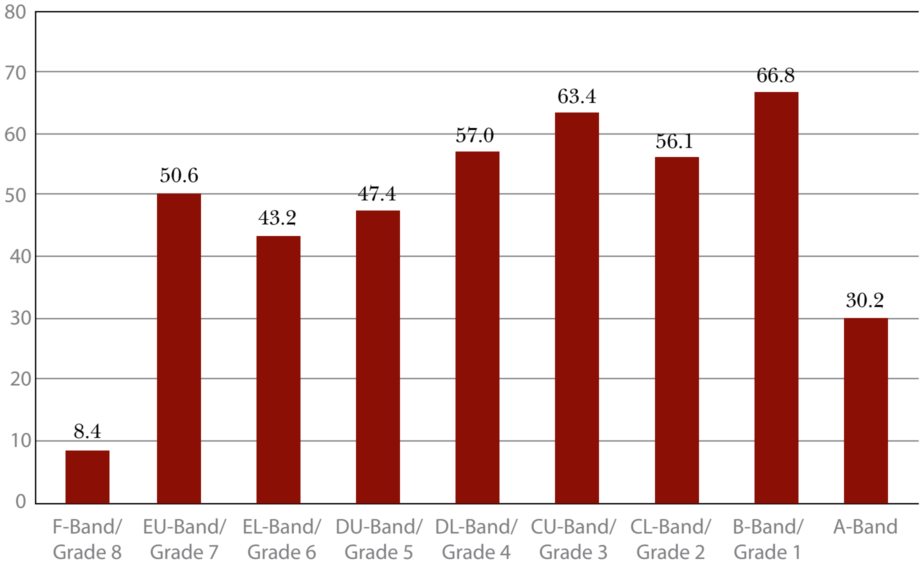
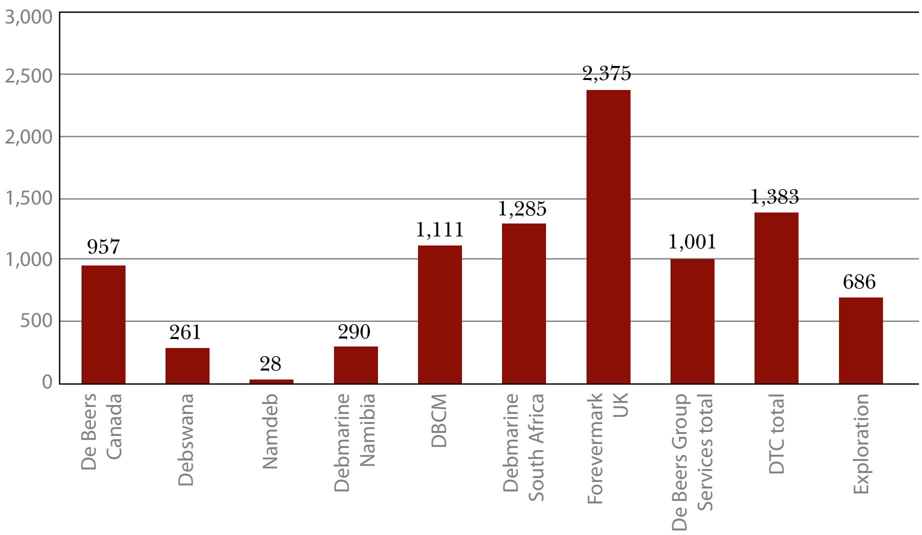


Figure 4-15: Average training spend per employee (US$)



Equity in development opportunities

Our strong focus on skills development is supported by legislation such as the South African Employment Equity Act 1998 and the Broad-Based BEE Act 2003. DBCM has a well-established bursary scheme that more than delivers on legal requirements, especially for those in the engineering, geology and metallurgy disciplines. Many of these training commitments are formalised through their inclusion in Social and Labour Plans agreed with the government (p71, p72). Additional learning interventions are also available to fast track HDSA employees, including the Women in Mining Programme (p63).

Skills for high-potential talent

We also invest in the development of high-potential talent through training at the London Business School. This includes the Senior Leadership Programme, the Accelerated Development Programme for leaders transitioning from specialist to general management roles and the Emerging Leadership Programme. In 2008, this LBS programme was supplemented by our Managing Director roundtable sessions and local development interventions for middle management. A framework has also been implemented to improve engagement with key individuals via senior leadership visibility and mentorship as well as career development forums.

Find out more

www.london.edu

Communities

Our engagements with local communities and local businesses are based on the same principles of sustainability that frame our partnerships with producer governments (p20). Our aim is to contribute actively to the development of sustainable local economies built on a strong social capital base. We do this through capacity building, infrastructure development, providing employment, strategic social investment, supporting enterprise development and actively seeking procurement agreements with local suppliers.

Successful partnerships are based on principles of mutual benefit and reciprocity. In our engagements with local communities the framework for these principles is defined in terms of our social licence to operate. Gaining a social licence involves ongoing engagement with local communities. This is with a view to ensuring they understand the impacts of our activity and participate in the development of impact mitigation strategies, as well as programmes to maximise local benefit. Well managed community engagement during the life of a mine promotes a foundation for a positive post-mining legacy. This requires careful planning, ongoing monitoring and continuous review. It also requires us to work in partnership not only with local communities, but also with government and non-government agencies that are able to bring valuable skills and perspectives to the process.

Highlights

- We launched our newly developed Social Impact Assessment Guidelines, which build on work carried out by the International Council on Mining and Metals and the principles endorsed by the International Association for Impact Assessment
- Social and Labour Plans (SLPs) were approved for almost all of our mines in South Africa (p71). A total of US$43.8 million has been allocated to SLPs for 2008-12
- We established a Corporate Social Investment Working Group, as well as a Social Investment Policy based on international best practice, in order to improve coordination and establish a unified social investment strategy across the Family of Companies
- The Family of Companies disbursed a total of US$10.1 million in social investment projects in Africa (2007: US$15.1 million)

US$13.6 million

1.6% of pre-tax profit spent on social investment

“

Nicky Oppenheimer, De Beers Chairman

“The scale of social investment in local communities around our mines is, of necessity, dwarfed by our overall economic contribution in producer countries. But it does not diminish their importance. They are critical to managing risk and promoting stability and growth.”

Basic literacy training at the De Beers community centre in Lucapa, Angola

Issues relevant and material to our stakeholders that are addressed in this chapter

Our strategy

Maintaining good relations with local communities and other stakeholders helps ensure our continued access to diamond resources. It also promotes stakeholder confidence in diamonds and minimises the risk of costly and unnecessary disputes. Community investment is an important part of our value proposition as the miner of choice for host governments.

Our Community Policy

In 2007, the "Community" workstream was formally accepted as a distinct discipline within our Environment, Communities, Occupational Hygiene, Health and Safety (ECOHS) framework.

Our Community Policy embodies our commitment to the protection of human rights and our respect for the interests of those communities where we live and work. The policy meets or exceeds relevant international law and industry protocols and translates our Principles into practice. It also sets the benchmark for our engagement with affected communities. The Community Policy was widely communicated across the Family of Companies during the course of 2008. It has also been translated into Portuguese and French for our exploration operations in Angola and the Democratic Republic of Congo (DRC).

Sister Ana at the vaccination campaign in Lucapa, Angola

Developing standards and tools

In 2008, our Community Peer Group developed and adopted various tools to assist in the implementation of our policy at each operation and help ensure a rigorous approach to the management of community issues. This includes the development of our Social Impact Assessment (SIA) Guidelines (p71), Projects Environmental and Social Guidelines (p71) and a Social Investment Handbook, as well as tools to support the development of Social and Labour Plans (SLPs) for our South African operations (p71).

The peer group also co-ordinated the piloting of Anglo American's Socio-Economic Assessment Toolbox (SEAT) at our Venetia operations and facilitated the ongoing sharing of existing best practice more widely amongst our different businesses and disciplines. The peer group includes participants from External and Corporate Affairs, as well as ECOHS professionals and community liaison managers from our mining operations across the Family of Companies.

Four peer group meetings were held during 2008 and were supported by an extended Environment and Community Workshop that addressed integrated ECOHS issues including closure planning (p75) and community engagement practices (p71). A number of issues identified as risks by the peer group and Principles Committee were submitted to the ECOHS Committee. These included land claims (p74), the sustainability of Oranjemund town post-closure (p74) and progress on the Namaqualand closure planning process (p74).

Case study

Prospecting in the Central Kalahari Game Reserve

Following First People of the Kalahari's victory in the Botswana High Court, De Beers initiated a broad stakeholder consultation process on 18 September 2008 to discuss the possibility of conducting low impact, short-term exploratory work in our remaining licence areas in the Central Kalahari Game Reserve (CKGR). The consultations were undertaken as part of a preliminary Environmental Impact Assessment (EIA) exercise and in line with the De Beers Community Policy. Consultations were held with a broad cross-section of stakeholders including government agencies, Non-Governmental Organisations (NGOs) and, critically, community organisations and the communities living in, or with strong ties to, the CKGR.

While there was no clear consensus amongst the communities consulted, the discussions reaffirmed De Beers view that until such time as a sustainable long-term management plan for the CKGR is agreed, we will continue to focus our exploration activities in areas outside the CKGR. De Beers nevertheless remains committed to supporting efforts to find a sustainable long-term planning framework for the CKGR that satisfactorily addresses the concerns of all affected stakeholders.

De Beers suspended all operating activities in the CKGR in 2004 and sold its interests in the Gope Project to Gem Diamonds in January 2007.

Find out more

www.gemdiamonds.com

Report to Stakeholders 2005/6 (p87)

Engaging with communities

Ongoing community engagement in the vicinity of our mining operations helps identify potential community-related risks and opportunities. It also provides stakeholders with the opportunity to comment on our management of issues that they consider "relevant and material".

This last year saw the Family of Companies move towards the use of more formalised processes to ensure rigorous and effective community engagement. In addition to further rolling out Anglo American's SEAT framework further, we developed a new set of Social Impact assessment Guidelines, both of which helped bring our SLP processes in South Africa to a level of greater maturity. We also worked with Anglo Platinum (at its Mogalakwena Mine in Limpopo Province) to peer review existing community engagement processes. These tools assist in the identification, frequency and form of community engagements.

The Socio-Economic Assessment Toolbox

SEAT was initially developed by Anglo American. It includes tools to map and engage local stakeholders in remote and under-developed areas, as well as under-represented groups such as women and indigenous people. SEAT also contains tools to help operations manage the socio-economic impacts of their activities on local stakeholders. In 2008, we conducted two SEAT training sessions with Anglo American. This included a retrospective on lessons arising from the piloting of SEAT at our Venetia mine during 2007 and 2008. The retrospective found future SEAT implementation would benefit further from full employee engagement, internal capacity-building as well as ongoing communication between the SEAT implementation team and business units. Lessons from this pilot process have informed our strategy for future use of the SEAT toolkit. This includes possible use of SEAT to inform the development of community engagement plans at our De Beers Consolidated Mines (DBCM) operations. An SIA using SEAT is currently underway at the Namaqualand mines. Debswana is planning to use SEAT to address social impacts for the Cut 8 project at the Jwaneng mine in Botswana.

Find out more

- www.angloamerican.co.uk
- www.anglozimele.co.za
- www.dme.gov.za
- www.iaia.org
- www.icmm.com
- www.ifc.org

Impact assessment

The Family of Companies conducts impact assessments for all new mining projects and whenever significant changes are made at existing operations. All of our operations are covered by Environmental Impact Assessments (EIAs). Many also have socio-economic impact assessments in place, as well as formal agreements with local indigenous communities.

In 2008, we launched our newly developed SIA Guidelines. These build on the work completed by the International Council on Mining and Metals (ICMM) and the principles endorsed by the International Association for Impact Assessment. Our guidelines set a new standard for international best practice. They cover issues including community development planning processes, coordination with partners and procedures for identifying resources essential to community subsistence. Our SIA Guidelines also identify the land and customary rights of local communities, including those of indigenous peoples. They are further augmented by our Community Policy, which meets and exceeds international law and industry protocols relating to the rights of local communities and indigenous peoples, resettlement and compensation.

In 2008, we completed and obtained government approval of an EIA for the proposed AK06 project. An SIA was also carried out to ensure alignment with our Community Policy. This included a stakeholder engagement programme involving national, regional and local authorities, tribal authorities, local communities and NGOs. Stakeholders showed overwhelming consent for the proposed mine, but the loss of communal grazing land and water resources was raised as an issue of concern. In February 2008, the Government of Botswana approved our environmental management plan to address these issues. In 2008, we also developed a Compensation and Resettlement Action Plan for AK06 in line with International Finance Corporation (IFC) Performance Standard 5 and the SEAT manual. We are in discussions with the Ngwato Land Board and other stakeholders to finalise compensation relating to impacts of the project.

All of our exploration staff have received our Human Rights Policy for reference and information.

Social and Labour Plans

The establishment of SLPs for our South African operations is a central part of the conversion of old order mining rights. SLP requirements focus on infrastructure provision, poverty eradication, job creation and community investment. SLPs for Venetia, Finsch, Kimberley and five of six mining rights in the Namaqualand area were approved in 2008. Written confirmation is yet to be obtained regarding the conversion of old order mining rights for the South African Sea Areas and Samsonbak (the sixth Namaqualand old order mining right). SLPs for the new Verdun mining right in the Namaqualand area and for Rooipoort have also been approved.

A total of US$43.8 million has been allocated to SLPs for 2008–12.[1] Our 2008 SLP budget included more than R24.5 million (US$3.2 million) for infrastructure projects. An example includes the construction of a water pipeline to the Komaggas and Buffelsriver communities at a cost of R1.2 million (US$155,000). Likewise, a total of R3.3 million (US$425,000) was spent on developing high mast lighting in communities close to the Voorspoed mine. More than R 9.6 million (US$1.2 million) has been allocated to enterprise development projects such as the R1.9 million (US$244,000) in support of a brick and clay pot manufacturing project near Kimberley, R1 million (US$129,000) for mariculture development at our South African Sea Areas (SASA) and R700,000 (US$90,000) for the Blouberg Aquaculture Project near Venetia. DBCM will be assisted in the implementation of these initiatives by the Anglo American "Zimele" project, which is recognised by the IFC as offering a leading enterprise development model.

Around R90 million (US$11.6 million) has been committed to local economic development projects for the 2008-12 period. DBCM is due to review these commitments in line with current economic circumstances and possible retrenchments. Many of the social elements of our SLPs are carried out within our broader social investment framework. This includes alignment with De Beers Fund activities (p81).

[1] In 2007, the Voorspoed and Venetia mines received US$1.2 million of additional SLP funding

DBCM Social and Labour Plans

South Africa's Mineral and Petroleum Resources Development Act 2002 requires applicants to submit a Social and Labour Plan (SLP) before mining or production rights will be granted. SLPs are intended to:

- Promote employment and advance the socio-economic welfare of all South Africans
- Contribute to the transformation of the mining industry
- Ensure mining companies contribute to the socio-economic development of the areas in which they operate and where they source the majority of their employees

www.dme.gov.za

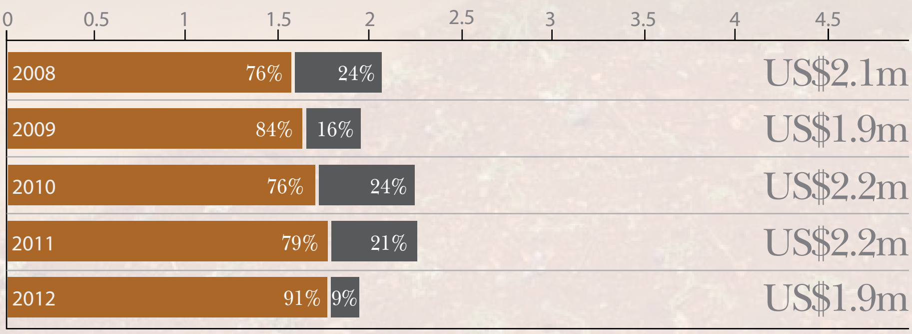
De Beers Consolidated Mines (DBCM) has evolved a set of Department of Minerals and Energy (DME) guidelines to better assist its operations in the compilation of SLPs. This includes the rigorous engagement of community, employee, government and Non-Governmental Organisation stakeholders. These refinements have been made available to the DME for use by other companies. DBCM has developed SLPs for all of its mines. Details of SLPs for those mines most material to our DBCM operations are presented in Figures 5-1 to 5-3 below. Further information on the SLPs for Kimberley, South African Sea Areas and Voorspoed is available on p71.

Skills development budget | Local economic development budget

Finsch SLP and budget

Mine type: Underground
Start date: 1961
Local context: There are high levels of unemployment and poverty in the Northern Cape region. Finsch is involved in a number of community programmes, such as creating jobs, addressing HIV/Aids and providing educational support and skills development.

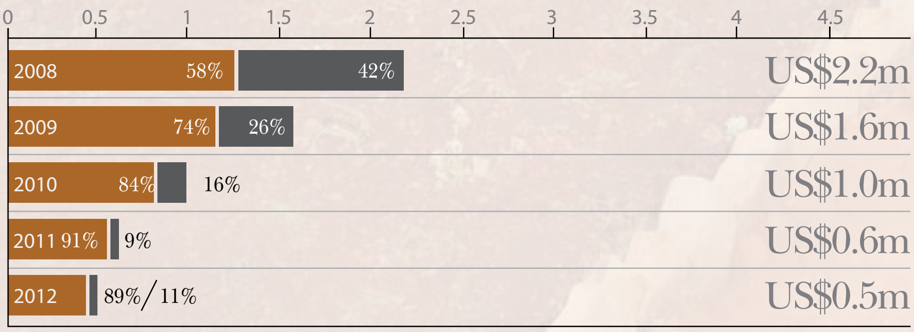
Figure 5-1: Finsch SLP budget 2008–2012 (US$ millions)



Namaqualand SLP and budget

Mine type: Alluvial
Start date: 1928
Local context: The Namaqualand region's economy is largely dependent on mining. The De Beers Fund is supporting numerous social upliftment initiatives. These include agricultural projects, small business development, and education and health care projects. The short time period before anticipated closure accounts for the gradual reduction in SLP expenditure.

Figure 5-2: Namaqualand SLP budget 2008–2012 (US$ millions)

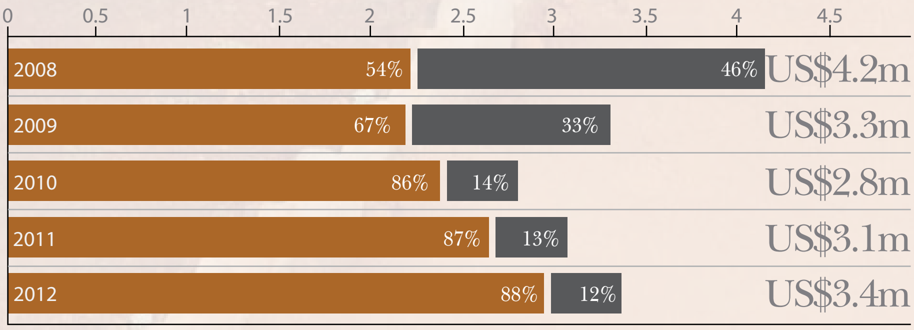


Venetia SLP and budget[2]

Mine type: Open-pit
Start date: 1992
Local context: The mine is located in a relatively poor area of South Africa. De Beers is involved in numerous poverty alleviation programmes. These include job creation projects in partnership with the Department of Agriculture and the Musina municipality. De Beers is also involved in HIV/Aids prevention and care programmes.

[2] Venetia was also allocated a local economic development budget of US$877,000 for 2007

Figure 5-3: Venetia SLP budget 2008–2012 (US$ millions)



Musina Primary School, part of the De Beers Rural School Programme

US$13.2m

Total SLP spend by DBCM for 2008

Local economic development

Rehabilitation project(s)	
Community development project(s)	✓
Education and/or child development project(s)	✓
Agriculture/aquaculture project(s)	✓
Other enterprise promotion project(s)	✓
Infrastructure project(s)	
Water and sanitation project(s)	✓
Health and/or HIV/Aids project(s)	

Skills development

Mining skills programmes	✓	Portable skills programmes	
Metallurgy skills programmes	✓	Coaching and mentoring	✓
Engineering skills programmes		Scholarships	
Professional learnerships	✓	Bursaries	✓
Adult basic education and training learnerships	✓	Internships	✓

Historically Disadvantaged South Africans in management positions (2008):	40.4% (2012 target – 50.7%)
Women in technical positions (2008):	5.2% (2012 target – 10.9%)

Local economic development

Rehabilitation project(s)	✓
Community development project(s)	✓
Education and/or child development project(s)	✓
Agriculture/aquaculture project(s)	✓
Other enterprise promotion project(s)	
Infrastructure project(s)	✓
Water and sanitation project(s)	✓
Health and/or HIV/Aids project(s)	✓

Skills development

Mining skills programmes	✓	Portable skills programmes	✓
Metallurgy skills programmes	✓	Coaching and mentoring	✓
Engineering skills programmes	✓	Scholarships	
Professional learnerships		Bursaries	✓
Adult basic education and training learnerships	✓	Internships	✓

Historically Disadvantaged South Africans in management positions (2008):	45.7% (2012 target – 65.0%)
Women in technical positions (2008):	5.1% (2012 target – 10.8%)

Local economic development

Rehabilitation project(s)	✓
Community development project(s)	✓
Education and/or child development project(s)	✓
Agriculture/aquaculture project(s)	✓
Other enterprise promotion project(s)	✓
Infrastructure project(s)	✓
Water and sanitation project(s)	
Health and/or HIV/Aids project(s)	

Skills development

Mining skills programmes	✓	Portable skills programmes	
Metallurgy skills programmes	✓	Coaching and mentoring	✓
Engineering skills programmes	✓	Scholarships	✓
Professional learnerships		Bursaries	
Adult basic education and training learnerships	✓	Internships	✓

Historically Disadvantaged South Africans in management positions (2008):	40.3% (2012 target – 86.0%)
Women in technical positions (2008):	9.2% (2012 target – 11.6%)

Update on community engagements completed in 2008:

De Beers Consolidated Mines

DBCM continues to work with the South African Department of Minerals and Energy (DME) on its mining licence conversions and the implementation of SLPs (p71). Engagement is also ongoing with the respective Land Claims Commissions over land claims at our Namaqualand, Rooipoort and Venetia properties. These have been raised by local communities. Our Namaqualand mine is also working with local communities to mitigate the impact on local employment associated with the potential sale of the mine. This includes implementation of an integrated stakeholder engagement plan to support the closure planning process, as well as an abalone mariculture project and the Living Edge of Africa Project (LEAP). LEAP aims to create alternative livelihoods including possibilities for mariculture, educational tourism and renewable energies.

De Beers Canada

Implementation of the four Impact Benefit Agreements (IBAs) continued at our Snap Lake mine in the Northwest Territories. This includes IBAs agreed with the Yellowknife Dene First Nation (November 2005), the Tlicho Government (March 2006), the North Slave Metis Alliance (August 2006) and Lutsel K'e and Kache Dene First Nation (April 2007). The Victor mine has signed three community agreements with Aboriginal groups including an IBA with the Attawapiskat First Nation (November 2005), a Working Relationship Agreement with the Taykwa Tagamou Nation (May 2005), and an IBA with the Moose Cree First Nation (September 2008). De Beers Canada continues to engage with the Attawapiskat and Moose Cree First Nations over the terms of their existing IBAs, and is pursuing finalisation of IBAs with the Fort Albany and Kashechewan First Nations.

De Beers Botswana

Engagement in Botswana is focused on the potential relocation and compensation of individuals impacted by the AK06 project. Relocation currently includes one citizen who has legal tenure of the surface rights, and three additional households present on the property as "dependants". Possible compensation for the loss of groundwater resources will be calculated and based on the degree of water table drawdown due to abstraction activities by the mine. This impact has been modelled as part of the specialist external groundwater study with projected drawdown over time. All plans have been developed and will be implemented in line with IFC performance standards and SEAT (p71).

Exploration

In Canada, our exploration team engaged widely with local communities to obtain access to further lands around our Victor mine for the 2008 exploration programme. It also engaged with the Kingfisher Lake and Wunnumin First Nations. Stakeholder engagement was also increased at Gahcho Kué in preparation for environmental assessment and the start of IBA negotiations with local communities.

In South Africa, our exploration team engaged with the Haenertsberg Community in Limpopo Province. This was as part of the Environmental Baseline Assessment required to proceed with the next phase of prospecting in the area. A follow-up public participation engagement will take place in 2009.

Namdeb

As part of its Positive Legacy Project, Namdeb continued to engage with Namibia's Inter-Ministerial Committee to expedite the Oranjemund town proclamation process (p76). Other pending issues include agreement over an access road to Oranjemund and municipal handover after the carrying out of local authority elections. Community Development Forums have been established in order to involve Oranjemund residents in the handover process. A Community Development Manager has also been appointed.

Artisanal and small-scale mining

The Family of Companies is not involved in informal small-scale diamond mining. Artisanal mining takes place in a number of our exploration target areas most notably in the DRC and Angola, and likewise on tailings of some of our older operations in areas like Kimberley. As a result De Beers is actively engaged in the identification of practical development solutions through our work with the Diamond Development Initiative (DDI) and the Mwadui Community Diamond Partnership (MCDP). We are also active in public policy dialogue and action to address poverty and improve livelihoods of small-scale diamond diggers with a specific focus on developing an effective framework for engaging with artisanal miners in Angola or the DRC in the future should we develop a mine in either of these countries.

Diamond Development Initiative

De Beers is a founding partner of the multi-stakeholder DDI. The aim of the DDI is to address poverty and deprivation affecting artisanal diamond diggers. It acts as an important complement to the Kimberley Process (p34) by addressing the wider socio-economic impacts of informal digging. In 2008, the DDI achieved a number of important milestones including incorporation in the United States as a non-profit organisation. It also established both a Board of Directors and an Advisory Board. In addition, 2008 saw the appointment of a full time Executive Director and completion of the DDI's Standards and Guidelines on Artisanal Mining for Sierra Leone.

Find out more

www.ddiglobal.org
www.kimberleyprocess.com
www.petradiamonds.com
Operating and Financial Review 2008 (p32)

Mwadui Community Diamond Partnership

The goal of De Beers involvement in the MCDP was to help alleviate poverty and accelerate the sustainable socio-economic development of informal small-scale diamond mining communities around the Williamson mine in Mwadui, Tanzania. Partners in the project included Williamson Diamonds Limited, the Government of the United Republic of Tanzania (GRT) and more than eight local communities. Implementation of the MCDP was suspended in advance of the sale of the Williamson mine to Petra Diamonds in December 2008 (p31). De Beers remains committed to assisting with implementation of the programme by offering practical advice to both Petra and the GRT.

Mine closure

Mining projects are a finite enterprise. The primary challenge of "sustainable mining" engagement is to ensure mining projects generate sufficient local economic, social and environmental capital during the life of a mine to help underwrite the sustainability of local communities post-mining. As much as we focus on realising enduring community benefits during the life of our mines, managing the immediate impacts of closure requires considerable energy and effort.

Our Community Policy requires us to apply the highest standards of social impact assessment during mine development, operation and closure. This includes thorough stakeholder engagement, the establishment of robust socio-economic closure plans and the regular review of closure plans as projects evolve. Mine closure issues are addressed in the evaluation stage of all new mining projects. We also seek to implement formal agreements that ensure purchasers of our mining assets fulfil relevant closure requirements as was evidenced through the agreement implemented at the Cullinan mine (p31).

Toolkits, planning and funding

The Family of Companies is using both the ICMM and Anglo American Closure Toolbox, and the SEAT process to identify and address the socio-economic impacts relating to mine closure. All of our mines currently have closure plans that cover the biophysical aspects of closure. Integrated environmental and social closure plans that include employee and socio-economic impacts have been established at many of our operations (Report to Society 2007, Figure 5-2). DBCM is currently finalising integrated closure plans for all its operations. In 2008, expenditure by the Family of Companies on addressing socio-economic impacts of closure was focused on the Oranjemund, Koffiefontein and the Oaks mines. The De Beers Fund and its strategic social investment programmes and reskilling programmes have been integral to the mitigation of mine closure impacts.

Hloni Ledwaba and Sakhile Ngcobo at the "Life After Mining" workshop organised by the University of Witwatersrand in 2008

Alternative livelihoods and skills development

In 2008, DBCM implemented the accelerated closure of the Oaks mine. This included a rigorous stakeholder engagement process, the inclusion of stakeholder views in closure planning and the redeployment and retraining of all permanent employees (p85). The application of SEAT during the Oaks mine closure process was also presented as a best practice case study at the "Life After Mining" workshop organised by the University of Witwatersrand in October 2008.

November 2008 also marked the end of the Social Closure Project (SCP) and baseline economic study for the Koffiefontein mine. This focused on the establishment of a local area committee, enterprise development and the reskilling of ex-employees. The committee was tasked with overseeing SCP programmes as well as the establishment of policies and procedures for implementation. Enterprise development focused on a brick factory project and an assortment of tourism projects. Reskilling included life-skills training, learnerships and skills programmes, driver training, technical training and a variety of auxiliary courses. The future closure of Koffiefontein mine was also the subject of an academic study by the University of the Free State.

Lessons from both of these operations have been integrated into the project design of our new Voorspoed mine, which is "designed from the outset" to minimise the post-closure environmental impacts of the mine including land use, structural design and minimisation of the mine's waste footprint (p87).

The last year also saw significant progression of the Oranjemund closure planning process. Extensive environmental rehabilitation is in progress. Namdeb and De Beers are also working actively with the Government of the Republic of Namibia, the local municipality and other stakeholders to secure the proclamation of Oranjemund town, the alignment and improvement of access roads to Oranjemund, and the promotion of local economic development through aquaculture and tourism. The Sperrgebiet National Park was formally proclaimed during the year, making it open to the public and further improving tourism opportunities.

Find out more

- www.grnnet.gov.na
- www.petradiamonds.com
- www.ufs.ac.za
- www.wits.ac.za


Preparation for environmental rehabilitation at Namdeb operations in Namibia

Multi-Stakeholder Forum

Q Do health, social and other sustainability programmes continue when mines are closed at short notice?

A **Our aim is to have identified viable revenue and employment streams in the vicinity of each mine in advance of the closure process. This is intended to facilitate the creation of a diversified local economy not dependent on diamond mining. Thus, for example, the new Voorspoed mine already has an approved closure plan in place. This planning from the outset enables De Beers to build the skills of local communities and employees during the 15-year life of the mine, ensuring that these alternative livelihoods are in place for when mining ends. Much of this is being implemented through the SLP, which has been signed-off by the government.**

Post-closure commitments can present challenges. Approximately half of De Beers Fund social investment spending is allocated to initiatives in the Kimberley region, even though we no longer have a mining presence in the area. DBCM also continues to be involved in significant social investment projects in the vicinity of its old Cullinan mine, despite the recent sale of the operation to Petra Diamonds (p31). Ideally, the company would close and exit having established sustainable futures for local communities, as is being done at Namaqualand and Oranjemund. This would be preferable to relying on social disbursements alone, as it is more sustainable and ensures a more forward-looking alignment of social investment with company business strategy.

Investing in communities

We see social investment as much more than philanthropy. It is about building strong, enduring relationships with host communities and a commitment to sustainable development. We empower local communities to capitalise effectively on the broader economic development opportunities available in producer countries and markets. Health and wellbeing, education and enterprise development are our primary areas of focus.

While social investment in our local communities is an essential component of our business model, expenditure over and above statutory requirements and ongoing commitments is ultimately dependent on the revenues available to our operating companies and business units. Thus in the final quarter of 2008 considerable attention was focused on finding creative solutions to maximising the reach of our global social investment programme without impacting on our core social investment commitments. This process was initiated in anticipation of reduced operating revenues in 2009 due to the economic downturn.

"

James Suzman, De Beers Director of Corporate Citizenship

"Our social investment projects are reviewed annually as part of the annual budgeting process to ensure they remain meaningful and relevant to each operation, its location in the mine lifecycle and to our wider business strategy."

Our disbursements in 2008

In 2008, the Family of Companies disbursed US$13.6 million in social investment projects around the world (2007: US$19 million) (Figure 5-4 and Figure 5-5). This represents 1.6% of pre-tax profits of US$823 million. The Family of Companies has disbursed an average of US$15.4 million for each year between 2006-2008. This translates to an average of 1.6% of pre-tax profits and is significantly more than the international benchmark of 1%.

In 2008, there was a significant increase in our Canadian social investment spend, from US$1.3 million in 2007 to US$3.2 million in 2008. This is partly due to the opening of our Snap Lake and Victor mines. There was a significant reduction in our overall southern Africa disbursement from US$15.1 million in 2007 to US$10.1 million in 2008. This was due to a significant reduction in spending in South Africa from US$10.3 million to US$5.2 million. This coincided, however, with the initiation of significant SLP spending at our South African operations, with US$13.2 million allocated for 2008 alone.

Multi-Stakeholder Forum

Q How does De Beers decide on what social projects to implement at different stages of the mine lifecycle?

A There are two key drivers to the implementation of social projects. The first is to implement initiatives that comply with our legal commitments. These include the SLP requirements in South Africa. The second is to implement initiatives that are proportional to the maturity and size of each project. Projects during the exploration stage are relatively small and ad hoc, often addressing immediate health and welfare requirements of local communities and government. These projects align with the relatively low impact and short-term nature of exploration engagements. Engagements increase in value, scope and longevity as projects enter the production and mining stages.

Find out more

www.info.gov.za

Figure 5-4: Social investment spend by region and (African) country 2008 (US$)

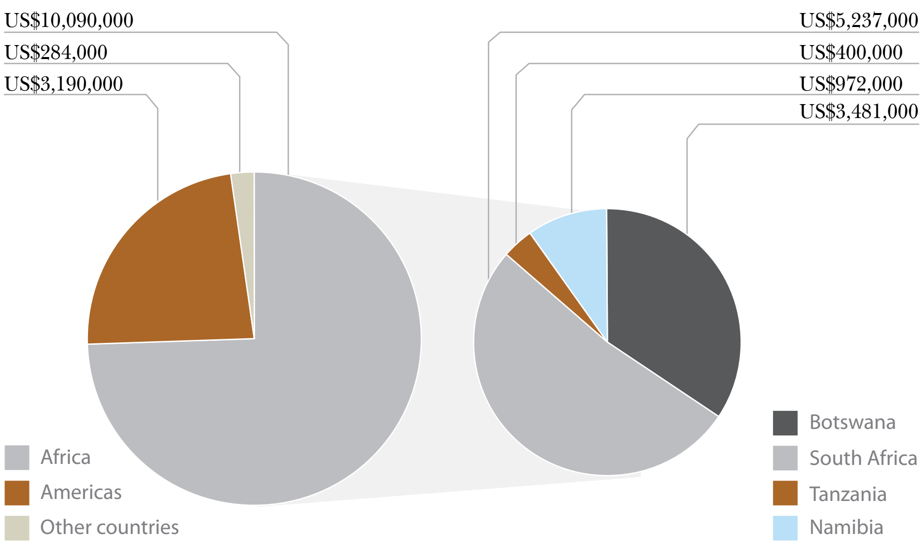
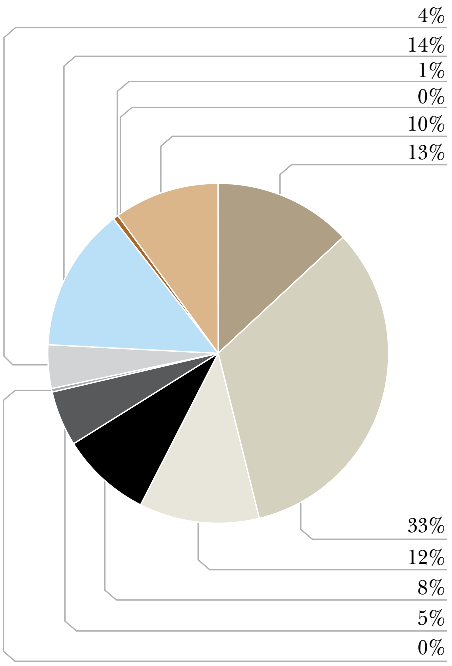


Figure 5-5: Social investment spend by project type 2008



Our social investment framework

In 2008, we established a more coherent and effective framework for the identification, management, evaluation and accounting of social investment disbursements and impacts.

In February 2008, we established a Corporate Social Investment (CSI) Working Group to oversee and coordinate social investment strategy across the Family of Companies. We also developed a Social Investment Policy based on international best practice standards. The policy is applicable across the Family of Companies. It will be supported by a set of newly developed tools including a unified social investment strategy, universal accounting protocols and a Guide to Corporate Grant Making, which is in the final phase of production.

In South Africa our social investment activities are closely aligned with each operation's SLP (p71). We also strive to ensure our activities are aligned with the Accelerated and Shared Growth Initiative for South Africa, which aims to build on the government's aim of halving poverty and unemployment by 2014.

David Noko, DBCM Managing Director

"We are aware that communities are an integral part of our business, and where we believe we can make a contribution that directly empowers those communities, we will endeavour to assist."

Case study

The Yala Fund

The Yala Fund is a charity established by journalist Jon Ashworth following the December 2004 Indian Ocean tsumani. In the immediate aftermath of the disaster it provided aid to hundreds of affected families in and around Yala National Park in south eastern Sri Lanka. Although De Beers has no operations or employees in the area, it recognised the exceptional nature of the disaster and donated £70,000 (US$129,000) to the Fund.

The Fund brought immediate aid to fishermen who needed boats to support their families, and to the widows of those who died in the disaster. The De Beers contribution, disbursed between 2006-2008, enabled the Fund to build on its initial disaster relief efforts by providing, amongst other things:

- Beds and rehabilitation work for a local orphanage
- Health and educational bursaries worth £30,000 (US$55,000) for more than 160 families
- Sewing machines for widows of tsunami victims to earn livings as seamstresses
- A computer centre in Kirinda to assist in the education of local children

The Fund is now helping establish a microfinance scheme for entrepreneurs in tsunami families. It is also aiming to raise £100,000 (US$184,000) to help poor Sri Lankan children gain access to better education and to help families earning less than US$2 a day access medical treatment.

Find out more

www.yala.org.uk

Case study

The James Bay Employment and Training Board

In partnership with local community members, as well as the provincial and federal governments, De Beers developed the James Bay Employment and Training Board (JBET). JBET plays an integral role in supporting De Beers Canada's commitment to benefit Aboriginal communities around the Victor mine.

JBET is being run in partnership with the Attawapiskat, Weenusk, Fort Albany, Kashechewan and Moose Cree First Nations, along with Northern College and the Province of Ontario. JBET offers a variety of tools to help local Aboriginal people achieve long-term, sustainable employment. These include workshops, career counselling, training, work experience, job placements and related programmes. JBET also offers academic training to remove employment barriers and help participants access new opportunities.

Between 2007 and 2008, JBET trained 325 participants through 28 different programmes. These included courses on first aid, Canada's Workplace Hazardous Materials Information System, welding, construction, office skills, operating heavy equipment and the flagship Mineral Processing Programme. Of these participants, 31 were able to access on-the-job training opportunities with local welding and winter road-building contractors. In addition, of the 30 people who completed the Mineral Processing Programme, 24 were offered positions at the Victor mine.

Find out more

www.northernc.on.ca

Our social investments fall into three broad categories.

Strategic philanthropy

Strategic philanthropy includes cash and in-kind support for international organisations and large-scale development projects. It also includes local government and ad hoc small-scale community projects relating to education, health, youth development, environment and cultural programmes including sports development. These donations are generally to not-for-profit endeavours and are for the benefit of communities or the public interest. For the most part our financial support for philanthropic initiatives is managed through dedicated social investment vehicles such as the De Beers Fund in South Africa or the Diamond Trust in Botswana (p81).

Skills development and capacity building

Skills development of local community members plays a critical role in our business and is structured to secure lasting returns during and post-mining. Examples include construction of local community facilities, support for community-based job creation, and training and enterprise development outside of our investment funds (p29). It also includes the provision of schools or health facilities. Notable examples in 2008 can be found at Oranjemund in Namibia and Mwadui in Tanzania, where the Family of Companies operated and subsidised schools for both employees and members of the community. Local procurement initiatives likewise play important roles in our skills development strategy (p21).

Sabat Biscaye engaging with children at our Books in Homes project in Canada

Community HIV/Aids programmes

HIV and Aids are among the most pressing challenges faced within our producer countries. According to UNAIDS the national prevalence rate amongst those in Botswana aged 15 to 49 is 23.9%. In South Africa this figure is 18.1% and in Namibia it is 15.3%. Consequently we take the view that investment in HIV/Aids programmes is an investment in the social capital and skills base of our producer countries. It is in the immediate interests of our business, in addition to being the right thing to do.

We take part in a number of partnership-based programmes to respond to this challenge. These include support for education and awareness building initiatives, outreach and training support in the community and home-based care support. In some countries care also includes access to doctors, pathology testing, nutritional supplements and access to medication through company hospitals.

The De Beers Community HIV/Aids Partnership Programme (DBCHAPP) at DBCM works with local and national government, international donor agencies, NGOs and community-based organisations in an effort to provide support for those affected by HIV/Aids. The programme, which has been running for three years, has invested R30 million (US$3.9 million) in projects that serve communities directly linked to DBCM operations. An assessment of the programme in 2008 found that over 26,000 women and girls benefited from DBCHAPP projects in 2007. Over the last year, DBCHAPP significantly accelerated the roll-out and implementation of its projects in the vicinity of DBCM's operations and labour sending areas. By the end of 2008, existing programmes such as Soul City and Grassroot Soccer were extended to almost all of these communities.

Find out more

- www.ams.org.za
- www.cmmb.org
- www.engenderhealth.org
- www.grassrootsoccer.org
- www.soulcity.org.za
- www.unaids.org
- www.unicef.org

Key projects and activities in 2008

Soul City: Soul City continued to conduct training sessions throughout the year. This included peer educator training of inmates at Baviaanspoort prison near the Cullinan mine. The programme has reduced high-risk sexual activity within the prison and also prompted inmates to disclose their status, seek treatment, and take up voluntary counselling and testing.

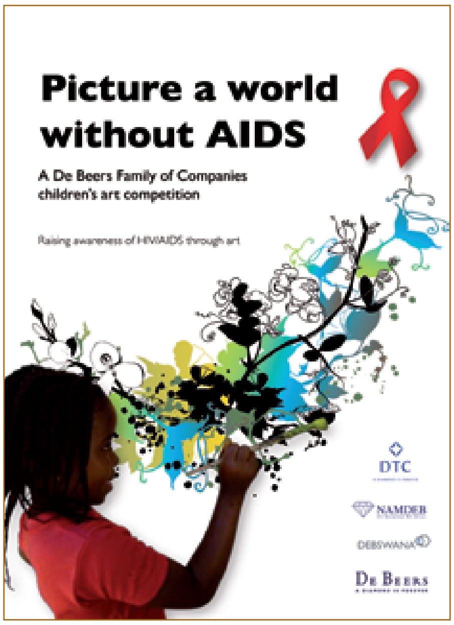
Grassroots Soccer: The programme uses Soul City resources to provide age-appropriate information on HIV and Aids to its participants. The programme has recently been extended to all six DBCM operations in South Africa and is empowering local teachers and community members to coordinate training activities to ensure long-term sustainability of the initiative.

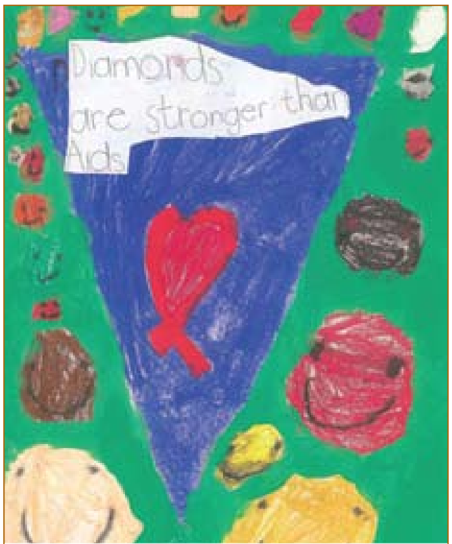
Catholic Medical Mission Board: Support for the improvement of HIV and Aids education to orphans and vulnerable children in Taung.

SA Red Cross Air Mercy Services (AMS): Funding for the purchase of two vehicles, the construction of offices and installation of motorised hangar doors for its Kimberley base. The building of the offices remains outstanding due to higher construction costs and a funding shortfall. AMS is seeking additional funds from company donors.

UNICEF: Support for a project to increase child access to an HIV care and treatment programme in the Northern Cape Province. A formal agreement for the support of key interventions was signed with the Department of Health in September 2008, with final programme activities yet to be finalised. The proposal will be presented to DBCHAPP in March 2009.

EngenderHealth: Support for EngenderHealth's Community Action for Gender Equality pilot programme in Musina. This includes the elimination of gender stereotypes amongst school children through facilitated group discussions. EngenderHealth has trained a total of 20 stakeholders in gender issues.





Winner in 6-8 years category Dylan Baron

Our social investment vehicles

The De Beers Fund is one of our best known social investment vehicles. In 2008, the Fund disbursed R24.2 million (US$3.1 million) through more than 213 different projects in South Africa (2007: US$4.6 million through more than 142 different projects). Around 68% of its total spend was in the vicinity of DBCM mines, much of which is aligned with our SLP implementation. About 98% of its spend is directly connected to company activities and interests. The De Beers Fund is independently managed by Tshikululu Social Investments and has rigorous project selection and management criteria governed by its Board of Trustees.

De Beers Fund performance

In 2008, Trialogue ranked the De Beers Fund achievements sixth out of 68 South African company social investment bodies in its 2008 CSI Handbook. It was also identified as the second best mining company fund after Anglo American. Each of the five funds that ranked ahead of the De Beers Fund had budgets between R40-290 million (US$5-37 million) per annum, between two and 10 times in size. The strong performance of the De Beers Fund was largely due to its well developed and sustainable projects, professionalism and the consistency of our social investment programmes.

The De Beers Fund was also awarded the runner-up prize in the socio-economic category at the Nedbank Capital Green Mining Awards for the Limpopo Rural Schools Programme. The judging panel highlighted the strength of the partnership between the Venetia mine, the Department of Education and the De Beers Fund as the key success of the project. In September 2008, the programme saw four schools handed over to local communities as part of a R12.5 million (US$1.8 million) disbursement. The Ponahalo De Beers Trust, a partnership with one of our Black Economic Empowerment partners, was also awarded for its work. The trust received a commendation in South Africa's Mail and Guardian newspaper Investing in the Future Awards for its implementation of a disability programme with communities near the Voorspoed mine (p60).

In Namibia, social investment is carried out mainly through the Namdeb Social Fund and the De Beers Namibia Fund. An example of the work of the De Beers Namibia Fund in 2008 is the purchase of buildings for the new northern campus of the Namibian Institute of Mining Technology in Tsumeb (p28).

In Botswana, social investment is carried out by both Debswana and the Diamond Trust. The Diamond Trust is designed to support occasional projects that are too large to be handled by existing social investment capacity at De Beers or Debswana. In 2008, it worked with partners to finalise agreement on an integrated community, environment and heritage project at Tsodilo Hills in northern Botswana.

Multi-Stakeholder Forum

Q Will the economic downturn affect social investment funding?

A **DBCM will likely reduce the De Beers Fund budget for the next two to three years. In 2009, the Fund will focus mainly on sustaining existing commitments and is unlikely to respond to new requests. It will review existing partnerships with a view to withdrawing from those that no longer offer strategic returns. The Fund will instead consolidate relationships in locations where we intend to invest in the future. This will result in a smaller number of better funded and more strategically aligned social investment projects. Careful engagement will be needed to manage community expectations as De Beers Fund disbursements are reconfigured to focus on more sustainable and less ad hoc initiatives. A further impact of the current economic situation will be the incorporation of DBCHAPP as part of the existing Fund, with it no longer being managed as a separate strategic programme.**

Find out more

- www.mg.co.za
- www.nedbank.co.za
- www.trialogue.co.za
- www.tshikululu.org.za

Case study

Support for healthcare in Namibia

The existing Katutura health clinic in Windhoek has recently been renovated and expanded to cater specifically for patients with HIV and TB infections. It is expected to open early in 2009. The renovations were completed partly to relieve pressure on the nearby Katutura State Hospital, which provides tertiary care for much of the country. De Beers Marine Namibia (DBMN) provided N$250,000 (US$32,000) for building an extension to the clinic. The extension was carried out in partnership with the Clinton Foundation and the Ministry of Health and Social Services. Medical staff employed at the clinic were also involved to ensure the new facility is practical, user-friendly and fully serves the needs of the community.

De Beers Namibia and Namdeb also donated N$800,000 (US$101,000) to the Oshakati Intermediate Hospital for upgrades to the casualty ward. The hospital is one of the country's busiest, accommodating more than half of Namibia's total population. Namdeb also signed a technical cooperation agreement with the Ministry of Health and Social Services, for the physical upgrading and strengthening of management capacity at Oshakati Hospital. The Namdeb Private Hospital made available a consignment of medical equipment and utilities to the value of N$100,000 (US$13,000).

Namdeb and the Family of Companies also worked in partnership with the Government of Namibia to help alleviate the negative socio-economic impacts of floods in northern Namibia during 2008. A Namdeb delegation spent two days visiting flood victims, delivering flood relief and materials worth N$205,000 (US$26,000) for use by internally displaced families. This included water purification tablets, dehydration sachets, mattresses, blankets, jerry-cans and mosquito nets. The funds were sourced from the Namdeb Social Fund, Namibia Diamond Trading Company (NDTC), the Namdeb Employees Social Responsibility Fund, De Beers Namibia and DBMN. Of the 700,000 people residing in the impacted areas, 191,000 people have been severely affected by instances ranging from drownings and displacement to hunger.

Find out more

- www.clintonfoundation.org
- www.healthnet.org.na

Environment

Our commitment to good environmental stewardship is shaped firstly by the need to respond appropriately to global imperatives concerning climate change, biodiversity conservation, energy use and water security; and secondly by our belief that the sustainable management of the natural environment is key to the future prosperity of all the countries where we operate.

Our approach to managing environmental issues is built on the effective integration of the environment discipline into our core business and the development of appropriate policies and tools to aid their implementation. This process is underpinned by our ISO 14001 compliant management systems. Within this framework we develop holistic management solutions individually tailored to the environmental, social and economic contexts of each of our operations. This in turn means that we are sensitive to local needs and place particular emphasis on forging strategic partnerships with governments, local communities and Non-Governmental Organisations to find creative solutions to environmental challenges wherever we operate.

In addition to our focus on developing effective management systems, our ongoing investment in building the capability of the environment discipline across the Family of Companies has also enabled us to respond to environmental challenges beyond the traditional mining focus area of land rehabilitation. Biodiversity, energy and water management are now specific areas of discipline expertise within the Family of Companies.

Highlights

- In 2008, we used 37.2 million m^3 of new (potable and non-potable) water at our mining operations (2007: 41.4 million m^3). Our use of reused-recycled water increased to 28.1 million m^3 (2007: 20.9 million m^3)
- Energy consumption fell slightly to 14.58 million GJ (2007: 14.97 million GJ). This was due to efficiencies (specifically a 4% energy efficiency saving at De Beers Consolidated Mines) as well as energy consumption changes due to the sale, production halting and opening of new mines during the year
- A third party assessment of the risks posed to the Family of Companies by climate change and energy security was completed in 2008. This highlighted a variety of risks in southern Africa, ranging from water scarcity to socio-economic disruption
- Our total carbon emissions fell slightly to 1.96 million tonnes in 2008 (2007: 2.05 million tonnes) due to our reduced energy consumption

185,000 hectares
owned and managed property set aside as nature reserves that conduct research on biodiversity

Gareth Penny, De Beers Managing Director

"The diamond is an extraordinary product of nature and as such is a constant reminder of our collective duty of care for the natural world."

Southern Double Collard Sunbird found at Kleinzee near DBCM's Namaqualand operations on the Diamond Route (p88)

Issues relevant and material to our stakeholders that are addressed in this chapter

Our strategy

In 2008, we revised our environmental strategy and framework. The review was driven through our Environmental Peer Group with input and review by conservation Non-Governmental Organisation (NGO) partners. It included ongoing benchmarking of our performance against sector and international best practice. The revised strategy reinvigorates our drive to align with the performance of the world's leading mining companies in all areas and to show leadership on biodiversity conservation (p86). We are also working to improve the alignment between our Values, Principles, Environmental Policy, standards, guidelines, toolkits and assurance framework.

Benchmarking

A number of external benchmarking reports were commissioned during 2008. These included a review of our performance against that of the leading three mining companies as listed on the Dow Jones Sustainability Index (DJSI). It also included a review and benchmarking of our Environment Policy by Conservation International (CI) against the same companies, the Global Reporting Initiative (GRI) and the International Finance Corporation best practice standards. These reports recommended the development of targets on biodiversity conservation, water, energy and climate change. From the report recommendation, we will align our business unit and group environment policies and formalise our operational waste management and reduction plans as well as develop a business case for biodiversity conservation with links to the community discipline. These benchmarking reports were complemented by our participation in the International Council on Mining & Metals (ICMM) Environmental Stewardship and Biodiversity Task Force during the year.

Governance

A further review was undertaken to gauge the effectiveness of our Environment and Biodiversity Peer Groups. It found strong structure, direction and levels of participation. It also identified the need to obtain a clear mandate from business unit Managing Directors to use key performance indicators and provide further feedback to individual business units. We have sought to further improve the performance of each peer group and our overall environmental performance by embedding environment as a mainstream technical discipline.

In 2008, the peer groups focused on a number of strategic issues including the development of long-term environmental goals, an assurance framework, biodiversity partnerships and the compilation of universal standards for the Family of Companies. Other initiatives included the improvement of environmental indicators and biodiversity overlap mapping, implementation of Biodiversity Action Plans (BAPs), the development of guidelines for different lifecycle stages, training of environmental and other staff on biodiversity, closure and projects, as well as more transparent climate change reporting. Quarterly reports on these issues were submitted to the Environment, Community, Occupational Hygiene, Health and Safety (ECOHS) Committee.

Indicators

Specific performance targets have already been established for all relevant areas and are being monitored by our discipline experts and through the Environmental Performance Reporting Application (EPRA). EPRA systematically captures our environmental indicators on a regular basis across our entities via our intranet. This reporting application plays a key role in improving our ability to compare our performance against stakeholder concerns. In 2008, EPRA helped us focus on the quality of our data, and provided enhanced verification, analysis and historical review.

Despite the impacts of the economic crisis, we will ensure that we neither undermine nor compromise our achievements to date.

Systems

At the end of 2008, all of our diamond mining operations were certified to the International Organization of Standardization (ISO) 14001 Environmental Management System (EMS) standard. Formal guidelines have been implemented to ensure our auditors are sufficiently rigorous and comply fully with the requirements of the ISO 14001 standard.

Find out more

- www.globalreporting.org
- www.icmm.com
- www.ifc.org
- www.iso.org
- www.sustainability-index.com

Lifecycle planning

Our strategy requires us to plan effectively for the environmental impacts of our operations at every stage of the mining lifecycle. This includes the exploration, projects, operation and closure phases. Ongoing stakeholder engagement is undertaken for all lifecycle stages as part of the impact assessment process (p71), as a requirement of our ISO 14001 certifications, and in our planning for closure processes (p75). In 2008, we held training courses for environmental and projects practitioners and other relevant staff to ensure the utilisation of appropriate tools for each stage of the project lifecycle and on closure plan development.

Exploration and Projects

Our environmental requirements at the exploration and projects stages are defined by two sets of guidelines. The Exploration Environment, Community, Occupational Hygiene, Health and Safety (ECOHS) Guidelines provide direction on how to minimise environmental impacts during our exploration activities. They also assist in the planning for potential future operations. The Projects Environmental and Social Guidelines provide direction on how to manage environmental impacts at each stage of the project lifecycle and are aligned with our Social Impact Assessment Guidelines.

The Environmental and Social Guidelines propose minimum requirements to successfully meet assurance reviews and are applicable to all entities across the Family of Companies. They also support our socio-economic and environmental baseline studies and Environmental Impact Assessment (EIA) work carried out at the early stages of new projects. In 2008, environmental project assurance was carried out for all our major projects. This allowed some projects to move successfully through these gate release criteria. It also highlighted gaps in other projects and catalysed the implementation of mitigating actions to pass future assurance processes.

Operation, Closure and Disposal

The management of our environmental impacts during the operational phase is guided by the local EMS for each mine, and includes the completion of concurrent rehabilitation work during mining and financial provision for post-closure activities. We also complete impact assessments throughout the life of the mine where gaps are identified or where significant expansions are undertaken at existing operations.

Two guidelines are available to assist in the mine closure planning process. These are the Anglo American Sustainable Development and Mine Closure Toolbox (MCT) and the ICMM Planning for Integrated Mine Closure Toolkit. Closure planning is an integrated activity that is undertaken in close cooperation with the Community discipline as well as the respective Human Resources functions (p66). All of our operations have closure plans in place to address environmental liabilities. We are working to expand the depth of these plans to ensure they are comprehensive and integrate both environmental and social issues.

Further content on closure, as well as the sale of Cullinan and Williamson Diamonds Limited, is included on p31 and p75.

The Oaks mine in early 2007, before rehabilitation. See p87 for progress by the end of 2008

Case study

The Oaks mine closure programme

The Oaks mine was chosen to be the first DBCM operation to follow a fast-tracked, integrated closure programme. The mine, which used open-cast mining methods and covered 63 hectares (ha), stopped production in July 2008. The process is subject to the closure requirements of South Africa's Mineral and Petroleum Resources Development Act. Closure objectives include:

- High quality rehabilitation
- Establishment of sustainable post-closure land use
- Rigorous stakeholder engagement
- Inclusion of stakeholder views in closure planning
- Redeployment/retraining of all permanent employees
- A walk-away closure with no long-term liabilities

DBCM retrospectively applied the Anglo American MCT. This offers a logical, standardised approach for the quantification of closure aspects. It also provides a framework for decision-making and execution on mine closure-related issues.

The Oaks mine was designed with physical closure in mind. For example, paddocks were constructed and sloped to 18° and 20° to help concurrent rehabilitation during mining. Nonetheless, the MCT identified amelioration requirements in relation to soil conditioning, vegetation diversity and the recontouring of slopes for sustainable rehabilitation. It also showed that the sustainable establishment of vegetation is likely to take more than 3-5 years and hence our rehabilitation and monitoring at The Oaks mine continues. Whilst certain physical elements can be fast-tracked, biophysical elements like successful rehabilitation require longer time periods.

Find out more

www.angloamerican.co.uk

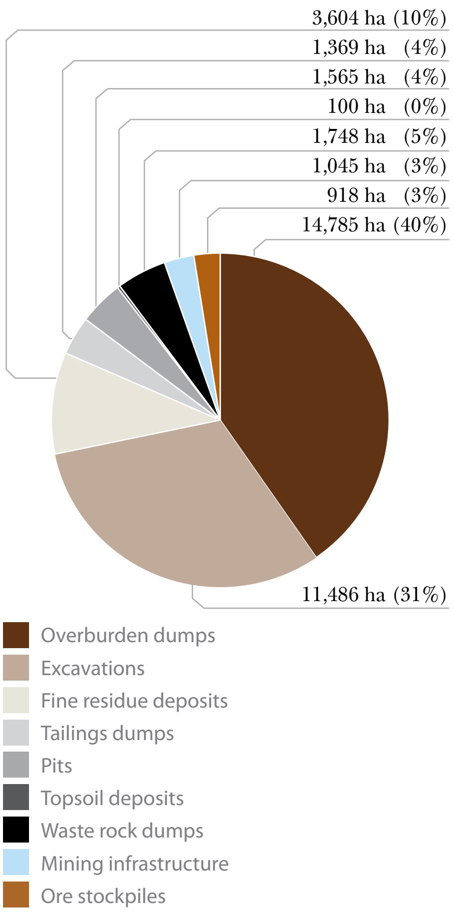
www.icmm.com

Biodiversity

Biodiversity is arguably our most significant environmental issue. This is due to our significant landholdings in biodiversity-rich areas as well as the scale and nature of our rehabilitation liabilities, especially at our west coast operations. More than 185,000 ha of our owned and managed property is set aside as nature reserves. This contrasts significantly with the 36,620 ha (3.8%) of our 958,338 ha mining licence areas disturbed by mining activities (Figure 6-1). We also have numerous research and conservation partnerships with universities and Non-Governmental Organisations (NGOs) including Conservation International, the Endangered Wildlife Trust, the Millennium Seedbank Project, South Africa National Parks (SanParks) and the Worldwide Fund for Nature (WWF).

In 2008, we reviewed and developed a new biodiversity strategy with the Biodiversity Peer Group and a number of our conservation partners. The new strategy has three main areas of activity. These include our Biodiversity Overlap Assessment, development of Biodiversity Action Plans (BAPs) and the enhancement of our biodiversity research efforts with a variety of organisations. Each of these provides an opportunity to improve communications with stakeholders and work more closely with respected conservation organisations to strengthen our strategic contribution towards biodiversity conservation. Partnerships with conservation organisations are a key part of our strategy. They enable us to leverage our knowledge and expertise, to be recognised for our biodiversity leadership and to demonstrate the potential synergies shared by conservation and mining.

Figure 6-1: Our mining footprint in 2008



[1] In the marine environment, our mining licences cover 1,665,300 ha. Mining activities to date have disturbed 5,115 ha (0.3%) (2007: 4,312 ha)

Biodiversity assessment and protected areas

In the past our exploration team has mapped our ground holdings against the United Nations Environment Programme (UNEP) World Conservation Monitoring Centre (WCMC) Protected Areas Database. The review of the biodiversity strategy draws on the International Union for the Conservation of Nature (IUCN) protected area categories. In 2008 we expanded and improved this programme through our Biodiversity Overlap Assessment project. The enhanced assessment involves all of our ground holdings including mine sites, farms and exploration sites. It also uses a more comprehensive dataset derived from the Integrated Biodiversity Assessment Tool for Business (IBAT), incorporating both protected areas and key biodiversity areas. IBAT provides access to up-to-date biodiversity information that supports business decisions and is provided by BirdLife International, Conservation International and the United Nations Environment Programme World Conservation Monitoring Centre. De Beers was the first mining company to apply the IBAT tool across all its operations and prospecting sites.

The outcomes of the overlap assessment are to be externally reviewed by Conservation International in 2009. The overlap indicates that the Family of Companies does not operate mines in any World Heritage Sites or IUCN Category I to IV areas. We do however have water abstraction points and a water pipeline running through the Mapungubwe World Heritage Sites and National Park to our Venetia mine. The mine and this infrastructure existed prior to the declaration of the World Heritage Sites and national park. Results from these studies inform the scope and process of our Environmental Impact Assessments (EIA), as well as the feasibility of potential mining projects and the content of any closure planning process. The Family of Companies has made a formal commitment to respect legally designated Protected Areas and World Heritage Sites.

Case study

Incorporation of De Beers coastal property into the Namaqua National Park

In 2008, more than 36,000 ha of De Beers coastal properties between the Groen and Spoeg rivers in South Africa were incorporated into the Namaqua National Park (NNP). This followed agreement of a 99-year lease with SanParks. The negotiations for this lease agreement were facilitated by Conservation International. Much of the biodiversity-rich coastal land in the Succulent Karoo region has been disturbed by mining, tourism and housing development. The lease area is a notable exception, primarily due to strict management by De Beers. It is home to more than 430 plant species, 85 of which are endemic and 44 of which are listed as endangered on the IUCN Red Data List. The coastal region is the exclusive habitat for Grant's Golden Mole (***Eremitalpa granti***) and Gronovi's Dwarf Burrowing Skink (***Scelotes gronovii***).

The consolidation of the NNP will ensure the protection of important river ecosystems, wetlands and hydrological processes. These are considered critical to the reintroduction of animals that previously inhabited the region. The upland-lowland gradient of the expanded NNP also provides an opportunity to reinstate the migratory grazing patterns of Springbok, Eland, Gemsbok, Mountain Zebra and Black Rhinoceros. Incorporation of the leased area will help the NNP achieve its full potential as a Namaqualand tourist hub, thus creating employment and business opportunities for local communities.

Find out more

- www.iucn.org
- www.sanparks.org

Find out more

- www.biodiversityinfo.org
- www.cheetahbotswana.com
- www.conservation.org
- www.ewt.org.za
- www.iucn.org
- www.kew.org
- www.sanparks.org
- www.unep-wcmc.org
- www.wwf.org

Exploration
Biodiversity is considered in all baseline assessments conducted for advanced exploration activities. Biodiversity issues identified during these baseline assessments are then included in all Environmental Impact Assessments (EIAs) and environmental management plans during project planning and mining operations. In 2008, we appointed an independent environmental assessment practitioner to undertake a basic assessment in the Haenertsberg area of South Africa before carrying out further prospecting in the sensitive areas. This followed the previous identification of Blue Swallows (*Hirundo atrocaerulea*) and sensitive grasslands in the area. Blue Swallows are classified as vulnerable on the IUCN Red List. The assessment included an analysis of wetlands, ground water, vegetation, cultural heritage and tourism prospects as well as sensitive indicator species including butterflies, frogs, snakes and birds. Our precautionary activities were in addition to any legal requirement and mainly in response to stakeholder concerns about the potential impact on the sensitive environment and local livelihoods.

Namdeb
The new IUCN Category VI Marine Protected Area (MPA), which was declared in September 2008, covers the northern part of Namdeb's Inner Shelf Project area. It was designed primarily to protect the foraging habitats and breeding colonies of seabirds, as well as the spawning and nursery grounds of Rock Lobster. Work done as part of the Marine Dredging Project by De Beers Marine Namibia contributed much of the Rock Lobster habitat data used to assist in the declaration of the protected area. Namdeb has also made a commitment to mine no more than 1% of the MPA per year, which will not compromise the integrity of the Rock Lobster habitats, nor our projected mining rates.

Voorspoed
Our Voorspoed mine was opened in November 2008. A core part of this specification is the provision for ongoing mine rehabilitation and closure. Specialist studies such as a wetlands assessment exercise were used to help locate mine infrastructures on poorer quality, less arable soils in order to minimise any land-use conflicts and maximise alternative livelihood options post-mining. Most of the mine plant area can be rehabilitated to pre-mining baseline conditions.

"

Yolan Friedmann, CEO, Endangered Wildlife Trust

"The partnership has been hugely rewarding thus far, for both parties but more importantly, for the species and habitats it has been able to conserve. We look forward to tackling bigger and even better things into the future with De Beers!"

Biodiversity Action Plans

The Family of Companies are working to implement Biodiversity Action Plans (BAPs) at all of our major operations. Our Namdeb land operations finalised its BAP at the end of 2008 and other mines have BAPs in various stages of completion. Formal training for all land-based operations on the development of BAPs was held at our Venetia mine in February 2008. An additional marine BAP workshop was held with our west coast operations, which also included a review of the biodiversity mitigation hierarchy and offset concept, and an initial appraisal of the potential for biodiversity offsets.

Find out more
- www.met.gov.na
- www.sun.ac.za
- www.uct.ac.za

The Oaks mine during rehabilitation (late 2008)

The Diamond Route

The Diamond Route is the culmination of a partnership between De Beers, the Oppenheimer family and BirdLife South Africa. The project is aimed at maximising the potential of properties owned by De Beers and the Oppenheimer family for conservation purposes. As a result of the project, around 250,000 ha of ecologically protected land has been opened to the public.

De Beers participation ensures that its landholdings play a key role in securing a positive environmental legacy for South Africa. Only 35,749 ha (or 3.72%) of De Beers 960,792 ha licence areas are actually disturbed by mining activities. This leaves significant tracts of protected, responsibly managed and biodiversity-rich land. Through the Diamond Route, this land is used to promote conservation research, environmental awareness and sustainable development. It also offers visitors unique opportunities to explore some of the best natural environments in South Africa.

Biodiversity research projects

A wide range of research projects have been carried out on Diamond Route properties, covering mammals, birds, invertebrates, fish and reptiles. Examples include:

- Raptor research with the Endangered Wildlife Trust (EWT)
- Cape Fox habitat fragmentation research with Oxford University
- Establishment of a research centre with the Percy FitzPatrick Institute of African Ornithology at the University of Cape Town
- Vulture research and conservation with the Hawk Conservancy Trust

Community development projects

Diamond Route properties support a range of community development projects aimed at promoting local skills, economic growth, education and environmental awareness. Examples include:

- Eco-tourism, including hotels, tours and guiding
- Tourism internships for Ekangala Comprehensive High School students
- Hosting of field courses for the University of KwaZulu Natal
- Support of the African Organic Farming Foundation
- Support of the Transvaal Museum skills transfer project

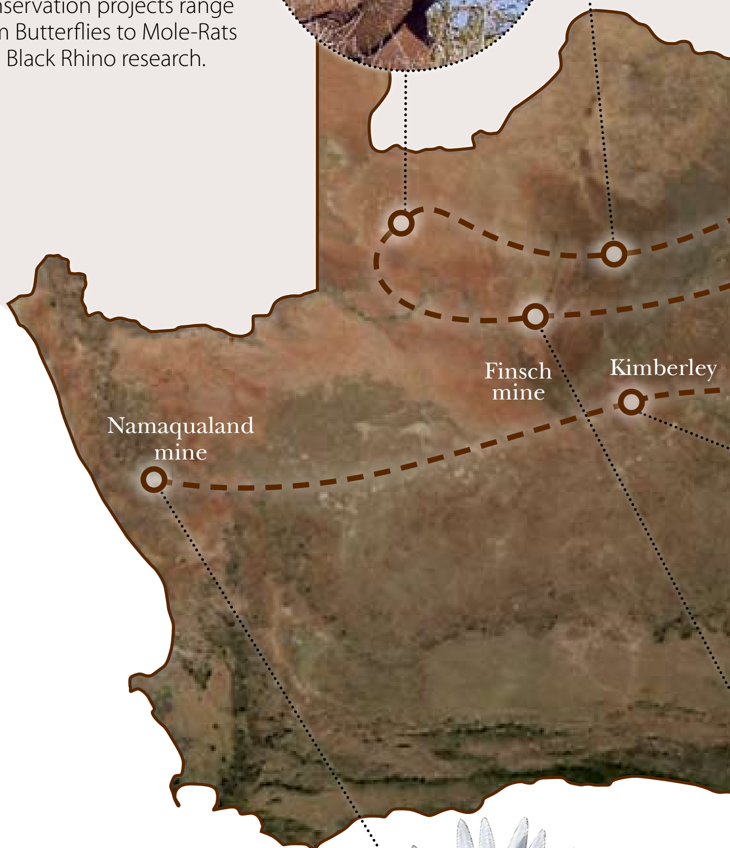
www.diamondroute.co.za

Dronfield (12,500 ha)

Dronfield, which dates back to an 1887 land purchase by the De Beers Mining Company, was declared a nature reserve in 2004. It has been stocked with herds of Eland, Gemsbok, Blue Wildebeest and other animals from the De Beers-owned Rooipoort Nature Reserve. It enjoys up to 140 bird species, including Flamingos and White-Backed Vultures.

Tswalu (100,000 ha)

The Tswalu Kalahari Reserve, which sits at the foot of the Korannaberg Mountains, is the largest privately owned reserve in South Africa. Conservation projects range from Butterflies to Mole-Rats and Black Rhino research.



Namaqualand (30,000 ha)

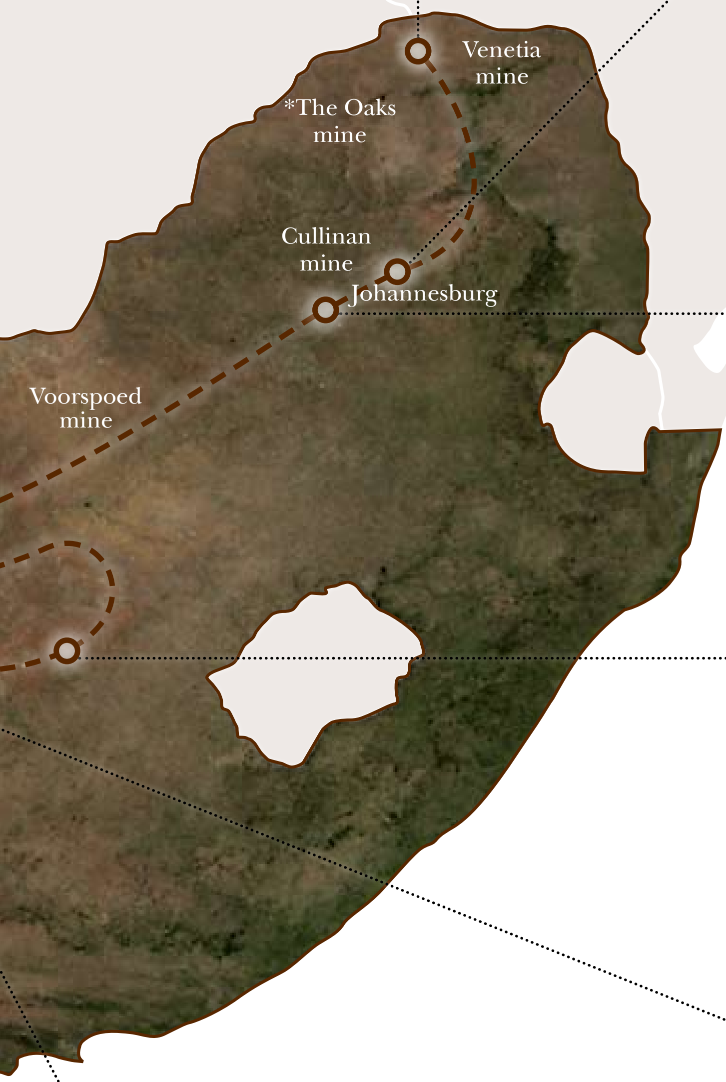
The Namaqualand reserve, which is formed from land set aside by Namaqualand Mines, is home to about 115 bird species. These include Kori, Ludwig's Bustard and the Southern Black Korhaan, as well as visitors such as the Malachite Sunbird.

Legend

○	Diamond Route Sites
*	Operation ceased in 2008

Venetia (36,000 ha)

The De Beers Venetia Limpopo Nature Reserve forms part of the Mapungubwe National Park – a World Heritage Site. The reserve is home to more than 400 bird species, including the Senegal Coucal and the Tropical Boubou. It also enjoys many mammal species, including Lions, Elephants, Rhinos and Wild Dogs.



Ezemvelo (10,000 ha)

The Ezemvelo Nature Reserve was donated by Nicky and Strilli Oppenheimer to the Maharishi Institute. Bird species include the Melodious Lark and the Marsh Owl. Animal species include Black Wildebeest, Red Hartebeest , White Rhino and Leopards.

Brenthurst Gardens (16 ha)

The Brenthurst Estate is the historic home of the Oppenheimer family. Its gardens are rated as amongst the finest in the world – characterised by their indigenous and endemic plants.

Benfontein (11,000 ha)

Originally bought by De Beers in 1891 for its diamond reserves, the Benfontein site is now dedicated to conservation. Species include Springbok, Ostrich and the Black Wildebeest – which De Beers has been instrumental in saving from extinction. The 260 bird species recorded here include Tawny Eagles and Greater Kestrels.

Kimberley Big Hole

The Old Town of Northern Cape's capital includes a range of preserved or restored buildings from the city's heyday, including Barney Barnato's Boxing Academy, the diggers tavern and the De Beers railway coach used by Cecil John Rhodes.

Rooipoort (40,000 ha)

The Rooipoort Nature Reserve dates back to 1893 and was declared a South African Natural Heritage Site in 1985. It enjoys up to 240 species of birds and a variety of mammals and reptiles. Several wildlife management strategies are in place, including the reintroduction of species into other conservation areas. The reserve has played a pivotal role in ensuring the survival of the Red Hartebeest and the Black Wildebeest.

Conservation research and partnerships

Much of our owned and managed property is set aside as nature reserves and forms part of the South African Diamond Route. Access to much of this land is shared with local communities, academics, and others as part of our commitment to biodiversity conservation and research partnerships in southern Africa. These partnerships also demonstrate how responsible biodiversity management can generate sustained economic benefits for local communities. Good examples include the Diamond Route as well as the sale of wild game from our Rooipoort Nature Reserve in South Africa to conservation areas, private nature reserves and game ranches.

Many of our biodiversity partners also assist the Family of Companies in the refinement of our biodiversity and environment strategy as well as in the provision of data to improve our local decision-making and planning processes. In 2008, we worked with some of our partners including Conservation International as part of the biodiversity strategy review, in our Biodiversity Overlap Assessment as well as in the development of our new Biodiversity Standard. We also shared offshore biodiversity information, expertise and tools with WWF to enhance our collective knowledge of seabed biodiversity in the west coast Namaqua bioregion.

Find out more

- www.met.gov.na
- www.sun.ac.za
- www.uct.ac.za

This last year saw significant research into the Namaqualand mine disposal process (South Africa) and different rehabilitation options for the site as well as innovative post-mining enterprise and job creation developments. Much of this work was completed in partnership with Conservation International, partly due to the location of the mine in the Succulent Karoo ecosystem, which is also a designated "biodiversity hotspot". The mine is also working with the Namaqualand Restoration Initiative and the University of Cape Town on rehabilitation, as well as the training of community members to conduct rehabilitation trials.

Our Namdeb rehabilitation plan was completed in January 2008. The plan is based on rigorous scientific research and extensive stakeholder engagement, and will see the reshaping and revegetation of 19% and 9% of Namdeb's legacy rehabilitation footprint respectively. Large areas will be left for natural biodiversity recovery. This plan, which is to address the legacy of rehabilitation from 100 years of mining, much of which was prior to any form of environmental management, was agreed by Namibia's Ministry of Environment and Tourism in August 2008.

Various biodiversity research projects take place within the Namdeb area in the Sperrgebiet region, in partnership with the Millennium Seed Bank Project at Kew and the Namibian Natural History Museum. The entire 2.6 million ha Sperrgebiet region (which includes the Namdeb mining licence areas) was proclaimed as a National Park in December 2008 and was officially launched in February 2009 in Lüderitz. Namdeb was and continues to be involved in the development of the park, which also forms an integral part of the mine closure planning process.

Case study

WWF-Canada endorses De Beers Canada for commitment to avoid activities in Caribou calving areas

In October 2008, following a dialogue with the World Wildlife Fund (WWF-Canada), De Beers Canada made a commitment not to conduct activities in Caribou calving areas. This commitment was made as part of our aim to minimise our environmental impacts and ensure sustained benefits for Aboriginal communities. De Beers Canada also made a commitment to the continual improvement of its research into local Caribou groups in the Northwest Territories and Nunavut. As part of its research commitment, De Beers Canada commissioned an external study to investigate the impact of the Victor mine on local Caribou groups. The study, carried out in partnership with representatives from the First Nations, used modern as well as traditional research methods. These included aerial surveillance, hunter surveys, DNA analysis, radio-telemetry and tissue analysis. The study concluded that the large roaming areas of the analysed groups (between 1,000 and 56,000 km^2) meant they were unlikely to be impacted by the Victor mine.

Monte Hummel, WWF-Canada President Emeritus

"This kind of leadership deserves recognition and support from anyone concerned about the future of Caribou."

Find out more

- www.wwf.ca

Water

Water is critical to our mining process. The majority of our freshwater usage occurs in semi-arid or arid water-scarce regions in southern Africa. These include Debswana and DBCM mines, especially Venetia, Voorspoed, Finsch and Kimberley. Processes are in place at these mines to recycle and reuse poorer quality water. Climate change models suggest water stress in these areas is likely to increase in future. As a result efficient water management is essential to the long-term success of our operations. We also recognise the need to ensure that sustained water access for our operations does not adversely affect the livelihoods of local communities.

Our water management strategy

Our water management frameworks have been developed by the Water Steering Committees at our DBCM and Debswana operations. The frameworks form part of a coherent water management strategy that applies across the Family of Companies and aims to both enhance our sustained access to and use of water and prevent pollution. The Water Steering Committees ensure the alignment of our water strategy with best practices and relevant legal requirements. They also provide leadership on water conservation and demand management. We are in the process of developing a Water Standard. Targets for water use are in place for all our operations that occur in water-stressed areas.

In 2008, both DBCM and Debswana gave support in principle to the United Nations CEO Water Mandate. This is a partnership initiative between business leaders and the international community to coordinate efforts with existing water programmes. The Family of Companies Water Standard that is under development includes the concepts of the CEO Water Mandate in its content. We are working with water experts in the roll-out of South Africa's Department of Water Affairs and Forestry (DWAF) best practice guidelines. We are also cooperating with the Botswana Bureau of Standards in the revision of existing water standards for Botswana. These have incorporated elements of the draft Anglo American Water Standard and are considered by many experts to be superior to equivalent standards in both Europe and Australia.

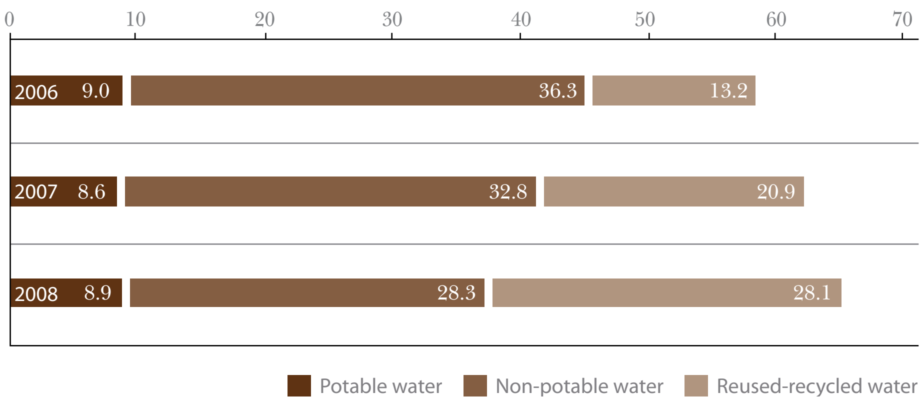
Annual audits of our performance

Our DBCM operations have conducted annual water assurance audits since 2006. During 2008, we acted on the recommendations of previous audits by participating in the formation of Catchment Management Agencies at each of DBCM's operations. These agencies are essential for the DWAF to manage water balances and calculate water reserves. The 2008 audits found water governance, management and stakeholder engagement to have improved for most operations but noted that further work is required on groundwater, surface water and waste management. Voorspoed mine received DBCM's first water licence from the DWAF.

Reducing our water consumption

In 2008, we used 37.2 million m^3 of new (potable and non-potable) water at our mining operations (2007: 41.4 million m^3). This equates to a reduction of 10.1% (Figure 6-2). This reduction is partly due to increased water efficiencies across our operations. Our new Voorspoed mine, for example, operates largely with a closed water circuit, re-using most of its treatment process water from on-site dams, and only requires a small amount of top-up non-potable water. We will be analysing these water discharges more comprehensively in 2009 and beyond, as a key input into our evolving Water Standard and improved understanding of our water management. In 2008, we used 45.7 million m^3 of seawater at our west coast operations and vessels in southern Africa (2007: 59.7 million m^3).

Figure 6-2: Fresh water use (million m^3)



In 2008, the Family of Companies took a number of steps to reduce the consumption of non-potable water and where possible to re-use / recycle water. These included a major project at Debswana on the reclamation of water from tailings, as well as paste thickening. Whilst these measures significantly reduce our overall water use, they require increased energy consumption and have significant cost implications that limit their current commercial viability. Our exploration Sample Treatment Centre (STC) in Johannesburg continued to explore other mechanisms for reducing water use in 2008 by focusing on the recycling of process water.

DBCM

DBCM aims to reduce the amount of water abstracted at its operations by 15% of its 2007 baseline figures by 2015. The objective applies to all operations, with the new Voorspoed mine using a 2008 baseline. Of the four remaining mines, Kimberley and Finsch showed significant reductions during 2008 of 8% and 12% respectively in water abstracted for the purpose of mine operations. Performance at Venetia and Namaqualand was weaker, partly due to changing DBCM business targets.

Debswana

In 2006, our Debswana mines used approximately 25% of Botswana's national water consumption. By the end of 2008, Debswana had achieved a 35% reduction in its use of "raw" water. This was primarily due to the implementation of water conservation methods and overall improvement in efficiency of water use. The company's strategic Integrated Water Resources Management (IWRM) plan aims to further reduce water consumption and to examine water quality, residue disposal, rehabilitation and closure implications. Several initiatives to reduce water consumption are being investigated as part of the plan. These include borehole rehabilitation, rainfall harvesting, wellfield expansion, the installation of water resources monitoring systems and the potential use of brackish or saline water in our plants.

Find out more

- www.angloamerican.co.uk
- www.dwaf.gov.za
- www.unglobalcompact.org

Energy and climate change

Energy security and climate change are of critical importance to the Family of Companies. This is partly due to the geography, exposure and nature of our operations as well as the potential impact of our business on the communities in which we operate. Our strategy is to responsibly manage and mitigate the risks posed by each issue to the sustainability of our business. This means minimising the impact of our operations by being efficient and responsible in our use of energy. Our approach to energy management includes reporting aligned with the parameters of the Greenhouse Gas Protocol, the setting of energy targets, the implementation of energy efficiency measures and the stringent assessment of energy requirements for capital projects.

Our energy strategy

In 2008, we continued to formalise our evolving Energy and Climate Change Strategy. This was partly in response to the ongoing benchmarking of our performance against the top three DJSI performers, as well as the recommendations made by Conservation International as part of its benchmarking review. This review recommended the setting of energy targets (p15), the implementation of energy efficiency initiatives and evaluation of alternative energies.

We are committed to being a responsible energy user, recognised for our positive contribution towards combating climate change. Our actions to combat global change have two main workstreams of activity. The first relates to reducing our carbon emissions. This is done through accurate reporting of energy use and carbon emissions, setting energy targets, creating awareness amongst employees, taking measures to reduce our carbon footprint and evaluating and implementing energy efficiency and alternative energies in projects and existing operations. The second workstream involves identifying and mitigating the risks posed by climate change to the Family of Companies and individual operations.

Engagement at a national level

Leadership in the area of energy and climate change is provided by an energy specialist who was appointed in 2008 to provide technical and policy expertise on how to manage energy issues across the Family of Companies. The role includes proactive engagement with government and other business leaders to address national and regional energy security issues. This includes direct discussions with South African national energy utility Eskom and the South African Chamber of Mines. We also work in partnership with the Anglo American Energy Task Team to identify potential policy, technology and management synergies.

Learning more about risks and opportunities

The Family of Companies initiated an external risk assessment in 2007 to assess the regulatory, physical and reputational risks posed by climate change and energy security on our core business. This exercise was completed in 2008. Key risks identified included water scarcity in southern Africa, increased energy regulation, deluges and risk of underground flooding from heavy precipitation and socio-economic disruption. The report recommended a detailed study and prioritisation of all identified high risk issues, the inclusion of climate change impacts into our investment decision-making and the monitoring of climate change impacts over time. It also recommended further exploration of Clean Development Mechanism (CDM) carbon offset opportunities in southern Africa.

The Family of Companies will build on this high-level scoping report by examining the potential for the quantification of impacts, as well as detailed analysis of mitigation options. We have also commissioned a study to consider the approach we should take to carbon offsetting.

Find out more

- www.bullion.org.za
- www.dme.gov.za
- www.eskom.co.za
- www.ghgprotocol.org

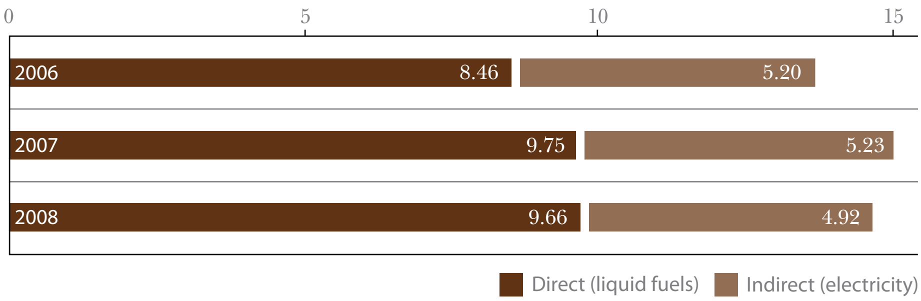
Multi-Stakeholder Forum

Q How is the Family of Companies dealing with climate change, energy security and water security in southern Africa?

A The Family of Companies has commissioned a number of third party risk assessments to identify the potential impact of climate change on our operations, as well as to identify potential mitigation strategies. The most significant impact is likely to be a reduced availability of water for our southern Africa operations. This reduction in water availability will also have a significant impact on local communities in the vicinity of our operations. The Family of Companies is working to improve our understanding of the consequences of water stress on food security and human development, and to identify how we might leverage our capabilities and contribute positively to the sustainability of local communities.

We have implemented groundwater modelling programmes in the Orapa region of Botswana. The modelling exercise looks beyond our mine operations to include local communities, with a view to possible compensation. Debswana is also researching further methods to recover water from tailings as well as more energy-efficient paste thickening technologies. The Family of Companies is tightening its interrogation of energy data at each operation, with a view to improving our communication on the relative energy consumption of our operations. These collectively consume less energy than a single aluminium smelter in the Richards Bay area of South Africa.

Figure 6-3: Direct and indirect energy consumption (GJ)[2]



[2] Direct liquid fuel information for 2006 and 2007 has been amended. Previous information included Kimberley contractors in an attempt to improve the scope of our energy reporting. In 2008, the arrangement with contractors has changed with them now operating independently and their production no longer being counted as De Beers; so neither is their diesel consumption [to enable more accurate comparisons]

Improving our measures, indicators and targets

Canada and South Africa have clear national targets relating to energy use and carbon dioxide (CO_2) emissions. DBCM is a signatory to South Africa's Energy Efficiency Accord and has undertaken to reduce absolute energy use by 15% by 2015 from the 2005 base level. All of our operations in South Africa have had their baseline assessments signed off by Eskom. By the end of 2008, DBCM had demonstrated a 4% energy efficiency saving on the 2005 baseline.

We continue to improve our energy and climate change measures, data accuracy and the identification of appropriate conversion factors. In 2008, we obtained an external review of our CO_2 and sulphur dioxide (SO_2) reporting against the Greenhouse Gas Protocol and other reporting standards including the Global Reporting Initiative (GRI).

As an outcome of this review, we will be looking to enhance the quality of our reporting. These measures and their respective indicators will be integrated into our Environmental Performance Reporting Application (EPRA) with a view to securing formal third party verification when appropriate. Future reports will also be likely to focus on "process" indicators rather than energy "per carat" measures. This will allow us to better address the small differences in ore quality between operations that can impact energy usage and obscure underlying performance and efficiencies.

Energy and emissions data assembled for this report has been prepared with reference to the Greenhouse Gas Protocol. It also utilised conversion factors from the Intergovernmental Panel on Climate Change (IPCC), supplemented with more specific content from Eskom where available.

"

Patti Wickens, De Beers Environment Principal

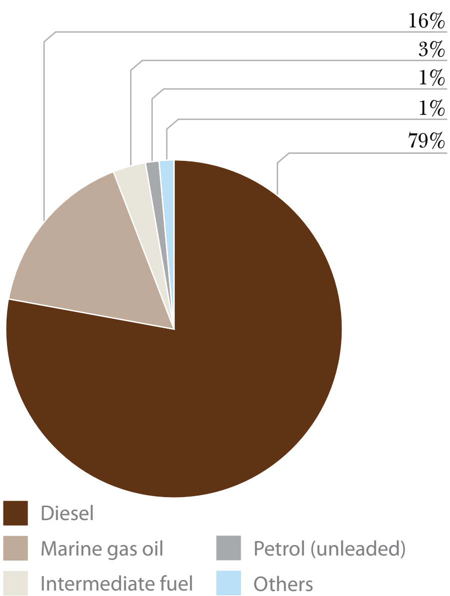
"Our priority is to be most energy efficient and reduce emissions first, and then give due consideration to offsets. This will allow us to make a fundamental difference and real reduction in our energy use before compensating for it. It has been popular to do offsets, but planning to offset for emissions created now, when the offset impact is only realised into the future, needs careful review."

Energy accounting

Energy consumption in 2008 was 14.58 million GJ (2007: 14.97 million GJ). Direct energy in its hydrocarbon form (including diesel) accounted for roughly two thirds of our energy profile (Figure 6-3 and Figure 6-4). Indirect energy in the form of electricity accounted for the remaining one third of our energy profile.

Our decreased use of energy (mainly electricity and diesel) from 2007 was partly due to the halting of production at The Oaks mine, the sale of the Cullinan mine, a 50% cut in production at our Namaqualand operations and reduced production across all DBCM operations. It was also due to an increase in energy efficiency at both our Canadian and southern African operations. DBCM's 4% energy efficiency saving contributed significantly to the decrease. Our total energy consumption is expected to fall again in 2009 as a result of an anticipated decrease in production in response to diminished consumer demand.

Figure 6-4: Our direct (liquid fuels) energy use profile, 2008



Increasing our energy efficiency

The Family of Companies has implemented numerous energy saving initiatives. These include the use of energy-efficient lighting at all DBCM operations. We have also made significant efforts to improve the efficiency of our mining processes, including crushing and milling. This includes a recent study into how we might further adjust pit blasting processes to achieve the optimal size of rocks and energy efficiencies for our crushing operations. Improvements in energy conservation and efficiency in 2008 reduced our energy consumption by around 3.5% compared to 2007 figures.

Several of our business units also worked on the development of energy efficiency guidelines. DBCM is developing its own guidelines based on the energy efficiency specification used by Eskom to vet future projects for connection to the electrical grid. The Family of Companies is also examining opportunities to adapt and implement relevant energy efficiency policies and guidelines held by Anglo American.

Figure 6-5: CO_2 equivalent emissions (million tonnes)

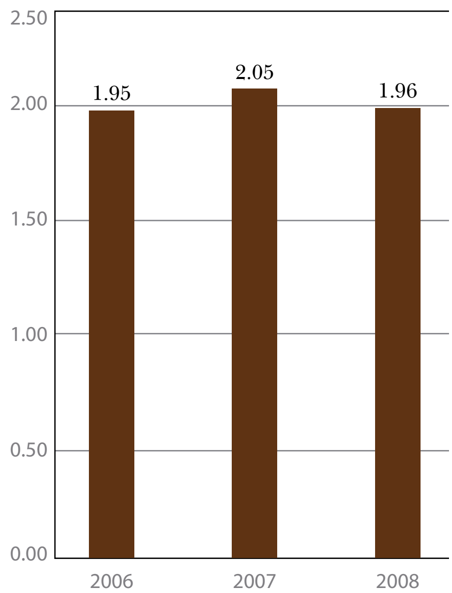
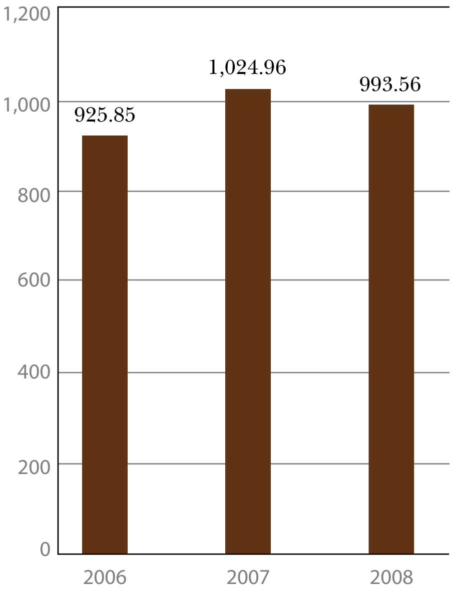


Figure 6-6: SO_2 emissions from direct (liquid fuels) energy (tonnes)



Alternative energies and initiatives

We are investigating alternative energies including hydropower, solar power and biofuels. This includes an algal biofuel project in Namaqualand. Unlike many biofuel types, algal biofuels have minimal impacts on food production and so would not compromise local food security. We are already testing the potential for expanding the use of wind power in our Canadian operations.

Energy security

Eskom is the most important energy supplier to the Family of Companies and is a major exporter of electricity to the wider southern African region. With current capacity, Eskom is only just able to meet current base load demand. It plans to increase capacity, mainly through the development of new power stations, but this capacity will likely only be added in 2013. Although the current global economic slowdown is expected to reduce demand on Eskom by 10-11% over the course of 2009, long-term challenges will remain due to long lead times in infrastructure investment.

One of the means by which Eskom is tackling the current energy challenge is the Power Conservation Phase scheme. This involves the rationing of electricity by providing only 90% of a pre-defined baseline figure. Eskom also introduced load shedding (the shutting down of pre-arranged electric loads) in January 2008. De Beers and other businesses have worked with Eskom to agree a new load shedding protocol. Under the protocol, Eskom provides advanced warning of any cuts in power. This is mainly to allow companies to evacuate underground operations or high-risk areas and thus ensure the safety of both employees and plant. All of our operations have carried out scenario planning and have extensive alert systems in place in order to allow for a planned, safe and measured response to load shedding.

In Botswana, Debswana's 100% ownership of the Morupule Colliery has provided an opportunity to consider more extensive exploitation of this coal resource. Debswana is also planning to install gas turbines at Orapa in order to supply the forecast shortfall in energy supplied to Botswana by Eskom.

In addition to challenges relating to electricity supply, the Family of Companies and other mining operators are also expecting a reduction in the global diesel supply. Whilst any immediate shortages are likely to be dampened by the current global economic situation, longer-term challenges will remain as many refineries currently in development are experiencing time and cost overruns. The Family of Companies has prioritised energy efficiency schemes but is also exploring how to manage this reduction in supply responsibly, including sourcing from existing and other suppliers, and alternative energies.

Emissions accounting

Total CO_2e (carbon dioxide equivalent) emissions from our global mining and marketing operations amounted to 1.96 million tonnes in 2008 (2007: 2.05 million tonnes) (Figure 6-5). Most of these emissions are indirect and associated with the electricity we purchase from national providers. These amounted to 1.28 million tonnes (2007: 1.36 million tonnes). Direct emissions from hydrocarbons (mainly diesel) consumed during the year amounted to 0.68 million tonnes (2007: 0.69 million tonnes). As with our energy use, our carbon emissions are expected to fall in 2009. This is as a result of reduced production caused by falling demand and the global economic slowdown.

SO_2 (sulphur dioxide) emissions from liquid fuels used by our global mining and marketing operations amounted to 994 tonnes in 2008 (2007: 1,025 tonnes) (Figure 6-6). Marine gas oil was our major source of SO_2 emissions. In 2008, it accounted for 73.4% of all SO_2 emissions. Unlike some mining and other industries, where sulphur emissions are a direct consequence of their processes, for the Family of Companies these emissions relate to energy use. As a result, any reductions are mainly achieved by energy reductions.

Find out more

www.busa.org.za

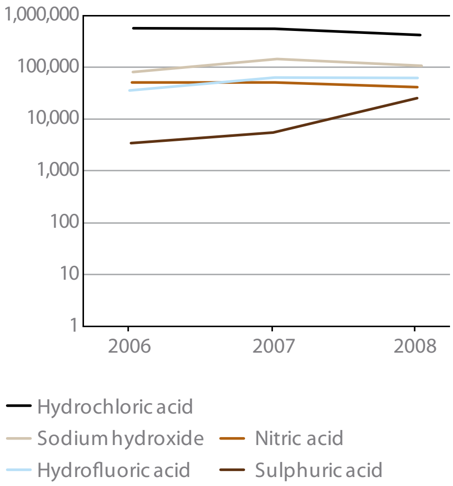
www.iea.org

www.tanesco.com

Hazardous materials and waste

The treatment process does in some cases require hazardous materials. Replacing, minimising and eliminating these hazardous substances forms the basis of our hazardous materials and waste strategy. The removal of diamonds from surrounding ore does not require the use of hazardous substances.

Figure 6-7: Hazardous materials (litres)



Hazardous materials

The five most significant hazardous substances in use across our operations are hydrofluoric acid, hydrochloric acid, nitric acid, sodium hydroxide and sulphuric acid (Figure 6-7). These substances are used mainly for alkalinity control, the dissolution of kimberlite and diamond cleaning. Of the 731,987 litres of hazardous chemicals used in 2008 (2007: 851,668 litres), about 65.4% (478,621 litres) of this volume was hydrochloric acid. This represents a 19% reduction on the 572,875 million litres used in 2007, mainly at Venetia. The increase in sulphuric acid use is largely due to our Snap Lake mine, where it is used to lower pH and reduce free ammonia in untreated and partially treated wastewater streams, and thus reduce effluent toxicity.

Opportunities to use non-hazardous alternatives are investigated on an ongoing basis. In 2008, we implemented a number of technologies developed in 2007 by our Kimberley Microdiamond Laboratory to reduce use of hazardous materials. This included techniques to separate liquid from solid waste to minimise the amount of neutralised effluent for disposal. We also implemented technology to reduce the volume of material requiring acidisation, and to detect barren samples that do not require processing.

The Johannesburg Indicator Mineral Laboratory also continued its work on replacing paraffin and all chemicals used in mineral analysis with non-petrochemical and less harmful alternatives. De Beers Australia Exploration continued to implement its remediation action plan to address ground water pollution resulting from the leakage of stored treatment plant tailings in Whyalla.

There were no major spills of potentially hazardous materials during the course of the year. Our Environmental Management Systems ensure the effective management of overburden, coarse and fine tailings, including: risk assessment, structural stability of storage facilities, leaching and hazardous properties.

Find out more

www.basel.int

www.rosefoundation.org.za

Waste, recycling and transport

Waste is separated into categories at source to ensure appropriate disposal and recycling. In 2008, more than 2.20 million litres of used oils (2007: 3.32 million litres) were collected for recycling and reuse at our mining and exploration operations (Figure 6-8). Most of this oil is recycled off-site through our partnership with the Rose Foundation, except for some of our Namdeb operations, where it is reused as fuel.

Other hazardous waste produced during the mining process is either responsibly stored onsite for future management or disposed of through certified hazardous waste sites. Waste from our Botswana and Namibian operations is generally disposed of through facilities in South Africa. Any movement of such waste is conducted in full compliance with the Basel Convention for controlling trans-boundary movements of applicable hazardous wastes.

Figure 6-8: Recycled and re-used oil (million litres)

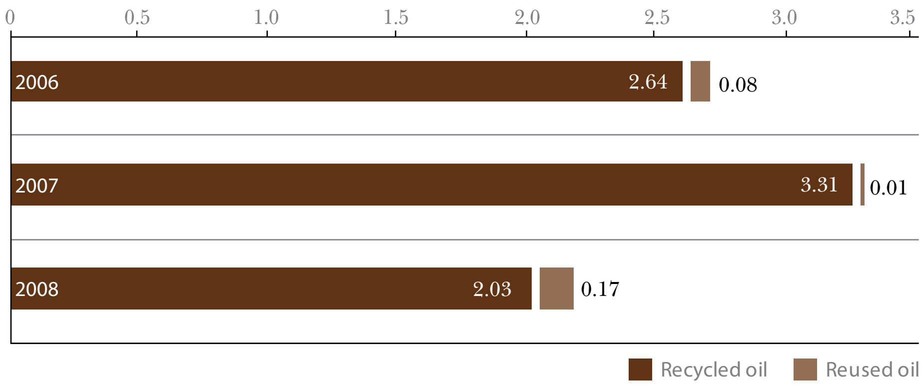
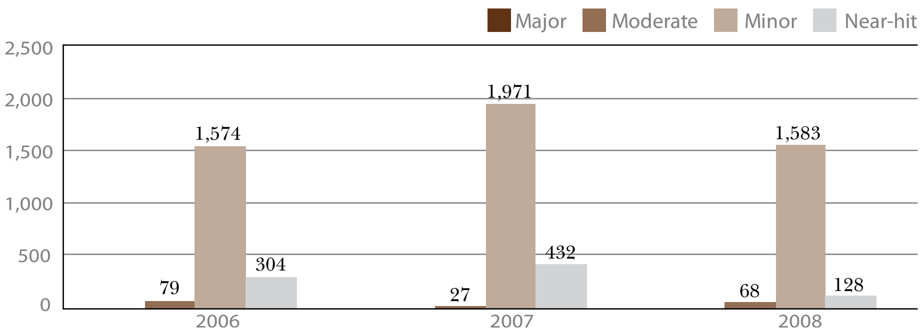


Figure 6-9: Environmental incidents[3]



[3] The Family of Companies was not subject to any significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations during 2008. No "major incidents" causing irreversible environmental impacts have ever been recorded

Governance and assurance

This chapter presents a portfolio of statements from relevant internal and external stakeholders. These statements relate primarily to our governance and risk management processes, our management of relevant and material issues and the reporting process. This "mission-guided" approach to assurance extends beyond the more traditional territory of verifying the accuracy of specific performance data. Instead, it empowers different stakeholders to comment in their areas of expertise on how well we are managing and reporting on issues identified as being "relevant and material" by stakeholders (p8).

Statements presented in this chapter should be read alongside the questions, voices, case studies and interviews with key stakeholders presented throughout this report. Together, these viewpoints provide a unique and collective insight into how well we are responding to, managing and reporting on issues identified as important by our stakeholders.

The Multi-Stakeholder Forum has been instrumental in shaping the content of this chapter. In particular, we have followed recommendations from the Multi-Stakeholder Forum to rename this chapter "Governance and assurance" in order to reflect the broad coverage of statements contained herein. This also reflects our intent to recognise the difference between those statements prepared by De Beers Internal Audit and Maplecroft (i.e. as first and second party statements on governance and reporting), and those prepared by independent third parties.

Highlights

Actions taken to address recommendations from the Multi-Stakeholder Forum include:

- Recognising that the first and second party statements are not technically assurance statements
- Ensuring all statements consistently specify dates and locations of completion and include signatures from each respective organisation
- Using an additional non "big four" organisation to provide assurance and recommendations on our Kimberley Process compliance. The Government Diamond Office of the United Kingdom was seen as more appropriate given its role as a stakeholder in and enforcer of the Kimberley Process
- Placing emphasis on performance with respect to "relevant and material issues" rather than the standard assurance of specific performance data
- Balancing both positive and negative stakeholder viewpoints and discussing dilemmas throughout the report

97

The number of workbooks submitted to Société Générale de Surveillance (SGS) for their review of the De Beers Best Practice Principles Assurance Programme

Analysing diamonds using ultraviolet light

Guide to our portfolio of governance and assurance statements

On internal audit and risk management processes

Statement from De Beers Internal Audit on selected material issues including internal auditing, the Best Practice Principles, the Assurance Programme for the Principles, the Kimberley Process and anti-money laundering

De Beers
A DIAMOND IS FOREVER

De Beers Internal Audit (DBIA) is an independent, objective assurance and consulting activity designed to add value and improve the operations of the De Beers Family of Companies. DBIA has been mandated by the Audit Committee, a sub-committee of the Board of De Beers Société Anonyme (DBsa), to ensure that the major risks facing the Family of Companies are identified and given appropriate audit focus. Risk management, internal control and governance processes are systematically reviewed to help the Family of Companies accomplish its objectives. DBIA submits an annual audit report to the Audit Committee on the status of governance, internal control and the appropriateness of risk management.

All DBIA reviews are performed in accordance with the International Standards for the Professional Practice of Internal Auditing, as prescribed by the Institute of Internal Auditors (IIA). Our Quality Assurance and Improvement Programme (introduced in line with IIA Standards 1300) found DBIA to be "generally compliant" with the IIA Standards, the highest rating on the degree of conformity scale.

Risk-based internal auditing

DBIA follows a prescriptive, documented risk-based audit methodology that culminates in its annual report on risk management, the internal control environment and governance to the Audit Committee. The audit plan is derived from the De Beers Enterprise Risk Management system. DBIA consults on and assists with the facilitation of risk management workshops at all levels to ensure a complete and appropriate risk management system.

The risk management process collates information from value centres and offices globally to business units and ultimately to enterprise level. Audit work includes a thorough review of internal systems, procedures and programmes of work for each business function and area of major business risk. DBIA also collates and reviews reports from managers on the integrity of internal controls, the safeguarding of assets and risk management, as well as ethical, social and environmental matters. It also considers reports produced by external assurance providers. These include audit coverage by Diamond Security, Aon Risk Management, Société Générale de Surveillance (SGS), Deloitte & Touche and others.

The DBIA annual audit report to the DBsa Audit Committee, which was submitted in February 2009, included the following opinion:

"I can confirm that in my opinion the internal controls are adequate to ensure that the financial records may be relied on for preparing the reports to directors and shareholders, and for maintaining accountability for assets and liabilities.

In my opinion, in all material instances, assets are adequately protected and used as intended with appropriate authorisation and all significant business risks have been identified and appropriate mitigating strategies are in place.

No matters have come to my attention during the year ended 31 December 2008 that indicate any breakdown of such magnitude has occurred in the functioning of these internal controls, procedures and systems of the Group, which in my opinion, would affect the fairness of presentation of such reporting, and therefore financial decisions based thereon. It must be noted that the extent to which sales in 2009 will be affected as a result of the global economic crisis and recession is not yet known. Mitigating responses include restructuring plans and steps to ensure access to ongoing funding of operations. I share management's view that the Group has sufficient resources to remain in business for the foreseeable future."

Best Practice Principles

In 2008 the scope of DBIA's review of the Best Practice Principles (BPP) Assurance Programme was focused on ensuring that the programme continued to be supported by good governance. The scope also provided for detailed, on-site verification reviews of 20 BPP workbooks to supplement the review work conducted by SGS. The specific objective of the reviews was to verify responses within the BPP workbooks. No material breaches were identified during such reviews and all improvement opportunities have been agreed with management.

The scope of the 2009 review, which is currently in progress, will provide for a desktop review to ensure that due diligence has been applied in the completion of all BPP workbooks submitted to SGS. It will also continue to include the verification of submitted workbooks.

Assurance Programme for the Principles

DBIA participates on the Principles Committee to ensure good governance directs the Assurance Programme for the Principles, and to ensure the integrity of the development process. DBIA consulted on risk identification and assessment, and also ensured alignment with and integration into the existing Enterprise Risk Management process.

Note on Kimberley Process compliance

The Kimberley Process is a joint government, diamond industry and civil society initiative that requires participants to certify diamond shipments are conflict free. Compliance with the Kimberley Process is a legal requirement for participating countries.

A review of fact-finding reports, issued by independent auditors, confirms that relevant business units comply with the requirement for De Beers to have its compliance with the Kimberley Process externally assessed.

These reviews sought to assess De Beers compliance with respect to the Kimberley Process Certification Scheme on the international trade in rough diamonds, in accordance with European Council Regulation (EC) No 1574/2005. The assessments related to the period commencing 1 January 2008, and ending 31 December 2008.

The major Kimberley Process compliance criteria are also reviewed as part of the third party verified BPP Assurance Programme. No material breaches or instances of non-compliance with the Kimberley Process were identified in the 2008 BPP assurance cycle.

Implementation of the Anti-Money Laundering Policy

In 2006, De Beers developed and communicated a policy on Anti-Money Laundering and Combating the Financing of Terrorism. The policy reflects the deep-seated commitment of the Family of Companies to maintaining the continued confidence of its stakeholders and the integrity of its product.

DBIA's 2008 review of the implementation and progress of the policy found that all business units, applicable group functions, and shared services have implemented the policy.

Good progress has been made on the introduction of the required background checks on customers and suppliers. De Beers UK and De Beers Marine Namibia are implementing processes to further enhance these checks. All staff affected by the policy have received relevant training. DBCM's Voorspoed mine has recently been opened and a schedule has been developed for full implementation of the policy.

Phillip Barton

Group Manager, DBIA
De Beers Corporate Headquarters
Johannesburg, South Africa
2 April 2009

On reporting

Statement from Maplecroft on the reporting process, including the reporting methodology, the AA 1000 Principles and recommendations for future reporting

Background

This statement is intended to provide insight into the reporting process. Maplecroft professionals involved in the reporting process are experts in their respective disciplines and are trained auditors in accordance with the ISO 14001 and SA 8000 standards. Maplecroft recognises that it is not an independent party.

Maplecroft has worked with the Family of Companies since 2000. We have been involved in data collection and analysis, the development of the BPPs, the APPs and in the production of the Report to Stakeholders 2005/6 and the Report to Society 2007, as well as the Operating and Financial Review 2006 and 2007. Both the Report to Stakeholders 2005/6 and the Report to Society 2007 won sustainability reporting awards from the Association of Chartered Certified Accountants (ACCA) South Africa. Maplecroft also advised on the development of policies on anti-corruption, political donations, security services and human rights, and draft guidelines on stakeholder engagement. De Beers has contracted Maplecroft to assist in the production of its Report to Society for the 2008 and 2009 reporting cycles.

This statement is an account of:

- Our experience of compiling content, checking and processing data, and writing and designing this report
- Our coordination and facilitation of the Multi-Stakeholder Forum and the Diamond Dialogues in London, as well as the writing of reports summarising discussions at each event. This statement also confirms the accuracy of questions explored by the Multi-Stakeholder Forum and included in this report
- Our experience of engagement with discipline experts, the APP team, the Principles Committee and other relevant De Beers employees, both in person and through telephone interviews and other correspondence

Methodology

Maplecroft worked closely with De Beers to include as much relevant quantitative data as possible. Maplecroft is satisfied that the Report to Society 2008 offers a more comprehensive and more robust set of data than the Report to Society 2007.

The validity of the original data was not checked at source by Maplecroft. Maplecroft worked closely with relevant De Beers discipline experts in the compilation, analysis and review of this data across the economic, ethical, employee, community and environmental domains. We also carried out rigorous peer review within Maplecroft to ensure the accurate and comprehensive representation of original data. Any anomalies or gaps in data that could not be resolved by Maplecroft were referred back to relevant employees within De Beers for clarification.

Maplecroft supplemented primary data with extensive interviews, as well as the review of a range of documents, articles, agendas, minutes and presentations. Maplecroft was given a high degree of access to discipline experts for the purpose of information gathering, clarification and review. We also prepared drafts of all text and worked closely with discipline experts in the refinement of report content to ensure the information presented is fair, accurate and in line with the expectations of stakeholders. In response to stakeholder feedback, Maplecroft worked with De Beers to present information in new and innovative ways in order to improve accessibility, ease of review and sign-posting. Examples include the use of navigation panels at the start of each chapter, as well as free-standing "feature" pages that focus on specific issues of interest to stakeholders within each chapter.

All work completed by Maplecroft is informed by best practice initiatives and standards. This includes the United Nations Millennium Development Goals, the United Nations Global Compact, the Global Reporting Initiative (GRI) G3 Guidelines and the AA 1000 assurance standard.

AA 1000 principles

We believe De Beers has made significant progress with respect to being fully compliant with the AA 1000 principles of materiality, completeness and responsiveness.

Materiality

This report presents a coherent framework for identifying issues relevant and material to stakeholders. Maplecroft can verify that the Diamond Dialogues and the Multi-Stakeholder Forum were critical in identifying and prioritising most of the issues presented in this report. Questions posed to De Beers at these events were answered frankly and transparently. Our work with De Beers supports the accuracy of relevant statements presented in this report, most notably the answers provided in the "questions from stakeholders" panels. Specific quotes and questions from the Multi-Stakeholder Forum have been accurately reproduced within this report.

Our role in the reporting process enables us to confirm that De Beers reports on issues that previous assurance statements and reviews identified as needing to be addressed. This includes progress reporting on beneficiation, contributions to development, and actions to reduce greenhouse gas emissions and adapt to climate change. A number of key events during 2008 have implications for certain issues of interest to stakeholders. These include the sale of Williamson Diamonds Limited, which changed the focus of De Beers activities to empower local artisanal miners (p75). Likewise, the global economic downturn has placed greater focus on possible mitigating actions, as well as consequences for contributions to government revenues (p19), beneficiation partnerships (p27), conflict sensitivity (p35), consumer expectations (p42), the ongoing provision of anti-retroviral treatment to retrenched employees (p58), retrenchments (p66) and social investment activities (p81).

Completeness

Our inspection of documents and enquiry of discipline experts did not identify any material shortfalls with respect to completeness of reporting. Our enquiry found De Beers to support the need for greater transparency in its disclosures. De Beers was proactive in seeking comment on, and promoting discussion of, potentially difficult issues. This is reflected in this report, which includes frank discussion of a range of challenges and dilemmas, including:

- Impacts of the global economy (p2, p27)
- Contractor fatalities (p48)
- Improving HIV/Aids management (p58)
- Employee retrenchments (p66)
- Water scarcity and use (p91)
- Energy security and climate change (p92)

Responsiveness

This principle requires De Beers to demonstrate how it is responding to stakeholder concerns and interests.

De Beers has honoured its commitment to engage the Multi-Stakeholder Forum in future reporting cycles, and participant recommendations have significantly influenced the content and form of this report. Examples can be found in a significant shift in focus towards the impact of the global economic downturn on the Family of Companies, increased use of "summary" information in the introduction and feature pages of each chapter, and an estimated 10% reduction in the overall length of the report. The fact that the Multi-Stakeholder Forum and the Diamond Dialogues were attended by former participants suggests that stakeholders continue to find these engagements constructive and worthwhile.

There is still room for improvement in terms of responding to stakeholder suggestions relating to the identification of clear, quantitative performance targets. The identification of Group targets for each of the discipline areas would do much to enhance benchmarking, comparability and measurability of performance. It would also enable the Family of Companies to demonstrate more tangibly its commitment to concrete improvement. Our inspection of agendas, briefing materials and minutes prepared for the Principles Committee and ECOHS Committee enables us to confirm that a number of material sustainability issues and risks are being tracked by the Family of Companies. These activities suggest De Beers is committed to continuous improvement in managing its sustainability risks and responsibilities and in contributing to sustainable development.

The De Beers statement that it has applied the GRI G3 guidelines at level A+ is fairly stated. We understand this report will be submitted to the GRI for checking.

Find out more

www.maplecroft.com

www.global-risks.com

Recommendations

Key areas for improvement:

Corporate Social Investment expenditure

Data on Corporate Social Investment (CSI) and expenditure on Social and Labour Plans (SLPs) in South Africa could be better aligned. This would help demonstrate that SLP expenditure is increasingly taking the place of voluntary CSI disbursements. It would also better explain that despite a fall in CSI spending in South Africa, net spending on social and labour issues (i.e. including SLPs) is increasing. Reporting could also benefit from more detailed explanation as to the relationship between CSI and SLP spending, and the role of SLPs in the wider social investment strategy.

Online content

Whilst De Beers has made efforts to transfer "static" text online, the company should further explore synergies offered by increased reliance on online content to complement material in the report. This will enable De Beers to respond better to stakeholder requests for more succinct and accessible report content, whilst also offering parallel online reporting that satisfies as fully as possible the requirements of the GRI G3 guidelines. Experience from the 2007 reporting cycle suggests that using this approach would improve the likelihood of a GRI A+ rating, as it would allow for ongoing performance updates and the presentation of information in a form that is closely aligned with the GRI structure.

Ethnicity

Whilst the identification of the ethnicity of employees is a legal requirement in certain locations (e.g. South Africa), it has posed challenges in terms of processing employee data from De Beers operations in the United Kingdom. A significant number of employees in the United Kingdom declined to identify their ethnicity. Because relevant data were dependent upon the ethnic identity of respondents, this meant a significant number of employees were excluded from analysed results. Maplecroft recommends that data templates issued in the United Kingdom remove references to ethnicity as they are of limited relevance and are likely to reduce the accuracy of analysed data.

Role of discipline Principals

We have been impressed by the degree to which discipline Principals have made themselves available during the reporting process. The rigour of sign-off has been notable, with Principals and experts demonstrating a strong desire to ensure the highest levels of accuracy and to ensure a comprehensive and meaningful account of their activities. We look forward to continued high levels of engagement in future reporting cycles.

Best Practice Principles

De Beers has made considerable advances in accounting for its ethical and social performance over the years and has required high standards of those with whom it works at all stages of the diamond pipeline. It is critical that the current economic situation is not allowed to undermine the important progress made and that documentation about BPP assessments and actions is kept up.

Future reports

We recommend that future reports should also look to address the following:

- Quantitative targets that are meaningful and measurable, particularly with respect to the effectiveness of sustainability actions and/or efficiencies
- Long-term milestones and targets, particularly in relation to climate change, carbon emissions and water
- Forward-looking scenario planning to understand and manage future risks and challenges in partnership with stakeholders
- Enhanced content on anti-corruption risks, training and scenarios as well as practices undertaken by different functional areas
- Further analysis of the development impact of social investment projects and SLPs

We believe this report presents a relevant and complete statement of the sustainability performance of the Family of Companies. This report will be used as the 2008 Communication on Progress for the United Nations Global Compact.

Alyson Warhurst

Professor Alyson Warhurst
Dr Kevin Franklin
Gus Macfarlane

Maplecroft, United Kingdom, 14 April 2009

On the BPP Assurance Programme

Statement from SGS on the De Beers Group 2008 cycle of the De Beers Best Practice Principles (BPPs), including scope, work undertaken, the BPP programme, verification methodology, key findings and recommendations

Appointment of SGS

Following a tender process beginning in April 2003, SGS was invited to present their proposal and following responses to additional information were advised of their selection as the verification partner in July 2003.

SGS is the world's largest independent verification and certification organisation and has no commercial interests. As part of this contract SGS has undertaken not to provide any consultancy or related services to any parties involved in the BPP programme so as to ensure that this strict independence is maintained at all times.

Scope of work

The scope of work undertaken by SGS as the BPP verifier for the 2008 cycle comprised the following:

- Desktop review of a sample of the workbooks submitted by DTC Sightholders and all those submitted by the De Beers Family of Companies. This process verifies that all required workbooks have been submitted; that all questions have been answered; that the responses to the questions support the compliance status declared in each case and to test that conclusion by requesting supporting evidence on a random number of questions.
- Verification visits on up to 10% of the declared facilities to check that the original first party assessments have been undertaken thoroughly both by discussing this with the assessor and by seeking first-hand evidence of compliance with the issues concerned.
- An extraordinary audit to review allegations of serious breaches at one of the Sightholder's facilities.
- Provision of information relating to the compliance status of Sightholders' and De Beers' facilities and details of any significant issues. This information is provided in accordance with the confidentiality requirements set out in the revised Supplier of Choice Ombudsman Terms of Reference.

Work undertaken on De Beers Group facilities

97 workbooks were submitted across all eligible De Beers facilities covering 74 of their own facilities and 23 contractors.

Workbooks were not submitted for two facilities as these had had recent visits following up on previous issues.

Full reviews were conducted and completed during the cycle and 10 verification visits were undertaken during this cycle including three visits to contractors. In addition, a follow-up visit was undertaken at one facility at which Major Infringements had been found in the 2007 cycle.

The BPP programme

The BPPs follow major international standards for Corporate Social Responsibility (CSR) and business partner evaluation and follow all national and international legal requirements.

The compliance process requires an in-depth evaluation and the investment of resources to complete self-audits. In the case of the De Beers Family of Companies this has included submission for contractors, regardless of the level of business represented by De Beers, at an earlier stage than is required for Sightholders. De Beers has set itself a high level of commitment and expectation of compliance.

Verification methodology

The verification process is undertaken in three stages:

- In the country of operation, workbooks are reviewed by a qualified Social Accountability auditor, cross-trained in Environmental Management and briefed on the requirements of the BPPs.
- Local reviews are then submitted to a central review point where these are cross-checked to ensure consistency by country and key points.
- A sample of 10% of facilities is selected centrally for onsite verification to check the effectiveness of the first party assessments and to evaluate at first hand the situation on the ground.

As in the last cycle, briefing of all assessors was undertaken to ensure that any changes to questions and interpretation were fully understood and a standard breach classification table was drawn up and circulated. This was reviewed during the course of the year as queries were raised and the distribution of this table was controlled through the BPP extranet.

Key findings

The majority of workbooks were received within the required timescales. A small number of contractor workbooks were received rather late and had to be actively chased, but communication around anticipated delivery dates was maintained so as to ensure that reviews could still be fully completed as required.

Further improvement to the completion and level of detail contained in the workbooks was demonstrated with the majority of ratings confirmed by the SGS review.

Most infringements in the De Beers-owned facilities found in the course of previous cycles have been rectified with evidence of implementation verified either on site or through the workbooks. Some issues remain outstanding, however, including final verification of corrective actions for a Major Infringement which has been outstanding since 2006.

The verification visits confirmed the majority of findings from the first party reviews.

Overall summary

There were no Material Breaches identified during first or third party assessments.

One facility was found to still have a Major Infringement in relation to business issues and in particular to the need to go beyond local legal requirements in relation to Anti-Money Laundering (AML) compliance. An improvement plan has been developed but evidence of completion is still awaited.

A further 11 facilities had Minor Infringements. Corrective Action Plans have been received for all infringements and are in the process of completion and review.

This is an improvement since the 2007 cycle, especially as the majority of infringements relate to new facilities opened in the last 12 months. The majority of infringements relate to central policies and procedures not having been fully implemented at new operational centres and the corrective actions are reasonably straightforward.

Recommendations for improvement

During the assessment process open communication was maintained with the De Beers compliance team and a number of recommendations were made for improvements.

Recommendations made include:

- The need to ensure that workbooks are based on full assessments rather than documentary review so as to ensure that underlying issues are discovered and reported on.
- Focusing on underlying issues in the Improvement Opportunities identified to effect significant improvement in meeting their compliance objectives.
- Identification of best practice operations, as highlighted through the business unit reports and dissemination of their approach to promote learning between sites.

Effie Marinos

SGS United Kingdom Ltd
16 February 2009

On Kimberley Process compliance

Statement from the United Kingdom Government Diamond Office on compliance with the Kimberley Process at DTC (now renamed De Beers UK Limited)

Foreign & Commonwealth Office

The Kimberley Process (KP) was set up in January 2003 to combat the trade in illicit "conflict" diamonds.

Based on a collaborative approach between governments, the rough diamond industry and NGOs, the Kimberley Process seeks to remove these diamonds from the legitimate trade by imposing common standards on producer and trader nations and the worldwide rough diamond industry.

The KP is currently made up of 49 participating members, representing 75 countries (the European Union (EU) as one participant). It includes all the major traders and producers and is estimated to cover more than 99% of the world's trade in rough diamonds.

Participants in the KP are not allowed to trade in rough diamonds with non participants, and each shipment of rough diamonds must be accompanied by a valid KP certificate detailing the carat weight, value, destination address and custom codes for the shipment. Rough diamond shipments are routinely checked by participants to ensure compliance with the KP.

The Government Diamond Office (GDO) is responsible for implementing the KP in the United Kingdom. We work closely with the international community, other government departments, civil society and the rough diamond industry to ensure the requirements of the KP are met by the United Kingdom.

DTC (now renamed De Beers UK Limited) is one of the principal importers and exporters of rough diamonds into and out of the UK. In 2008 the GDO issued over 1,000 KP certificates to accompany DTC exports of rough diamonds to destinations outside of the EU.

The GDO has a close working relationship with all actors in the rough diamond industry, including DTC. Since the beginning of the KP, the GDO has undertaken over 35 independent inspections of DTC shipments to ensure compliance with the KP.

Additionally, as part of its commitment to industry self regulation, DTC is subject to an annual audit by independent auditors to ensure continued compliance with the KP and the industry system of warranties. The GDO works closely with DTC's independent auditors to this end.

Dev Shah

Government Diamond Office
Foreign and Commonwealth Office
London, United Kingdom
13 January 2009

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Environmental information

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Acronyms

AP	Assurance Programme
APPs	Assurance Programme for the Principles
ART	Anti-Retroviral Treatment
BEE	Black Economic Empowerment
BPPs	De Beers Best Practice Principles
DBCM	De Beers Consolidated Mines
DBDJ	De Beers Diamond Jewellers
DBIA	De Beers Internal Audit
DDI	Diamond Development Initiative
DTC	Diamond Trading Company
DTCB	Diamond Trading Company Botswana
ECOHS	Environment, Community, Occupational Hygiene, Health and Safety
HDN	Historically Disadvantaged Namibian
HDSA	Historically Disadvantaged South African
KPCS	Kimberley Process Certification Scheme
LTIFR	Lost Time Injury Frequency Rate
LTISR	Lost Time Injury Severity Rate
MCDP	Mwadui Community Diamond Partnership
NDTC	Namibia Diamond Trading Company
NIHL	Noise Induced Hearing Loss
NWT	Northwest Territories (Canada)
OIFR	Occupational Illness Frequency Rate
SASA	South African Sea Areas
SEAT	Socio-Economic Assessment Toolbox
SHE	Safety, Health and Environment
SLP	Social and Labour Plan
VCT	Voluntary Counselling and Testing

Whistle blowing hotline

Any person wishing to use our whistle blowing hotline may do so in the following manner.

By telephone

By telephone to the applicable tip-off anonymous country toll free number:

De Beers - South Africa	0800 003 518
De Beers - Namibia	0800 003 518 or 061-309058
De Beers - Botswana	71119753 (Mascom)
De Beers - United Kingdom	0808 234 2168
De Beers - Canada	18664511590
De Beers - Israel	1809455111
De Beers - Japan	00531270008
De Beers - Belgium	080075977
De Beers - Angola	+27 (0) 31 571 5772
De Beers - DRC	+27 (0) 31 571 5773
De Beers - Tanzania	+27 (0) 31 571 5774
De Beers - India	+27 (0) 31 571 5775
De Beers - China	+27 (0) 31 571 5776

In writing

In writing with details regarding the background and history of the information being disclosed, giving names, dates and places where possible.

Disclosures made in writing should be posted to:

South Africa (FreePost)

KZN 138,
Umhlanga Rocks
4320,
South Africa

Other countries (postage not paid)

KZN 774,
Umhlanga Rocks
4320,
South Africa

Email, website and fax

Written disclosures may also be submitted via:

Email

debeers@tip-offs.com

Website

www.tip-offs.com

Fax

(South Africa) 0800 00 77 88

(International) +27 (0) 31 560-7395

Our Principles

Three guiding Principles define the way we do business, inform our understanding of what is right and wrong, and describe what is important to us. These are supported by an extended set of specific Principles that cover the economic, ethics, employees, community and environment aspects of our activities.

Sustainable development through partnership

The Family of Companies is committed to operating in accordance with national legislation and towards the goal of sustainable development. This means ensuring that we consider and take responsibility for the longer term economic, social and environmental implications of the decisions we make today – not only for our own business but also for the broader societies in which we operate. We will work with our partners in government to ensure that diamonds, a finite resource, are transformed into economic wealth and improved quality of life and wellbeing for all those stakeholders touched by our business along the diamond pipeline.

Diamond dreams and development

We will work to address the poverty and socio-economic deprivation that affects many of the communities where we operate. We will work with governments to help realise their long-term visions and, through education, training and shared decision making, to ensure the success of programmes that help build the capabilities of their citizens. In particular, we will partner with our stakeholders to address the priority of HIV/Aids. We will also work meticulously through the Kimberley Process, the industry's system of warranties, and our Principles to ensure conflict diamonds are eliminated from world diamond flows.

Accountability and "living up to diamonds"

The Principles Assurance Programme translates our Principles into practice and provides a framework for measuring continuous improvement in performance over time. Through peer review across the Family of Companies, we will help each other achieve this goal. The implementation, monitoring and reporting of these Principles through the Assurance Programme, including a willingness to open up our performance to third party scrutiny, will ensure that our stakeholders are able to rely on our high standards and know that we are "living up to diamonds".

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