

DE BEERS
FAMILY OF COMPANIES

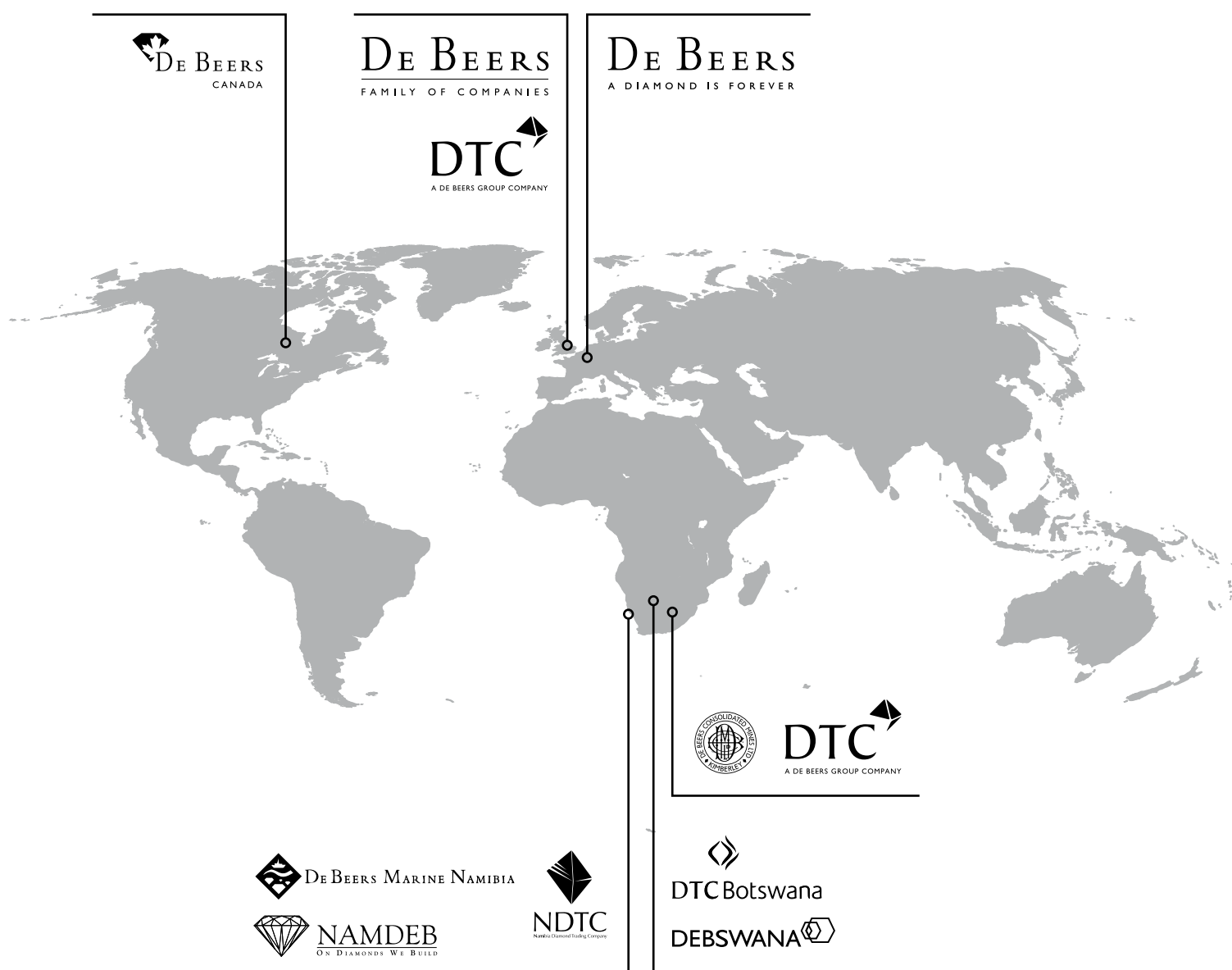
Report to Society 2009

Living up to diamonds



Summary

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, Canada, Namibia and South Africa, De Beers produces and markets approximately 40% of the world's supply of rough diamonds.



Coverage

Use of "our" or "we" in this report relates to the Family of Companies. Further information on De Beers, the Family of Companies and scope of this report is included in the Operating and Financial Review 2009.

We believe this report together with the Operating and Financial Review 2009 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 10 principles of the United Nations Global Compact is presented online.

Find out more

www.debeersgroup.com

Contents

Introduction from the Chairman	2
Performance overview from the CEO	4
1 Approach	6
2 Economics	8
3 Ethics	10
4 Employees	12
5 Communities	14
6 Environment	16
Further information	18



“...when you buy a diamond from De Beers, part of that money still today goes to help build and maintain roads and clean water systems in Botswana. You can drive anywhere in that country and you can see services that have been paid for by a legal framework, strong regulations, and a national consensus that the money from the earth and its riches should be spent on the people of Botswana.”

Hillary Clinton, Secretary of State of the United States of America at a press conference in Abuja, Nigeria, 12 August 2009

Further resources

For further information on the De Beers Family of Companies and its sustainability performance, please see the online resources below:

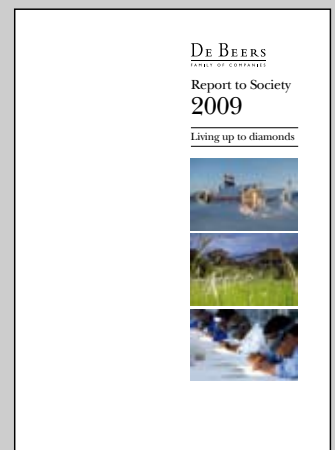
De Beers website



Operating and Financial Review 2009



Report to Society 2009



Introduction from the Chairman



De Beers has long been an exponent of the positive role of business in driving Africa's development. This is a case we have made with some energy in previous editions of our annual Report to Society. However, the economic turmoil precipitated by the banking crisis in late 2008 has quite understandably raised some questions and concerns about the ability of the private sector to deliver sustained and meaningful growth in developing countries.

Nonetheless, our experience – and that of our producer partners – has reaffirmed our belief that responsibly operated businesses remain among the most effective agents of sustainable development in Africa.

Responding to the economic downturn

In late 2008, as the sub-prime crisis grew into a full-blown global economic crisis, we took a number of decisive steps to ensure the continued health of our business. A significant drop in consumer demand for diamonds in our established markets during the fourth quarter of 2008 fed back into an already highly leveraged and overstocked global industrial pipeline. In response we initiated a comprehensive recession action plan in the fourth quarter of 2008. This plan focused on ensuring that our production levels were properly aligned to rough diamond demand; managing our debt; conserving cash; reducing our operating costs and protecting diamond equity. In practice this involved initiating a series of temporary shutdowns across all of our mining operations, cutting all non-essential expenditure and restructuring a number of business units. These plans were already well underway by January 2009.

The sheer scale of the economic crisis was such that our many stakeholders clearly understood the potential consequences of not taking robust action to ensure the long-term health of the business. As a result they not only accepted the necessity of the steps we took but in some cases facilitated their implementation. Trade unions, our government partners, our contractors and our mining communities demonstrated considerable foresight as they worked with us to implement solutions to exceptional problems in extraordinary times. The cooperation of our stakeholders in taking these steps was a powerful reminder of the extent to which the health of our core business is so vital to the sustainability of the communities and countries in which we operate.

Most regrettable, from a Family of Companies perspective, has been the human cost of the restructuring and delayering programme. Over the course of 2009 we said farewell to many friends and colleagues as we reduced our workforce by 23% to a total of about 13,320. In undertaking the restructuring exercise we took particular care to ensure that we followed a proper consultative process and that those impacted were properly compensated, given appropriate support and were provided with opportunities to retrain where necessary.

Since Botswana has generated on average 40% of its GDP and 70% of its foreign exchange earnings year-on-year over the past decade from diamonds mined and sold in partnership with De Beers, there was some speculation that the economic crisis could undermine the benefits accrued through years of positive economic growth. This did not happen. Decades of prudent fiscal management by the Government of the Republic of Botswana (GRB) meant the country had sufficient foreign currency reserves at the onset of the downturn to ensure no significant disruption in the delivery of key government programmes despite a 4.6% drop in real GDP for the four quarters through to September 2009 and a 10.9% budget deficit after years of budget surpluses. Botswana's ability to cope with the short-term impacts of the economic crisis meant that it was able to take a sufficiently long-term view in evaluating what action was required. As a result the GRB was unequivocal in its support for efforts to reduce production in line with demand over the course of 2009.

Botswana's ability to absorb the considerable drop in short-term diamond revenues in the first half of 2009 reaffirmed our confidence in the positive role business can play in assisting governments to build economies robust enough to withstand and recover from powerful exogenous shocks.

While considerably less dependent on diamond revenues to balance their budgets than Botswana, our partners and regulators in other producer countries showed no less foresight in dealing with the crisis. In Namibia, for example, our government partner agreed to a suspension in royalties and dividend payments from Namdeb to ensure that the company remained cash positive. In both Canada and South Africa, local and national authorities offered no impediment to the effective implementation of our recession action plan.

Sustainability

While we focused primarily on ensuring the Family of Companies' ability to weather the economic crisis in 2009, we nevertheless did so without compromising on our social and environmental commitments. With limited funds to spend on new activities, we maintained a strong focus on the basics throughout 2009. We pushed ahead with our drive for zero harm in respect of health and safety issues; ensured the continuity of our many environmental programmes; maintained the rigour of our Best Practice Principles assurance programme; honoured our social investment obligations and worked hard to maintain honest and effective relationships with our neighbouring communities.

We are particularly proud of the fact that in 2009 there were no fatalities at any Family of Companies operations; a clear demonstration of the success of our programmes focusing on driving accountability for safety throughout the business.

Our focus on ensuring the continuity of our social and environmental sustainability programmes over the past year reflects our continued belief that the strength of our business depends on our ability to anticipate, manage and mitigate long-term risks. It was against the background of the drive for a new global climate change deal (COP15) and the clear risk that climate change poses both to our operations and our communities that we brought our collective focus to bear on the question of climate change and resource security in 2009.

Our sustainability journey



Energy security and water usage are both significant long-term risks for our business. They also provide windows of opportunity. They are risks to the extent that if we don't manage them effectively they may well undermine the viability of our operations, particularly those in water-stressed areas and those dependent on seasonal ice-roads for logistic support. They are opportunities because there are clear synergies between running a better and more effective business and taking steps to both mitigate climate change – through reducing our fossil-fuel dependency – and to adapt to its impact – through finding more water- and energy-efficient ways of liberating diamonds from kimberlite. Over and above working to find readily implementable solutions to climate change related problems, we are also paying close attention to some more creative approaches to the challenge. One such approach is the viability of using kimberlite tailings – which react with heat and water to lock atmospheric carbon into carbonates – as a tool for carbon capture.

Over the past five years our work to reduce our water footprint at our operations in arid and semi-arid areas, and likewise our efforts to reduce our dependence on centralised energy sources, have paid real dividends. As much as our progress in this area has been pleasing, we have no illusions as to the size of the potential challenge and opportunity here, especially given the anticipated longevity of some of our mining assets.

Defining a “new normal”

In our Operating and Financial Review 2009, I invoked the adage “never waste a good crisis” in reference to how the last year has provided us with an opportunity to rethink aspects of our commercial strategy and reorganise elements of the business accordingly. It bears repeating here to the extent that the restructuring exercise we undertook in 2009 has provided us with the opportunity to hardwire sustainability into our “new normal” and exploit the clear synergies that exist between running a sustainable and responsible business, and a profitable one. Thus, while the “new normal” may well represent a significant departure from past practices in some areas of our business, it will in no way diminish our oft-repeated commitment to “live up to diamonds”.

As we map out a new strategic vision for the Family of Companies in the wake of the economic turmoil of the past 18 months, it will be a priority for us to report on our progress in this regard in next year's Report to Society.

Nicky Oppenheimer
Chairman
De Beers

Performance overview from the CEO



There have been few years in the long history of our company that could be compared to 2009. The rapid economic decline and consequent fall in global demand for rough diamonds required decisive action that would not have been accomplished were it not for the collective resilience and ingenuity of our stakeholders.

Our shared actions were underpinned by a belief in the unique attributes and values that are ascribed to diamonds. That foundation remains a constant guide as we look to shape the future.

As the magnitude of the economic crisis became apparent towards the end of 2008, De Beers instituted a proactive 6 Point Recession Action Plan to address commercial vulnerabilities and ensure the company was positioned for growth once recession gave way to recovery. This plan was central to the sustainability of our business.

1. Keep safety as top priority
2. Maximise demand opportunities
3. Produce in line with Sightholder demand
4. Drive cost reductions across the business
5. Enhance operating efficiencies
6. Focus on cash management

Our Report to Society 2009 takes a detailed and candid look at how this plan impacted our sustainability performance. It examines the principal risks faced by the business and our partners, articulates our position on a range of issues and incorporates key stakeholder opinions on our performance in "living up to diamonds".

Most importantly, this report articulates the clear synergies that exist between being commercially minded and doing the right thing. Acting responsibly will always be in our best interest.

This report complies with the Global Reporting Initiative Sustainability Reporting Guidelines and fulfils our reporting commitments to the United Nations (UN) Global Compact to which our company's Principles are aligned.

Safety

De Beers safety performance showed a marked improvement in 2009 compared to 2008. I am proud to report that there were no fatalities at our operations. Our Lost Time Injuries decreased from 66 in 2008 to 40, although our frequency rate increased, given fewer hours worked. Overall our safety record clearly demonstrates a positive shift in both performance and culture. As we look to 2010, the organisation's senior leadership will continue to champion and drive our zero harm goal across the organisation.

Economics and development

At the beginning of 2009, production across our portfolio of mines was dramatically reduced in response to, and in line with, a fall in demand from Diamond Trading Company Sightholders. Demand increased gradually from the second quarter, allowing us to raise production to 18 million carats in the second half of the year (2008: 24 million carats), an increase of 173% compared with the first half. We closed 2009 with a full year total of 24.6 million carats produced (49% below 2008).

In spite of exceptionally difficult trading conditions, which saw sales decline from US\$6.89 billion in 2008 to US\$3.84 billion in 2009, we reduced our cost base by US\$0.9 billion and remained cash positive for the year. The decline in sales had a profound impact on the short-term prosperity of our producer partners and their ability to utilise diamond revenues as a catalyst for sustainable development.

In 2009, De Beers paid US\$3.4 billion (2008: US\$6.2 billion) to governments, suppliers, employees, shareholders and other finance providers. These disbursements represent 88.5% of our total sales. A total of US\$2.2 billion (64.4%) of this was paid to stakeholders in Africa (2008: 60%).

After a successful 2008, beneficiation initiatives in producer countries faced a series of difficult challenges in 2009. Lower consumer demand for diamond jewellery, a substantial inventory overhang in the diamond value chain, and restricted access to bank financing in the cutting centres represented just some of the commercial challenges experienced by Sightholder operations in producer countries.

Rough diamond sales in southern Africa consequently declined from US\$366 million to US\$193 million in Botswana, from US\$172 million to US\$122 million in Namibia and from US\$573 million to US\$264 million in South Africa.

Had beneficiation proven less robust, the recession could have seriously affected what is a central pillar to the long-term strategy of both the Family of Companies and our government partners.

Ethics

Our commitment to meeting the highest ethical standards remained undiminished during the economic downturn in 2009. Our robust assurance systems and our commitment to transparency are critical to ensuring continued stakeholder confidence in our business and, as such, play a key role in upholding "diamond equity". Equally, our commitment to the continued success of key initiatives such as the Kimberley Process, the Extractive Industries Transparency Initiative and our own Best Practice Principles remains as strong as ever.

0

Number of
workplace fatalities

US\$3.4
billion

Total stakeholder spend, with
64.4% paid in Africa

US\$29.3
million

Total community social
investment, including
contractually mandated initiatives
and in-kind contributions

44%

Reduction in water
consumption (16.1 million
m³), largely due to
reduced production

In 2009, we signed the CEO Letter on UN Convention against Corruption and subsequently began the process of communicating our new Anti-Corruption Policy across the Family of Companies. Over the course of 2010, we will roll out a comprehensive Anti-Corruption Programme to ensure that this policy is effectively translated into practice.

Employees

During 2009, we had to take a number of difficult steps to weather the impact of the global recession and to ensure we were well positioned for eventual economic recovery. One such step involved delayering and decentralising a number of business units, a process that resulted in a 23% reduction of our total workforce over the course of the year. Early and proactive employee and union engagement played a critical part in managing this difficult process.

While the majority of the staff retrenchments made in 2009 will be permanent, two key projects are likely to present exciting career opportunities in the short- to medium-term. In Botswana, the Jwaneng "Cut-8" mine expansion project is expected to employ in excess of 1,000 mine workers over its project lifecycle. In Canada, the ramp-up of our Snap Lake mine is expected to create 175 new positions by the time it reaches full production in 2012.

Communities

Effective engagement is essential if we are to maintain constructive and stable relationships with local communities and other stakeholders. Such relationships are vital if we are to generate lasting socio-economic benefits at a community level and ensure our continued social licence to operate.

In 2009, we introduced a broad measurement of corporate social investment to more accurately reflect our social impact on the societies in which we operate. In addition to our philanthropic spend, it includes a range of community benefits that have hitherto not been recorded, such as social investment that is required under applicable legislation or contractual agreements. Under this measure, De Beers spent a total of US\$29.3 million on community social investment in 2009. A total of 67.1% of this spend (US\$19.7 million) was concentrated in Botswana, primarily as a result of Debswana's ongoing provision of education (US\$9.5 million) and health services (US\$8.9 million) that are available to the public. It represents 9.2% of pre-tax profits of US\$318 million and is significantly in excess of the international benchmark of 1%.

Environment

As efforts to reach a global consensus on dealing with climate change gathered momentum in 2009, we focused internally on building a better understanding of the potential impacts of climate change on our business with a view to developing effective long-term mitigation and adaptation strategies.

In October 2009, I attended the UN Business Leaders Summit on Climate Change. The gathering formed part of the United Nations-led effort to secure business backing for an effective climate change agreement at the 15th Annual Climate Change Conference of the Parties in Copenhagen.

Discussions at the Summit examined the potential convergence of climate change mitigation and adaption with meeting commercial goals and, as such, resonated strongly with the approach we are taking at De Beers.

We are, for example, investigating a range of renewable energy solutions that will not only ensure greater energy security at our operations, but will also reduce long-term operating costs and potentially assist in building a framework for a sustainable post-mining economy in areas like Namaqualand. We are also investigating similar opportunities with respect to reducing water usage at our operations in semi-arid areas and in developing long-term adaptation strategies in partnership with mining communities.

Sustainability

The last year was an exceptionally difficult one for the diamond industry. That we were able to take the steps we did to ensure the health of the business during 2009, without undermining our shared commitment to sustainability, should be a source of pride for everyone in the De Beers Family of Companies. As we look forward to capitalising on the opportunities of economic recovery we will continue to focus on finding synergies between operating sustainably, meeting the expectations of our stakeholders and excelling against our commercial goals. In doing so, we intend to exemplify our commitment to "live up to diamonds".



Gareth Penny
CEO
De Beers

1 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”.

The Family of Companies is involved across the breadth of the diamond value chain. This includes exploring for new deposits on three continents and mining in Botswana, Canada, Namibia and South Africa. It sorts and sells rough diamonds to independent clients known as “Sightholders” from its operations in Botswana, Namibia, South Africa and the United Kingdom. These clients cut and polish diamonds prior to the manufacture of jewellery. The Family of Companies produces about 40% of world rough diamond production by value.

This is the fifth 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. This report focuses on our management of key risks – both to the business and to our stakeholders.

Our Principles

Three guiding Principles define the way we do business. They cover the same economic, ethical, employee, community and environmental issues included in this report. These guiding Principles are supported by an extended set of specific Principles and are further supported by policies in each area with guidance and additional tools to inform decision-making, our ongoing engagement with stakeholders and assessments of how our business impacts society.

1. 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.

2. 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 and 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.

3. Accountability and “living up to diamonds”

Our ethical conduct is governed by the De Beers Best Practice Principles (BPPs). The BPPs apply to the De Beers Family of Companies, all Diamond Trading Company (DTC) Sightholders and to certain third parties e.g. Sightholder sub-contractors. The BPPs require compliance with law in all areas, as well as further requirements on anti-corruption and anti-money laundering, health and safety, labour standards and environment. The BPPs are supported by a rigorous assurance programme that assesses compliance by all parties. Our Global Mining function coordinates self-assessment and internal assurance on BPP implementation for review by the ECOHS Committee. Compliance with the BPPs is third party verified each year by SGS (Société Générale de Surveillance).

SGS review and findings from the 2009 BPP cycle

	Improvement Opportunities	Minor Infringements	Major Infringements
De Beers Canada			
De Beers Consolidated Mines			
De Beers Forevermark			
De Beers sa			
Debswana			
Diamdel	1	3	1
De Beers Group Services: Exploration		1	
De Beers Group Services: Global Mining		1	
De Beers Group Services: General			
Namdeb			
De Beers UK Ltd			
Total	1	5	1

Our sustainability performance

0

Number of workplace fatalities

US\$29.3 million

Total community social investment, including contractually mandated initiatives and in-kind contributions

44%

Reduction in water consumption (16.1 million m³), largely due to reduced production

67.1%

Proportion of corporate social investment spend allocated to Botswana

US\$3.4 billion

Total stakeholder spend, with 64.4% paid in Africa

100%

Proportion of De Beers diamonds that are certified conflict free

100%

Proportion of employees (and spouses or life partners) eligible for free Anti-Retroviral Treatment where it can be provided responsibly and sustainably

950,000 tonnes

Reduction in carbon emissions (45%), largely due to reduced production

US\$782 million

Taxes and royalties paid to governments, with 88% paid in Africa

Highlights

- ♦ The Report to Society 2009 has been restructured to reflect our evolving risk-based approach to reporting. Formal reporting requirements that fall outside of this framework are presented online at www.debeersgroup.com
- ♦ Risks profiled in this report have been identified through stakeholder engagement, operational monitoring and expert review via the group-level Principles Management Committee and the Environment, Community, Occupational Hygiene, Health and Safety (ECOHS) programme. This has been supplemented with local insight from site and business unit ECOHS functions
- ♦ Identifying and responding to the concerns of stakeholders remains one of our guiding Principles. In 2009, we carried out a series of local, national and international engagement activities with external stakeholders
- ♦ The Family of Companies and its Sightholders implemented the fifth 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 p104-105

2 Economics

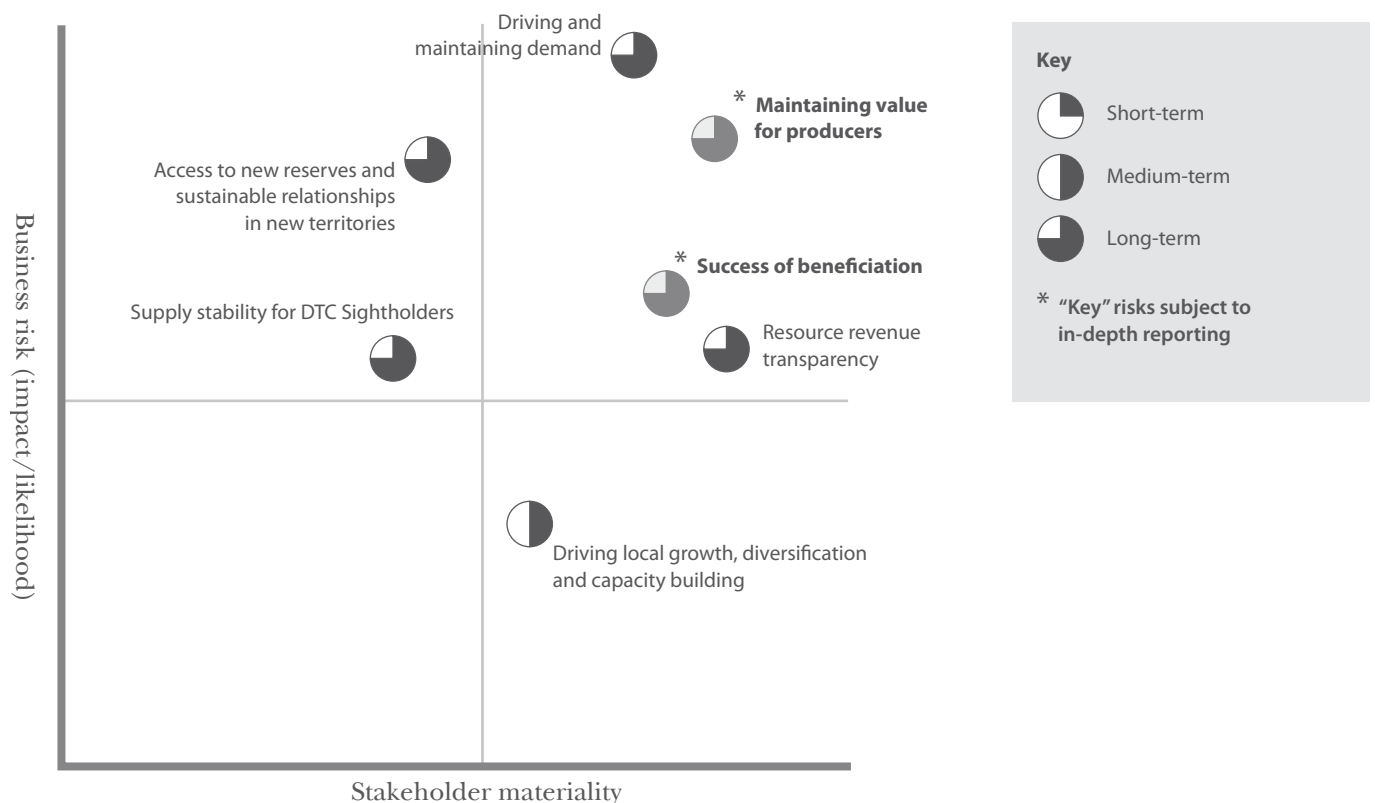
Diamonds have made a remarkable contribution to the development of Botswana, Namibia and South Africa. This success owes a great deal to the effectiveness of our approach to partnership, as well as the sound management and strategic foresight of our host governments.

In 2009, the Family of Companies reduced production across all operations from 48.1 million carats (2008) to 24.6 million carats as a result of diminished global demand for rough diamonds. This had a notable effect on the revenue accrued by our host governments from diamond sales, taxes, royalties and dividends.

The economic crisis has also highlighted the importance of recent efforts to leverage diamond revenues as a catalyst for building strong diversified post-mining economies. De Beers support for government-led economic diversification includes local procurement, enterprise development, social investment and local beneficiation. Beneficiation includes diamond sorting, cutting, polishing and all activities that will endure beyond the life of existing mines. With no major diamond discoveries in over a decade, and future global demand predicted to outstrip supply, beneficiation activities will remain a key part of our value proposition to governments.

While the prevailing economic climate has tested our ingenuity, we remain confident in the effectiveness of our business model, based on forging mutually beneficial partnerships, to transform natural resources into shared and lasting national wealth over the long-term. This confidence underwrites our continued commitment to work with producer governments to develop diamond resources and benefitate them in each of our operating countries.

Key economic risks



Risks

* Maintaining value for producers

The global economic downturn had a profound impact on the short-term prosperity of our producer partners and their ability to utilise diamond revenues as a catalyst for sustainable development. This has highlighted the importance of coordinated management of diamond production and revenue generation.

* Success of beneficiation

Recession and a substantial reduction in diamond sales has had the potential to significantly impact on the ability of our operations and producer partners to develop and promote downstream diamond sorting, cutting and polishing, local procurement and enterprise development schemes.

Resource revenue transparency

The significant role that the Family of Companies plays in the economies of our host countries means transparency is vital. This underpins the reputation of diamonds, and also ensures that diamonds help drive local development and good governance.

Driving local growth, diversification and capacity building

Our ability to help economically empower local citizens and to build their capacity – for example through local employment, procurement and enterprise development – underpins our direct contribution to sustainable economic development. This broadens the local skills pool from which we can recruit and contract – as well as local markets in which to sell our products.

Driving and maintaining demand

As a key player within the diamond sector, the Family of Companies seeks to maintain consumer confidence and drive demand for diamonds in key markets around the world. This means ensuring consumers are able to continue to associate our diamonds with the highest standards of quality, integrity and ethics – and that we continue to market the very best diamond products.

Access to new reserves and sustainable relationships in new territories

The economic crisis has impeded our ability to explore for and develop new mines globally. With no new major diamond discoveries in over a decade and global demand predicted to outstrip supply, access to new reserves is crucial to the sustainability of the business. Likewise our ability to build sustainable relationships with future business partners is critical to our security of supply.

Supply stability for DTC Sightholders

Our Sightholder or client relationships – as well as the success of local beneficiation – are highly reliant on the Family of Companies being able to maintain a consistent supply of rough diamonds to our Sightholders. The significant reduction in production over the last year has demonstrated how this needs to be balanced against the long-term interests not only of the Family of Companies, but also of the countries in which we operate.

Diamond sorters using “glove boxes” at the Venetia mine, South Africa



Highlights

- ◆ Despite a 49% reduction in overall production during 2009, the Family of Companies was still able to pay US\$3.4 billion (2008: US\$6.2 billion) to stakeholders around the world including partners, joint ventures, suppliers, employees and shareholders
- ◆ Payments to partners, joint ventures and suppliers amounted to US\$2.6 billion (2008: US\$4.8 billion). About US\$1.9 billion of this was paid for diamonds and services in Africa (2008: US\$3.2 billion). Payments to employees in Africa amounted to US\$204 million (2008: US\$269 million). De Beers paid US\$782 million in taxes and royalties to governments, 88% of this (US\$688 million) was paid to governments in Africa
- ◆ A total of US\$611 million was allocated to preferential procurement in southern Africa and Canada (2008: US\$1.1 billion)
- ◆ A total of US\$580 million in rough diamonds was supplied to Sightholders for manufacture in southern Africa (2008: US\$1.1 billion)

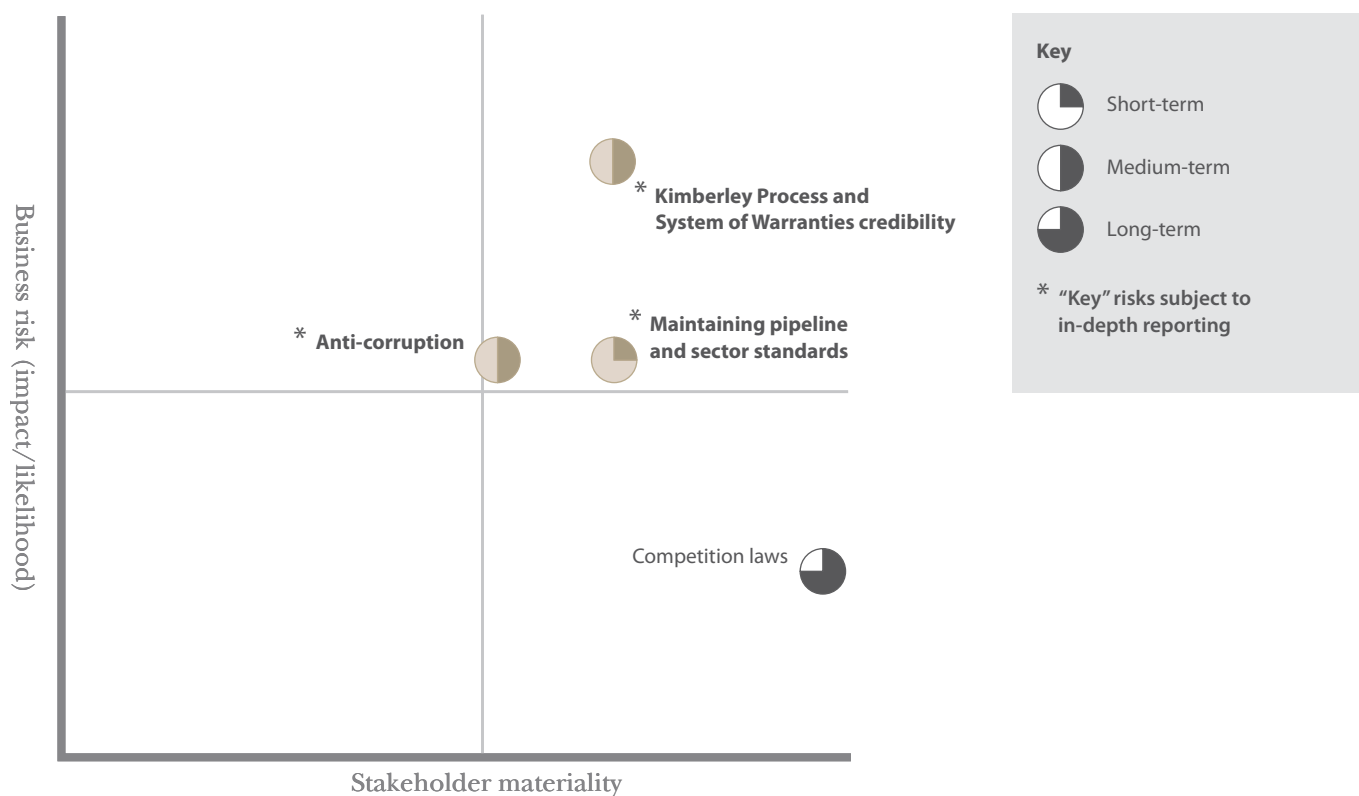
3 Ethics

Our commitment to meeting the highest ethical standards is founded on our aspiration to live up to the unique qualities of diamonds. This commitment has remained undiminished throughout the recent economic turmoil in the industry and the global marketplace. The behaviour of our employees, the robust nature of our assurance systems and the transparency of our business transactions are intended to maintain stakeholder confidence in our business and play a key role in upholding “diamond equity”.

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 continued promotion of the Kimberley Process and the Extractive Industries Transparency Initiative 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 to drive high standards throughout the industry.

Key ethical risks



Risks

* Kimberley Process and System of Warranties credibility

The Kimberley Process has been criticised over the strength of its enforcement mechanisms, as well as its ability to deal with serious human rights violations associated with diamonds. Such criticism has been spurred by reports of corruption and human rights violations in Zimbabwe, as well as Ivory Coast, Venezuela, Guinea and Lebanon. Likewise, the diamond jewellery retail sector has not traditionally provided necessary consumer assurance that diamonds are from conflict free sources. This presents a risk to the reputation and sustainability of the industry.

* Anti-corruption

Corruption poses serious legal, commercial and reputational risks to our business. Moreover, the corrosive social, political and economic effects of corruption pose a potential threat to the sustainable development and enduring stability of our current and potential operating environments. Our ability to transform natural resources into national assets depends on empowered and stable governments that are able to responsibly deploy related resources and revenues.

* Maintaining pipeline and sector standards

De Beers, our joint venture partners, contractors and Sightholders subscribe to the Best Practice Principles (BPPs) – a mandatory code of ethical business conduct. It remains essential that the application of these Principles throughout the pipeline is maintained as our business partners come under strong commercial pressure. Similarly, the consolidation of ethical codes of conduct across the jewellery industry presents both a risk and opportunity for the company. It is essential that high standards are maintained and that the transition from our BPPs to the Responsible Jewellery Council Code of Conduct is seamless.

Competition laws

De Beers is committed to ensuring compliance with competition and antitrust laws and regulations in all of the jurisdictions in which we operate. This requires the maintenance of a “zero-tolerance” stance towards any non-compliance.

Individually traceable
rough diamonds

Highlights

- ♦ All diamonds sold by De Beers are 100% conflict free. Compliance with the Kimberley Process and System of Warranties for 2009 was verified by Société Générale de Surveillance
- ♦ No significant incidents of corruption were identified during 2009 and 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
- ♦ In February 2009, a new “SMART” approach to the BPP Assurance Programme was implemented to verify Family of Companies and Sightholder conformance with the BPPs and to improve the efficiency of the verification process
- ♦ Over 600 individuals were nominated to participate in online competition law compliance training in 2009, with those who completed the training scoring an average of 94%

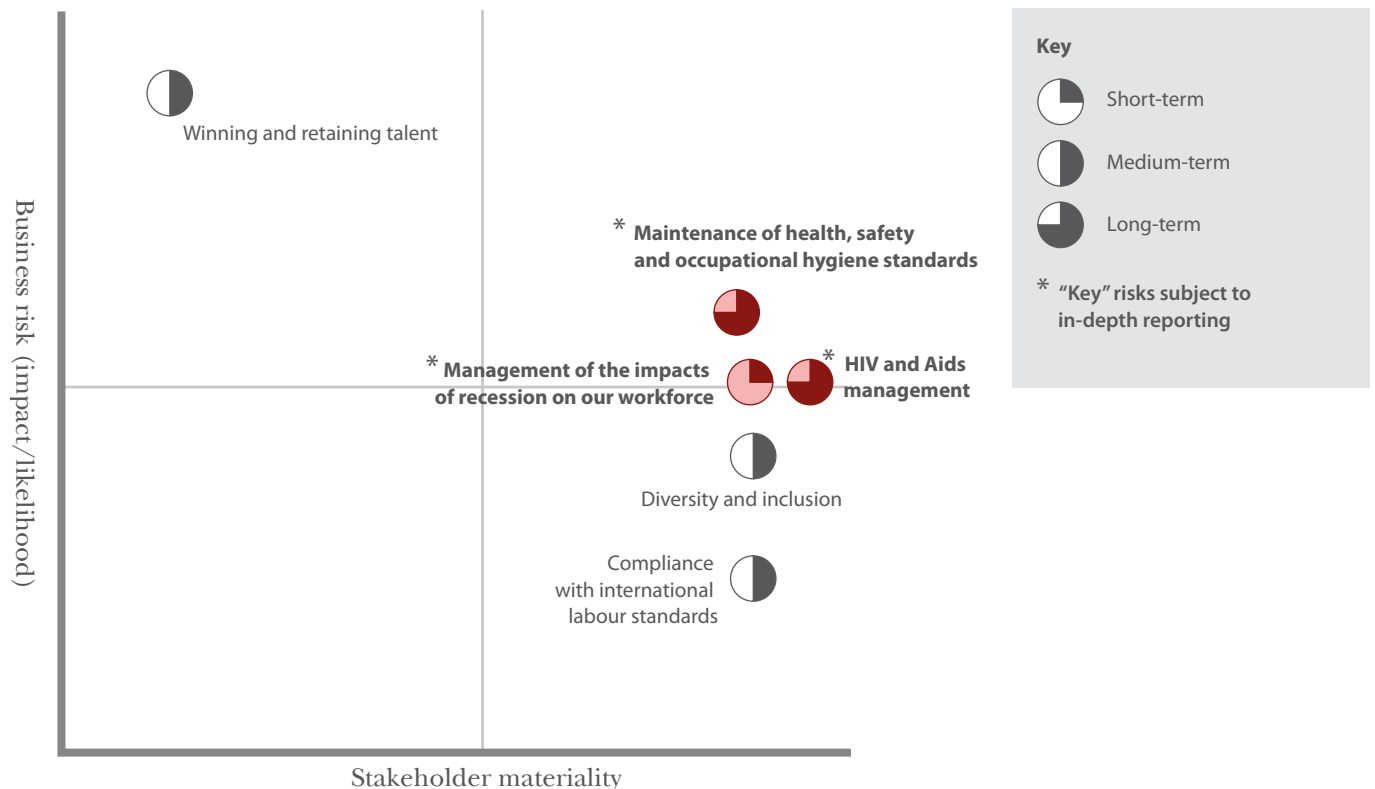
4 Employees

Creating a working culture where all employees take a 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 a wider skill base wherever we operate. We also continue to engage proactively with priority concerns in our producer countries, including management of the HIV and 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 wellbeing of our employees remains our top priority and, in 2009, we took a number of important steps to improve the maturity of our safety management systems, a process that resulted in a significantly improved safety record.

We are also committed to meeting or exceeding all relevant global labour standards in addition to respecting the right of employees to associate freely and bargain collectively. This latter commitment was of particular importance in 2009 as we successfully managed to restructure the business in order to ensure our ability to withstand the impact of the economic crisis.

Key employee risks



Risks

* Management of the impacts of recession on our workforce

The downturn has had a profound impact on employees in terms of staffing levels, use of contractors and remuneration. These factors present a range of risks in terms of employee recruitment, retention, motivation and skills – as well as our positioning for recovery.

* Maintenance of health, safety and occupational hygiene standards

The health and safety of our employees and contractors remains our top priority. The effective management of safety risks requires constant vigilance and stringent adherence to international standards and our Principles, as well as a culture of sustained health and safety hazard awareness.

* HIV and Aids management

The majority of our employees live in countries classified as hyper-endemic for HIV. Their exposure to HIV and Aids represents a real threat to their health, their families, the continuity of our business and the long-term development of Africa.

Diversity and inclusion

De Beers is committed, and in some jurisdictions required, to ensure its workforce is reflective of the diverse societies in which it operates. We continue to support government efforts in southern Africa for the provision of opportunities to previously disadvantaged groups.

Compliance with international labour standards

Ensuring a safe, respectful and fair workplace is a priority across all business units. We aim to meet or exceed all relevant global labour standards in addition to respecting the right of employees to associate freely and bargain collectively.

Winning and retaining talent

The downturn has had a significant impact on our workforce, and thus on our ability to remain agile and responsive to changing markets. This remains particularly important as we position ourselves as an efficient competitive organisation ready to benefit from economic recovery.

Mervin Mudau and Moses Kgopana at the screening section where ore is separated and graded, Venetia mine, South Africa

Highlights

- ◆ In 2009, and as a direct result of a significant drop in global diamond sales, the Family of Companies reduced its total workforce by 23%. This represents a total of 3,902 permanent and non-permanent employees
- ◆ The Family of Companies achieved zero fatalities for the first time in 80 years, reflecting the implementation of numerous targeted safety measures. Our Lost Time Injury Severity Rate improved from 106.89 per 200,000 hours in 2008 to 6.52 in 2009
- ◆ The DBCM Occupational Illness Frequency Rate fell significantly from 1.02 cases per million in 2008 to 0.44 cases per million in 2009. This was largely due to the ongoing progress of our hearing conservation programme
- ◆ The Family of Companies continues to provide Anti-Retroviral Treatment to a total of 1,820 employees and family members in Botswana, Namibia and South Africa

5 Communities

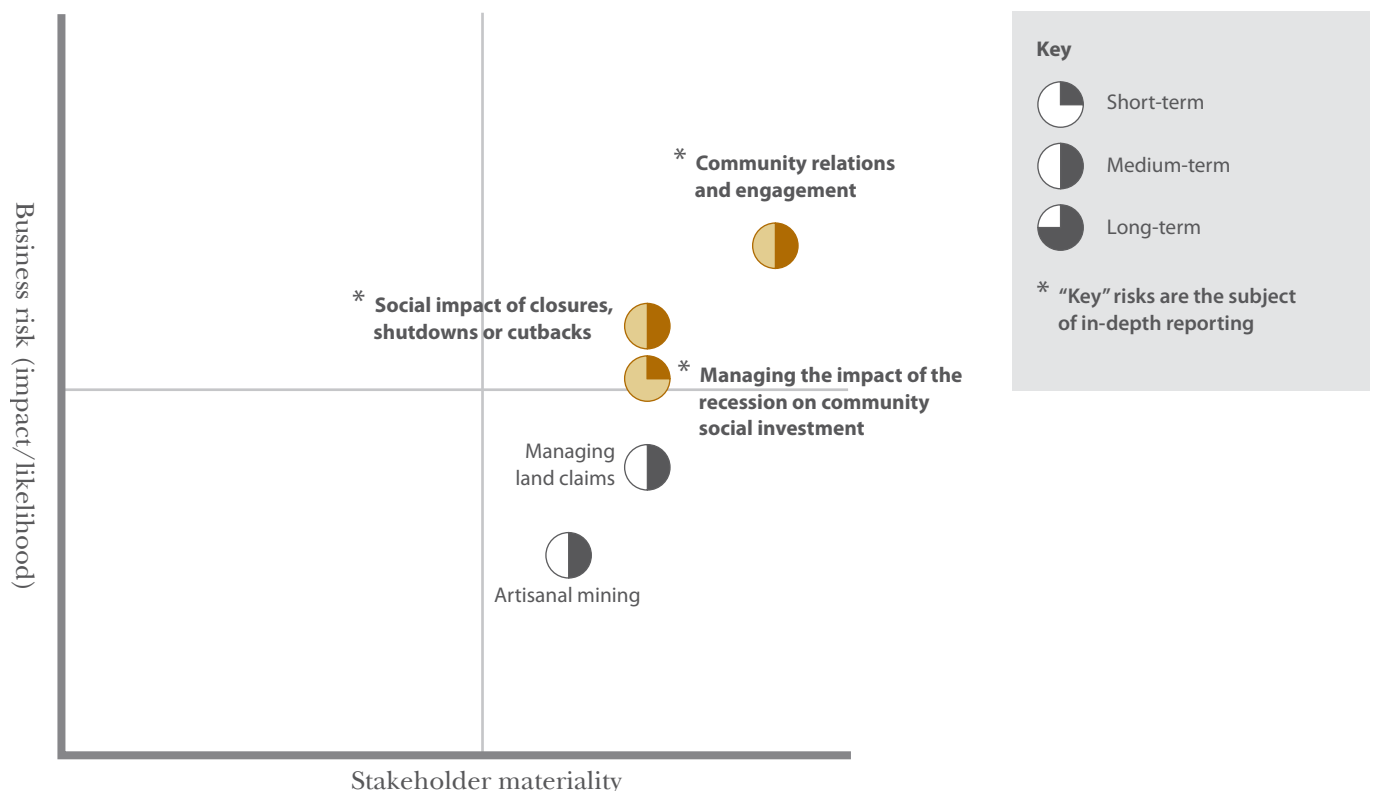
Our engagements with local communities are based on the same principles of sustainability that frame our partnerships with producer governments. Our aim is to promote the development of sustainable local economies that endure post-mining. We work with local communities to “multiply” the impact of our presence into long-term and self-sustaining development. We do this through capacity building, infrastructure development, the provision of employment, strategic social investment, enterprise development and the promotion of 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 and indigenous communities with a view to ensuring that 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 for closure, ongoing monitoring and continuous review. It also requires us to work in partnership with government and non-government agencies to find relevant and lasting solutions to community development challenges.

The value of this integrated approach to supporting our communities was clearly demonstrated in 2009 as we were able to ensure the continuity of key community programmes across all our operations despite staff cutbacks, production holidays, temporary closures and reduced social investment budgets as a result of the economic crisis.

Key community risks



Risks

* **Community relations and engagement**

Effective engagement is essential for constructive, frank and stable relationships with local communities and other interested parties. Without such relationships, our business risks operational disruption as well as reputational damage. These relationships also inform our efforts to generate lasting socio-economic benefits at a local level and to maintain our social licence to operate.

* **Managing the impact of the recession on community social investment**

While social investment in our local communities is essential to maintaining our social licence to operate, expenditure over and above statutory requirements and the maintenance of ongoing commitments is ultimately dependent on the revenues available to our operating companies and business units.

* **Social impact of closures, shutdowns or cutbacks**

The effective management and mitigation of the socio-economic impacts of mine closure depends to a large extent on a mining operation's ability to generate consistent local value throughout the productive lifespan of the mine. The need for mining operations to adapt to variable economic conditions, as was the case in 2009, can impact on their ability to do so.

Managing land claims

Our community policy recognises that people's interests in property may derive from traditional and spiritual association in addition to legal title. Through free and informed dialogue we seek to ensure the land rights of indigenous people are upheld at all times.

Artisanal miners

Although the Family of Companies is not involved in artisanal mining, informal small-scale diamond mining does take place in some of our exploration areas in which our future growth is likely to be focused. In addition, the poor socio-economic conditions and exploitative practices that are often associated with artisanal mining pose a reputational risk to the diamond sector as a whole.

Pupils at the Malenkwana Primary School, one of the beneficiaries of the Limpopo Rural Schools Programme, in the vicinity of the Venetia mine

Highlights

- ♦ The Family of Companies disbursed a total of US\$29.3 million in community social investment, including contractually mandated initiatives and in-kind contributions. This amounts to 9.2% of pre-tax profits of US\$318 million and is significantly in excess of the international benchmark of 1%
- ♦ A total of US\$2.5 million has been allocated to Local Economic Development in 2009 under our Social and Labour Plans in South Africa
- ♦ Social Impact Assessments were carried out in Botswana for the major Cut-8 expansion project at the Jwaneng mine, as well as the expansion of the Morupule coal mine
- ♦ In July 2009, De Beers Canada signed an Impact Benefit Agreement (IBA) with both the Fort Albany and Kashechewan First Nations – bringing the total number of IBAs to seven. In 2009, a total of US\$4.2 million was spent on a range of programmes under these IBAs

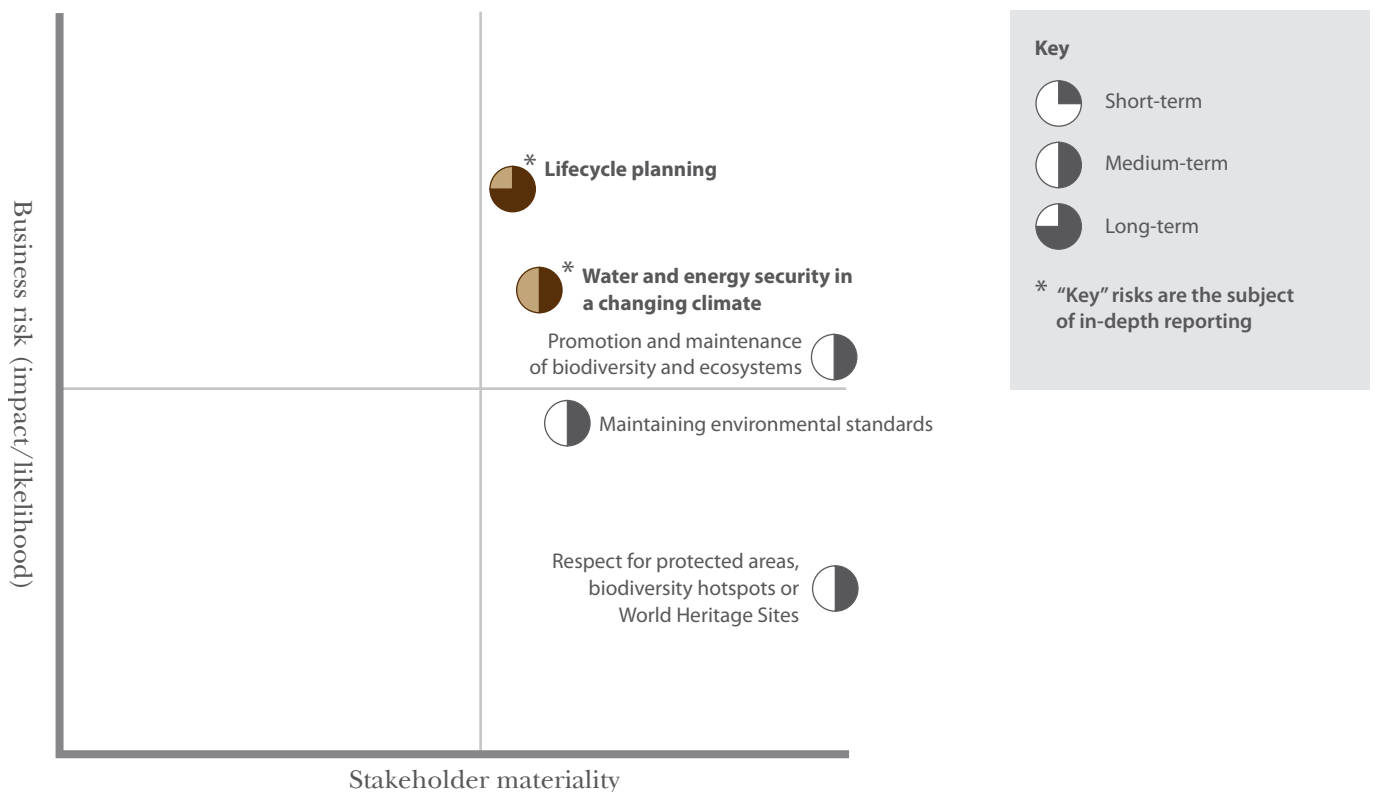
6 Environment

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 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.

Key environmental risks



Risks

* Water and energy security in a changing climate

Our mines in Africa are located in water stressed environments. Shifting rainfall patterns and consequent water shortages present a challenge to sustained water access for both our business and local communities.

* Lifecycle planning

We seek to mitigate potential environmental impacts when planning, designing and implementing exploration, mining and related activities. This is motivated both by local regulation and our goal to remain the "operator of choice" for host governments, communities and peers.

Promotion and maintenance of biodiversity and ecosystems

Biodiversity – along with the connected issues of climate change and water – is one of the most significant environmental issues that we face. Managing biodiversity is rarely straightforward, and a responsible approach demands that we take a similarly sophisticated approach to its management. This means recognising the important links between biodiversity, climate change and water. It also means taking an ecosystems-based approach that recognises the complexity and interconnectedness of the fauna and flora around us.

Maintaining environmental standards

We are committed to aligning our environmental policies, systems, programmes, resourcing and training with those of the world's leading mining companies. This requires long-term commitment and sustained effort, regardless of short-term circumstances.

Respect for protected areas, biodiversity hotspots or World Heritage Sites

Our reputation, culture and regulatory responsibilities demand that we respect legally designated Protected Areas and World Heritage Sites and seek to minimise the disturbance of ecosystems through responsible planning and biodiversity stewardship – from exploration through to post-mining.

Process water at Jwaneng mine, Botswana

Highlights

- ♦ The Family of Companies finalised six Environmental Standards covering lifecycle planning, biodiversity, water, climate change, pollution prevention and waste management, and environmental reporting. The standards apply to all our operations with full compliance required by the end of 2010
- ♦ In 2009, we used 21.1 million m³ of new (potable and non-potable) water at our mining operations (2008: 37.2 million m³). This equates to a 44% reduction. Our use of reused and recycled water increased to 57% (2008: 45%) of our total water footprint
- ♦ Energy consumption dropped to 7.8 million GJ (2008: 14.58 million GJ). This was mainly due to reduced production. Our direct and indirect consumption of energy per carat of production remained constant at 0.31 GJ per carat
- ♦ Total carbon emissions fell to 1.16 million tonnes in 2009 (2008: 2.11 million tonnes) due to our reduced production. Carbon emissions per 1,000 carats of production increased from 43.93 tonnes in 2008 to 47.11 tonnes in 2009

Note: Data for 2008 presented in this report may be different to that contained in the Report to Society 2008. This is due to recently revised and updated environmental accounting

Further information

Extended contacts		Environmental information	Acronyms
Luxembourg De Beers Société Anonyme BP591, L-2014 Luxembourg Tel: +352 (0) 264 8711 Fax: +352 (0) 264 871 303	India De Beers India Advanced Business Centre 83 Maker Chambers VI Nariman Point, 400 021 Mumbai Tel: +91 (0) 22 2283 2971/27 Fax: +91 (0) 22 2283 2823	Printed on Revive 50:50 made from 25% de-inked post consumer waste, 25% pre-consumer waste and 50% virgin fibre. All pulps are Elemental Chlorine Free and the manufacturing mill is ISO 14001 certified. Use of the Forest Stewardship Council (FSC) logo identifies products that contain wood from well-managed forests certified in accordance with FSC rules.	AP Assurance Programme
Angola De Beers Angola Holdings Caixa Postal nº 4031 Luanda Tel: +244 (0) 222 63 8800 Fax: +244 (0) 222 63 8801	Namibia De Beers Namibia PO Box 23132 Windhoek, 9000 Tel: +264 (0) 61 204 3444 Fax: +264 (0) 61 204 3445		ART Anti-Retroviral Treatment
Botswana De Beers Botswana Private Bag 00380 Gaborone Tel: +267 (0) 390 2991 Fax: +267 (0) 390 2990	Namdeb PO Box 1906 Windhoek, 9000 Tel: +264 (0) 61 204 3333 Fax: +264 (0) 61 204 3334	Acknowledgments Prepared and produced by the De Beers Family of Companies in partnership with Maplecroft. Design: Maplecroft Printing: Taylor Bloxham © De Beers UK Limited 2010. All rights reserved. De Beers UK Limited is a company incorporated in England and Wales with registered number 2054170 and registered office 17 Charterhouse Street, London, EC1N 6RA. De Beers™, A Diamond is Forever™, DTC™, ⬠™ and Forevermark™ are used under licence by De Beers UK Ltd.	BEE Black Economic Empowerment
De Beers Prospecting Botswana PO Box 404331 Gaborone Tel: +267 (0) 391 9962 Fax: +267 (0) 395 9106	Namibia Diamond Trading Company PO Box 23316 Windhoek, 9000 Tel: +264 (0) 61 204 3222 Fax: +264 (0) 61 204 3263		BPPs De Beers Best Practice Principles
Debswana Diamond Company PO Box 329, Gaborone Tel: +267 (0) 361 4200 Fax: +267 (0) 395 2941/6110	South Africa De Beers Consolidated Mines Crownwood Road Theta Ext 4 Johannesburg Gauteng 2001 Tel: +27 (0) 11 374 7000		DBCM De Beers Consolidated Mines
Diamond Trading Company Botswana Private Bag 0074 Gaborone Tel: +267 (0) 364 9000 Fax: +267 (0) 364 9999	De Beers Consolidated Mines PO Box 616 Kimberley, 8300 Tel: +27 (0) 53 839 4111 Fax: +27 (0) 53 839 4210		DBDJ De Beers Diamond Jewellers
Canada De Beers Canada Toronto Office, Suite 300 65 Overlea Boulevard Toronto, M4H 1P1 Ontario Tel: +1 (0) 416 645 1710 Fax: +1 (0) 416 429 2462	United Kingdom De Beers UK Ltd 17 Charterhouse Street London, EC1N 6RA Tel: +44 (0) 20 7404 4444 Fax: +44 (0) 20 7831 0663		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
			NDTC Namibia Diamond Trading Company
			NIHL Noise Induced Hearing Loss
			NWT Northwest Territories (Canada)
			OIFR Occupational Illness Frequency Rate
			OFR Operating and Financial Review
			RTS Report to Society
			SASA South African Sea Areas
			SEAT Socio-Economic Assessment Toolbox
			SHE Safety, Health and Environment
			SLP Social and Labour Plan
			SoW System of Warranties
			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	In writing	Email, website and fax
By telephone to the applicable tip-off anonymous country toll free number:	In writing with details regarding the background and history of the information being disclosed, giving names, dates and places where possible.	Written disclosures may also be submitted via:
De Beers – South Africa 0800 003 518	Disclosures made in writing should be posted to:	Email
De Beers – Namibia 0800 003 518 or 061 309058		debeers@tip-offs.com
De Beers – Botswana 71119753 (Mascom)	South Africa (FreePost)	Website
De Beers – United Kingdom 0808 234 2168	KZN 138, Umhlanga Rocks 4320, South Africa	www.tip-offs.com
De Beers – Canada 18664511590		Fax
De Beers – Israel 1809455111	Other countries (postage not paid)	(South Africa) 0800 00 77 88
De Beers – Japan 00531270008		(International) +27 (0) 31 560 7395
De Beers – Belgium 080075977	KZN 774, Umhlanga Rocks 4320, South Africa	
De Beers – Angola +27 (0) 31 571 5772		
De Beers – DRC +27 (0) 31 571 5773		
De Beers – India +27 (0) 31 571 5775		
De Beers – China +27 (0) 31 571 5776		



General enquiries

External & Corporate Affairs
De Beers UK Ltd
17 Charterhouse Street
London
EC1N 6RA

E livinguptodiamonds@debeersgroup.com
T +44 (0) 207 430 3505
F +44 (0) 207 831 0663

www.debeersgroup.com

DE BEERS
A DIAMOND IS FOREVER



DE BEERS

FOREVERMARK

