Report TO SOCIETY

2012

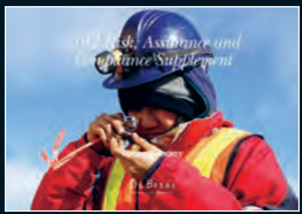
De Beers
Group of Companies

Geologist, Maylene Gutiérrez-Furigay, examines a piece of drill core for indicator minerals at the Gahcho Kué Project, Canada.

For further information about the De Beers Group of Companies and our sustainability performance, please see:

www.debeersgroup.com

2012 Operating and Financial Review



2012 Assurance, Risk and Compliance Supplement

This report is the seventh annual sustainability report produced by the De Beers Group of Companies. It presents performance data for those businesses that De Beers either owns or has a shareholding in, and that have significant economic, social and environmental impacts. De Beers Diamond Jewellers, an independently managed company, is not included in the scope of this report. Use of 'De Beers', 'our' or 'we' in this report relates to the De Beers Group of Companies, a collective term used for both wholly owned and joint venture business entities, with the exception of De Beers Diamond Jewellers.

This report, supported by the 2012 Assurance, Risk and Compliance Supplement and together with the 2012 Operating and Financial Review, represent an A+ application of the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines.

www.debeersgroup.com

Our company

De Beers was established in 1888. It is the world's leading diamond company, with unrivalled expertise in the exploration, mining and marketing of diamonds.

A global business

n Countries in which De Beers has mining operations.

Countries in which De Beers conducts one, some or all of the following functions: exploration, mining and rough diamond sales, and operates downstream value-creating businesses.

Diamond mining operations and production*, 2012

1 Canada

MINING, CANADA

100% owned. Established 1998.

Tonnes treated '000	**3,967**
Carats recovered '000	**1,560**

A Snap Lake
B Victor

2 Botswana

DEBSWANA

50/50 joint venture with the Goverment of the Republic of Botswana. Established 1969.

Tonnes treated '000	**21,873**
Carats recovered '000	**20,216**

C Damtshaa
D Orapa
E Letlhakane
F Jwaneng

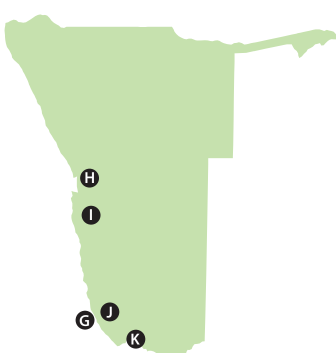
3 Namibia

NAMDEB HOLDINGS

50/50 joint venture with the Goverment of the Republic of Namibia, on land and sea. Established 1994.

Tonnes treated '000	**12,809**
Carats recovered '000	**1,667**

G Atlantic 1
H Alluvial Contractors
I Elizabeth Bay
J Mining Area 1
K Orange River



4 South Africa

MINING, SOUTH AFRICA (DE BEERS CONSOLIDATED MINES (DBCM))

74/26 (BEE partner Ponahalo Holdings). Established 1888.

Tonnes treated '000	**13,691**
Carats recovered '000	**4,432**

L Venetia
M Kimberley
N Voorspoed
O Namaqualand

* Data note: Metrics reflect 100% of production by the operations shown.

Together with our joint venture partners, De Beers mines for diamonds across Botswana, Canada, Namibia and South Africa. As part of the company's operating philosophy, the people of De Beers are committed to living up to diamonds by making a lasting contribution to the communities in which they live and work. In the countries in which we have mining operations, this means carrying out profitable business, while at the same time helping governments achieve their aspirations of turning natural resources into shared national wealth.

De Beers and the global diamond value chain

Exploration

Modern diamond exploration uses highly sophisticated technologies to find and determine the economic viability of deposits. De Beers' exploration is focused on Angola, Botswana, Canada, India and South Africa.

Production

De Beers mines for diamonds in open-pit mines, one underground mine, at sea using specialised mining vessels, and on beaches through alluvial mining. Through Element Six, our synthetic diamond supermaterials business, we supply tool and application manufacturers across a diverse range of global markets.

Rough diamond sales

De Beers sells its rough diamond production via contract sales to customers, known as Sightholders, and via rough diamond auctions to Sightholders and non-Sightholders.

Cutting, polishing and manufacturing

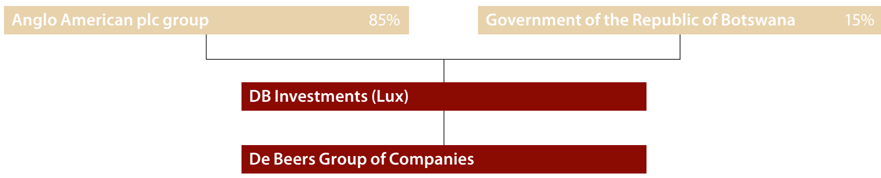
Cutting and polishing of diamonds, and the manufacture of diamond jewellery, take place around the world, and are concentrated in the following major centres: Belgium, Botswana, China, India, Israel, Namibia, South Africa and the US. De Beers Diamond Jewellers (DBDJ) has its own jewellery design and development capacity.

Brands

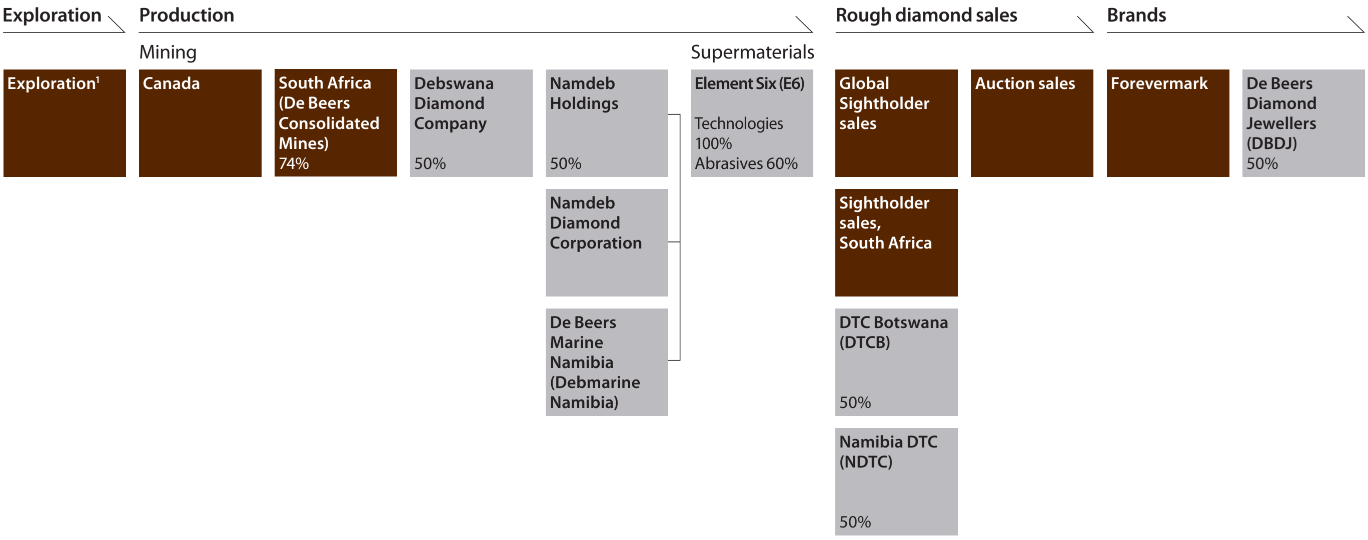
De Beers markets polished diamonds to consumers via two offerings: Forevermark, which promises a consumer that their diamond is beautiful, rare and responsibly sourced; and De Beers Diamond Jewellers, our independently managed diamond jewellery retail joint venture with LVMH Moët Hennessy Louis Vuitton.

Company structure

Shareholders and corporate structure



De Beers across the diamond pipeline



- Shareholders
- Corporate structures
- Owned and controlled subsidiaries and divisions
- Joint ventures and independently managed subsidiaries

[1] Exploration is undertaken through a number of wholly owned and joint venture subsidiaries of De Beers.

At De Beers
we believe in addressing
SUSTAINABILITY ISSUES
openly and honestly.
WE ARE COMMITTED TO
'living up to diamonds'
IN ALL WE DO.

Introduction from the CEO

Operating responsibly and sustainably sits at the heart of De Beers' business strategy. It is our ability to create shared value – financial, social and environmental – with our partner governments, our employees, our customers and the communities in which we operate, that will ultimately deliver long-term success for our company.

"Our understanding of sustainability is shaped by the issues that matter to the people touched by our product as it travels from our mines through the value chain until it is ultimately given as a gift of love or personal achievement."

Philippe Mellier
CEO, De Beers Group

De Beers is the world's leading diamond company, with operations across the diamond value chain, from exploration and mining, to rough diamond sales and consumer brands. As a result, our understanding of sustainability is shaped by the issues that matter to the people touched by our product as it travels from our mines through the value chain until it is ultimately given as a gift of love or personal achievement. These issues include the expectation of consumers that the diamonds they purchase have been brought to them in a manner consistent with these values. They also include the objectives of our partner governments and communities to realise in full the social and economic benefits diamond mining can generate, both during mining operations, and in catalysing socio-economic activity that delivers value long after the diamond resource has been exhausted.

Our success in identifying, understanding, and incorporating the expectations of stakeholders into how we manage our business underpins both our existing licence to operate and our ability to access and develop new resources. It is also core to our ability to maintain consumer confidence in diamonds and our brand. It is my firm belief that this approach is, and will increasingly be, a competitive advantage in our rapidly changing world.

A historic year

2012 was a historic year for our company. The acquisition of the majority of De Beers by Anglo American plc group (Anglo American) was completed in August 2012, increasing its shareholding in De Beers to 85 percent. The remaining 15 percent continues to be held by the Goverment of the Republic of Botswana. Anglo American and De Beers share a long history, spanning over 85 years, and a deep commitment to operating sustainably and responsibly.

Once the acquisition was completed, work began across De Beers to align our management and governance systems in order to meet specific requirements as a business within Anglo American. We focused on identifying gaps and planning alignment between sustainability systems and processes in our mining activities, as well as in other core business processes related to people management, tax and anti-corruption practices. The plans developed through this process will be implemented during 2013.

Our sustainability timeline

2003
- Kimberley Process Certification Scheme comes into effect. From 2000, De Beers played a key role in driving the development of an international certification scheme in partnership with the Goverment of South Africa, industry bodies and civil society
- De Beers participates in the inaugural meeting of the Extractive Industries Transparency Initiative

2004
- De Beers is a founding member of the Diamond Development Initiative

At the time of publication, the position of Chairman of De Beers sa was vacant, following the resignation of Cynthia Carroll in April 2013.

As a result, there have been only limited changes to the way in which we have reported our sustainability performance for 2012 in this, our seventh annual Report to Stakeholders. These include the alignment of our reporting definitions with those used across Anglo American for workforce numbers and composition, safety performance, and social investment.

Safety

We have a fundamental commitment to zero harm across our company. I firmly believe that we can mine and bring diamonds to market without any loss of life incidents, serious injuries or occupational illnesses. I am sad to report that this was not the case in 2012, when we lost three colleagues in loss of life incidents. In 2011, a full review of our safety performance systems was launched to identify shortfalls and drive a safety culture. The review, and the changes implemented, are beginning to demonstrate improvement, with the lost-time injury frequency rate (LTIFR) falling to 0.13 from 0.15 in 2011. My team and I are committed to pushing for further improvements across the organisation.

Living up to diamonds

We utilise a robust approach to identifying the sustainability issues that are material for our stakeholders, and that represent risks to the continued success of our business, based on engaging with a broad range of stakeholders across our business. We identified 26 material issues through this process in 2012, spanning the five key areas through which we manage our sustainability performance – Economics, Ethics, Employees, Communities and Environment.

Economics – Creating shared value

Despite challenging trading conditions we were able to deliver significant value to our government partners and other stakeholders in 2012. After an exceptional performance in 2011, in which we posted 29 percent price growth, De Beers' rough diamond prices decreased 12 percent between 1 January and 31 December 2012, in line with polished diamond prices. This price decrease, reflecting diminished demand, changing product requirements from Sightholders and reduced availability of some goods, resulted in a 15 percent decrease in rough diamond sales to US$5.5 billion in 2012 (2011: US$6.5 billion). As a result, our payment of revenues to governments, suppliers, employees, shareholders and other finance providers decreased to US$5.2 billion in 2012 from US$6.4 billion in 2011. The majority of these payments, US$3.9 billion, or 64 percent, were to stakeholders in Africa. These diamond revenues represent our single biggest economic impact and provide a catalyst for economic activity and investment. Our beneficiation programmes were also impacted. In excess of US$1.14 billion of rough diamonds were sold to Sightholders in producer countries out of a total of US$5.5 billion of rough diamond sales in 2012, down from US$1.30 billion beneficiated from total rough diamond sales of US$6.47 billion in 2011.

As part of our 10-year Sales Agreement with the Government of the Republic of Botswana, we successfully relocated our aggregation, quality assurance and Sight preparation functions to Botswana ahead of schedule in 2012. Migration will continue throughout 2013 and, by the end of the year, we will sell worldwide production to local and international Sightholders from new facilities in Gaborone. The relocation provides a significant step toward creating a world-leading diamond centre in Botswana that will benefit the whole southern Africa region.

Komatsu 930 haul trucks at Jwaneng Mine's Cut-8 extension project, Botswana.

Ethics – Protecting the integrity of diamonds

In 2012, we continued our active involvement in the Kimberley Process Certification Scheme, which we have supported since it was established in 2000, through our membership in the World Diamond Council. Our 2012 audit processes confirmed 100 percent compliance with the Kimberley Process, providing assurance that all De Beers diamonds are conflict-free.

2005
- De Beers joins the United Nations Global Compact
- De Beers Best Practice Principles Assurance Programme (BPP) launched
- De Beers is a founding member of the Responsible Jewellery Council
- De Beers' industry-leading HIV/Aids strategy is developed to address this key risk in southern Africa

2006
- De Beers' first annual sustainability report published
- Sale of 26 percent of De Beers Consolidated Mines to Black Economic Empowerment company, Ponahalo Holdings, in South Africa
- Development of Energy and Climate Vision and Strategy

2007
- Beneficiation formalised with the incorporation of DTC Botswana and Namibia DTC in partnership with each respective government
- Development and implementation of De Beers' Environment, Community, Occupational Health and Safety (ECOHS) policies
- Corruption Perception Survey rolled-out across the Group of Companies

2012 Highlights

PAYMENTS TO STAKEHOLDERS IN AFRICA

US$3.9bn

of diamond revenues paid to stakeholders in Africa (2011: US$4.37 billion)

BEST PRACTICE PRINCIPLES COVERAGE

336,292

diamond industry employees worldwide are covered by the Best Practice Principles Assurance Programme, our bespoke business, social and environmental compliance programme (2011:357,455)

SAFETY PERFORMANCE

13.3%

improvement in our Lost Time Injury Frequency Rate (LTIFR) to 0.13 (2011: 0.15)

COMMUNITY SOCIAL INVESTMENT

US$39.3m

in Community Social Investment spending in 2012 (2011: US$42.6 million)

CONSERVATION AND BIODIVERSITY

195,640

hectares of land owned and managed by De Beers set aside for conservation

We also supported the implementation of the Kimberley Process through our Best Practice Principles Assurance Programme. Adherence to the Kimberley Process is one criteria of this independently assured, social, ethical and environmental compliance programme. Complying with the criteria of the Best Practice Principles is a condition of supply that must be met by our Sightholders. In 2012, we are proud that the Best Practice Principles covered 336,292 people globally, who work in the diamond industry (2011: 357,455).

Our own operations are also covered by the Best Practice Principles. I am pleased to report that in 2012, De Beers received certification from the Responsible Jewellery Council Code of Practices through a combined audit process that assessed both sets of standards. We are a founding member of the Responsible Jewellery Council, a not-for-profit membership organisation that certifies the ethical standards of its members to reinforce confidence across the diamond and gold jewellery supply chain. To date, we are the largest mining company, and the first diamond mining company, to achieve certification.

Employees – Empowering our people

In line with the Anglo American definition, in 2012, 23,273 people were employed by the De Beers Group of Companies around the world, consisting of direct employees, contractors (mining and non-mining) and bursars. We remain an African company, with 81.2 percent of our 15,739 direct employees based in southern Africa (2011: 12,124, 86.9 percent)[2]. The US$20.5 million (2011: US$18.37 million) we spent on professional development, including formal training and qualifications, was focused on our mining operations, with a significant proportion dedicated to safety training.

Communities – Supporting sustainable communities

Across our operations our overall social investment contribution totalled US$39.3 million in 2012 (2011: US$42.6 million)[3], 83 percent of which was focused in Africa (2011: 83.3 percent). In 2012, we completed the first round of Social and Labour Plans for our South African operations, investing a total of US$10.55 million in social projects over the five-year period and submitted new plans for consideration by the South African government. In Canada, where we are currently signatory to seven Impact Benefit Agreements, extensive stakeholder consultation was undertaken as part of the negotiations for an eighth, relating to the Gahcho Kué Project in the North West Territories.

In 2012, good progress was made in improving the effectiveness of our community engagement structures and processes, with a particular focus on complaints and grievance mechanisms. Effective relations with the communities around our operations are the foundation for our social licence to operate, and in the year ahead work will continue to build on the systems, processes and capabilities we have in place to deepen our contribution.

The importance of these relationships was illustrated by two events in 2012. Following a ten-year planning and consultation process,

[2] Direct employees include permanent employees, those on fixed contracts, and trainees. The 29.8 percent increase in the number of direct employees from 2011 reflects the alignment with Anglo American reporting definitions, and the inclusion of Element Six employees (2,841) and Morupule Coal Mine employees (510) for the first time.

[3] Data for 2011 has been restated from US$34.7 million reported previously, reflecting the inclusion of all direct and indirect IBA payments, in line with the figure reported for 2012.

2008
- Launch of new De Beers Social Impact Guidelines, used to assess likely impacts of mining projects and develop mitigation plans
- Social and Labour Plans initiated in South Africa providing a formal framework for mining companies to contribute to socio-economic development. DBCM begins first five-year plan
- Implementation of Biodiversity Overlap Assessments and Action Plans
- Substantial contractors included in the BPP Assurance Programme

2009
- De Beers joins the United Nations Global Compact CEO Water Mandate
- Annual Report to Society awarded Best Overall Sustainability Report and Best Extractive Sector Report by ACCA South Africa, 2009

2010
- The Diamond Route, a biodiversity conservation, education and outreach initiative from De Beers, the Oppenheimer family and Ponahalo Investments, is awarded the Nedbank Capital Green Mining Award for Sustainability
- De Beers Zimele enterprise development fund in South Africa expands after success of pilot in 2009
- Annual Report to Society awarded Best Overall Sustainability Report and Best Extractive Sector Report by ACCA South Africa, 2010

Oranjemund in Namibia was proclaimed as a public town, having been managed as a closed company town since it was established in 1936. With the election of the first town council and mayor, a new chapter has begun in one of our longest standing community relationships. In another, tragedy struck in May when a large underground area excavated by illegal miners collapsed near Bontekoe in the Namaqualand Mines lease area in South Africa, killing ten people. As the sale of Namaqualand Mines was ongoing, the mine was not in active production at the time of the collapse. A rescue operation was undertaken by the company but, unfortunately, no survivors were recovered. Our activities in Namaqualand stretch back to the 1920s, and we are committed to supporting development in the region. We continue to engage with the community and authorities on the dangers and challenge of illegal mining, and to support infrastructure and enterprise development programmes.

> *"In 2013, we will continue our efforts to further develop our understanding of how our sustainability leadership position drives value-creation for our business, in turn creating shared value for our stakeholders across the diamond pipeline."*

Environment – Enabling natural habitats to thrive

In 2013, De Beers celebrates its 125th anniversary. As a result of this long history, a number of our operations are late lifecycle mines, with 10 years or less of planned mining operations remaining. Closure planning and funding is, therefore, of particular importance. In 2012, we continued to focus on reviewing the level of funding set aside in our operations' business plans for both concurrent and end-of-life rehabilitation. In South Africa, we continued with a strategy to sell late-life mining assets to smaller operators specialised in generating value from these assets, and which meet clear conditions of sale that help create sustainable local benefit, including employment creation, community support, equity ownership by Black Economic Empowerment groups and environmental rehabilitation.

In 2012, the proposed sale of Namaqualand Mines to a Trans Hex-led consortium with strong Black Economic Empowerment credentials was subject to a new Sales Agreement, under which De Beers will retain a large portion of the mine area, and more than half of the physical rehabilitation liability.

Our continuous ownership of a number of mining areas has in part enabled our leadership position in conservation and biodiversity. We are committed to no net loss of biodiversity, and manage roughly five hectares of land for biodiversity conservation for every hectare of land disturbed by mining. In 2012, the Orapa Makgadikgadi game park in Botswana became the tenth site to join the Diamond Route, a joint initiative between De Beers, E Oppenheimer & Son and Ponahalo Holdings. The award-winning Diamond Route supports local economic development through tourism and education, and promotes biodiversity through active conservation and vital scientific research, with approximately 180 delegates from 61 national and international institutions attending the third Diamond Route Research Conference in October 2012.

We remain committed to tackling climate change. In 2012, we used 42.9 million m^3 of new (potable and non-potable) water across all of our operations and facilities (2011: 40.55 million m^3). Our direct and indirect energy consumption totalled 12.7 million Gigajoules (2011: 11.59 million Gigajoules), resulting in a total carbon dioxide equivalent (CO_2-e) of 1.58 million tonnes (2011:1.45 million tonnes CO_2-e). All of our operations have site-specific targets for energy and water reduction, with 41 percent of our total fresh water use at our operations in southern Africa came from recycled sources (2011: 46 percent), all of which are located in arid regions. We are also active in both regional and international initiatives to both better understand and respond to the impacts of climate change, including our partnership with the Worldwide Fund for Nature (WWF-South Africa) on the Limpopo River catchment, which provides water to more than 14 million people, and the United Nations Global Compact CEO Water Mandate.

Looking ahead

I am proud that our 2011 Report to Society won Best Overall Sustainability Report and Best Extractive Sector Report in the ACCA South Africa Sustainability Reporting Awards. This is the third year running that our Report to Society has won these two awards and reflect our commitment to open engagement on those issues impacting our business.

In 2013, we will continue our efforts to further develop our understanding of how our sustainability leadership position drives value-creation for our business, in turn creating shared value for our stakeholders across the diamond pipeline.

Philippe Mellier
CEO, De Beers Group

2011

- Sightholders were able to be assured for Responsible Jewellery Council Certification through the BPP Assurance Programme
- 10-year Sales Agreement with Botswana sets the stage for a new chapter in beneficiation, with the potential to transform Botswana into one of the world's leading diamond centres
- Annual Report to Society awarded Best Overall Sustainability Report and Best Extractive Sector Report by ACCA South Africa, 2011

2012

- **De Beers received full certification from the Responsible Jewellery Council having demonstrated that all of its operations meet the high ethical, social and environmental workplace standards**
- **De Beers' worldwide diamond aggregation is moved to Gaborone, Botswana completing the first phase of the migration of De Beers' international sales and marketing activities – a milestone in the transformation of Botswana into a global diamond centre**
- **By the end of 2012, De Beers Zimele had invested a total of US$4.22 million to support 139 enterprises in South Africa, creating 1,240 jobs**

2012 Performance summary

We track our performance against broad objectives from across the sustainability spectrum. Except where noted, performance is reported on a 100% basis for the Group of Companies as a whole.

Objective	Key performance indicator
Economics p16–25	
To maintain consistent value for shareholders and producer partners	Diamond production (thousand carats)
	Price of rough diamonds (% change on previous year)
	Payments to stakeholders (e.g. governments, suppliers, etc (US$ billion))†
To drive global demand for diamonds and to promote supply predictability for De Beers Sightholders	Rough diamond sales (US$ billion)
	Expansion of Forevermark diamond brand (number of stores carrying Forevermark)
To support government-led economic development, beneficiation, capacity building, diversification and activities that endure beyond the life of existing mines	Payments to stakeholders in Africa (US$ billion)†
	Rough diamond sales to Sightholders in southern Africa (US$ million)
	Procurement from local citizen-owned, or historically disadvantaged group-owned enterprises in southern Africa and Canada (US$ million)
To access new reserves and build sustainable relationships in new territories	Investment in exploration (US$ million)†
Ethics p26–35	
To maintain consumer confidence in our business and play a key role in upholding global diamond equity	Worldwide compliance by De Beers with the Kimberley Process and System of Warranties, reviewed and confirmed by a third party (%)
To develop and embed ethical standards within our operations and throughout the diamond value chain	Number of diamond industry employees worldwide covered by the Best Practice Principles Assurance Programme (BPPs)
	Number of BPP infringements by Sightholders
Employees p36–45	
To embed health and safety as a value across the organisation for all employees and contractors	Percentage of De Beers mines certified to OHSAS 18001 standard (%)
	Number of loss of life incidents in the workplace
	Lost Time Injury Frequency Rate (LTIFR)[4]
To maintain a motivated, focused and lean workforce	Direct employees (number of permanent staff in total workforce)
To engage proactively with priority concerns in producer countries, including management of the HIV pandemic, local employment and gender equality	Proportion of workforce and their life partners with access to free and confidential HIV testing and wellbeing programmes (%)
	Proportion of women in the workforce (%)
	Coverage of our approach and performance with regard to employment of historically disadvantaged South Africans and Namibians, local citizens in Botswana and Aboriginal people in Canada
Communities p46–55	
To engage and create mutually beneficial partnerships with local communities, to ensure clear communication of the impact of our activities and to promote active participation in the development of programmes to maximise local benefit, and mitigate the socio-economic impacts of mine sale and closure	Total Community Social Investment (CSI) (US$ million)
	Number of enterprises supported in South Africa by De Beers Zimele, an enterprise development programme
To align our community investment activities with relevant national development programmes	Investment by De Beers in Canada in programmes under seven Impact Benefit Agreements (IBA) with Aboriginal communities (US$ million)
	Investment by De Beers in local economic development under Social and Labour Plans (SLP) in South Africa (US$ million)
Environment p56–65	
To manage and mitigate the risks posed to our business and surrounding communities by climate change and water scarcity	Proportion of freshwater footprint at our southern African mines from reused and recycled water (%)
	Use of new (potable and non-potable) water across our operations/facilities (million m^3)
	Direct and indirect energy consumption across our operations (million Gigajoules)
	Carbon emissions from our operations (million tonnes)
To mitigate potential environmental impacts when planning, designing and implementing exploration, mining and related activities	Number of hectares of De Beers owned and managed land set aside for conservation

Performance 2010	2011	2012	Trend	Note	Page
32,997	31,328	27,875		11% reduction in 2012	08
+27	+29	–12		Following two years of strong growth, challenging trading conditions in the rough and polished diamond sectors impacted on diamond prices	08
	6.4	5.2		With total sales of US$6.07 billion (2011: US$7.3 billion), payments to stakeholders decreased 19% in 2012	18
5.08	6.47	5.50		15% decrease in 2012	08
348	658	925			09
	4.37	3.9		23.6% decrease in 2012	18
1,177	1,200	1,140		The move of London-based sales activities to Gaborone, Botswana, started in 2012. This move will support the development of a southern African diamond centre	22
810	960	1,024		6.7% increase in 2012	23
	40.0	59.0		Exploration continues to focus on projects with the best potential to deliver carat production within three to five years from discovery (see 2012 Operating and Financial Review, p8)	–
100	100	100		100% compliance maintained in 2012	28
243,365	357,455	336,292		5.9% decrease in 2012	33
135	268	193		The BPPs are designed as a constantly evolving standard and although additional requirements were incorporated in 2012, the number of Sightholder infringements fell by 28%	33
All except Victor and Snap Lake	100	100		With the certification of the Canadian operations in 2011, all De Beers mines are now OHSAS 18001 certified	38
1	7	3		Three loss of life incidents at our operations	38
0.24	0.15	0.13		13.3% reduction in 2012	38
13,447	12,124	15,739		Alignment with Anglo American reporting definitions and including Element Six (2,487) and Morupule Coal Mine (510) employees for the first time in 2012 account for a 29.8% increase in employees	40
100	100	100			42
22.6	23.1	23.7		De Beers actively supports efforts to increase the proportion of women in mining and in senior management positions	43
				In 2012, 79.5% and 88% of South African and Namibian mining operation employees were historically disadvantaged and 96.6% of Debswana employees were local citizens. In Canada, 28% and 40% of Victor and Snap Lake employees, respectively, were Aboriginal	43
33.5	42.6*	39.3		7.7% reduction in 2012	50
45	106	139		31.1% increase in 2012	23
4.94	5.40*	5.31		1.6% reduction in 2012	51
1.66	3.48	1.09		Investment in 2012 reflects planned lower spending in the final year of the five-year SLP cycle. A new five-year cycle is expected to be approved in 2013	50
50	46	41		Reduction linked to no longer reporting recycled water use at Finsch Mine (sold during 2011), plus minimal recycling at Element Six and Morupule Coal Mine, which are reported for the first time	60
38.1	40.6	42.9		5.8% increase in 2012 resulting from higher volumes of material treated and some water recovery issues	60
11.2	11.6	12.7		9.6% increase in 2012 linked to greater waste stripping, haulage distances and tonnes of ore treated	61
1.48	1.45	1.58		8.9% increase in 2012 linked to greater energy use	61
231,112	195,640	195,640		As a result, De Beers managed roughly five hectares of land for biodiversity conservation for every hectare of land disturbed by mining	62

* Data note: Some CSI data for 2011 has been restated from that reported in the 2011 Report to Society. Please refer to the relevant page for details.
† Data note: This financial information is prepared on a proportionate consolidation basis in accordance with International Financial Reporting Standards. Comparable figures for 2010 are not available.
[4] Lost Time Injury Frequency Rate (LTIFR) is the number of lost time injuries multiplied by 200,000 divided by the number of man hours worked.

Operating highlights

While 2012 was characterised by challenging trading conditions, De Beers generated strong cash flow, continued to reduce debt and expanded its project base.

The challenging trading conditions that began during the fourth quarter of 2011 continued throughout 2012. Consumer demand for diamond jewellery grew at a slower pace than 2011 in the key markets of the US, China and Japan. After the exceptional performance of 2011, in which De Beers posted 29 percent rough diamond price growth, rough diamond prices remained level during the first half of 2012. Weaker demand in the second half of the year triggered a price correction and De Beers' rough diamond prices decreased 12 percent for 2012 overall, in line with polished diamond prices. This, along with an 11 percent reduction in diamond production, resulted in a 15 percent decrease in rough diamond sales to US$5.5 billion in 2012 (2011: US$6.5 billion). By the end of 2012, rough diamond prices stabilised, reflecting a modest improvement in consumer demand.

Despite these challenging market conditions, we continued to position ourselves for growth, strengthening our balance sheet with strong cash flow and reduced net debt, and progressing several large-scale projects.

Safety

The safety of our employees is our priority, and while we have made important progress in strengthening our safety culture, we sadly experienced three loss of life incidents in 2012 (2011: seven). One loss of life incident, the slope failure at Debswana's Jwaneng Mine, resulted in a seven-week suspension of pit operations to allow for a comprehensive geotechnical review to ensure it was safe for operations to recommence. During the year, we reduced our Lost Time Injury Frequency Rate (LTIFR) to 0.13 (2011: 0.15).

Reduced production to match market demand

Our strategy of producing in line with Sightholder demand was maintained during 2012. As a result, full-year production was lower at 27.9 million carats (2011: 31.3 million carats). The sale of Finsch Mine, which contributed 0.9 million carats in 2011, also impacted production totals. Lower production allowed our operations to focus on maintenance and waste stripping backlogs introduced in 2011. Production was also affected by operational challenges, including the slope failure at Jwaneng Mine in the middle of the year.

Investing in future production

The long-term fundamentals of the diamond industry remain strong, and we continue to invest across the diamond pipeline to maintain our leadership position and align De Beers for future growth.

As part of our 10-year Sales Agreement with the Goverment of the Republic of Botswana, we successfully relocated our aggregation, quality assurance and Sight preparation functions to Botswana ahead of schedule in 2012. Migration will continue throughout 2013, and by the end of the year our first Sight – selling worldwide production to local and international Sightholders – will be held at our new facilities in Gaborone.

During 2012, we also progressed with several sizeable projects both to extend the life of our largest mines and add new production to our future portfolio. In Botswana, the infrastructure phase of the Jwaneng Mine Cut-8 Project was completed. Cut-8 will allow access to approximately 95 million carats of mainly high quality diamonds, in approximately 80 million tonnes mined,[5] and extend the life of the world's richest diamond mine to at least 2028.

In South Africa, the Venetia Mine Underground Project was approved. Environmental permitting was completed in 2012 and final regulatory clearances were obtained in February 2013. The project, which will commence during 2013, will extend the life of South Africa's largest diamond mine beyond 2040[6] and contains an estimated 96 million carats in approximately 130 million tonnes mined,[7] over the project life of mine.

Performance indicators

	2012	2011	2011/2012
Total tonnes treated (000s)	52,340	50,247	4%
Total carats removed (000s)	27,875	31,328	-11%
LTIFR*	0.1	0.1	–
LTISR†	1.9	4.5	2.6

* Lost time injury frequency rate
† Lost time injury severity rate

Financial indicators (US$m)

	2012	2011	Variance %
Total sales	6,074	7,262	-16
EBITDA	1,075	1,763	-39
Operating profit	815	1,491	-42
Free cash flow	697	816	-15
Net interest bearing debt (excluding shareholders' loans)	722	1,177	-39

Data note: This financial information is prepared on a proportionate consolidation basis in accordance with International Financial Reporting Standards.

The long-term fundamentals of the diamond industry remain strong and we continue to invest across the diamond pipeline to maintain our leadership position and align the company for future growth.

Inspecting the screening plant, Venetia Mine, South Africa.

In Canada, the Environmental Impact Review documentation for the Gahcho Kué Project, in which we have a 51 percent interest, has been submitted and the Review Panel is expected to issue a decision report in 2013. Gahcho Kué contains an estimated 48 million carats in approximately 31 million tonnes mined,[8] over its 11-year life.

We also increased expenditure on exploration in 2012 to US$59 million (2011: US$46 million), supporting work programmes in Angola, Botswana, Canada, India and South Africa to secure production for the long term.

Building global brands

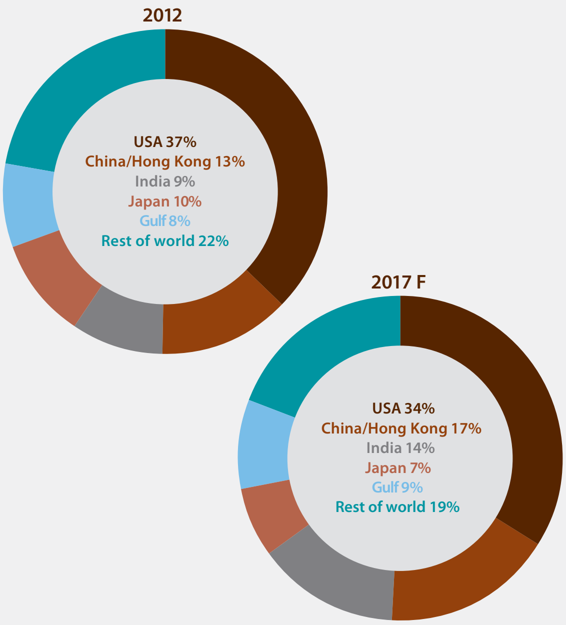
Brands are increasingly important in consumer diamond markets, and we continue to invest in our two downstream businesses, Forevermark and De Beers Diamond Jewellers (DBDJ). Forevermark continued its strong growth in 2012, particularly in the core markets of China, Japan, India and the US, and was available in more than 900 retail outlets in 12 markets by the end of 2012. DBDJ continued to focus on expanding its store network in China with new store openings in Shanghai and Nanjing and a further store scheduled for 2013. At the end of 2012, DBDJ had 43 stores in leading diamond consumer markets around the world.

Outlook

De Beers expects moderate growth in diamond jewellery demand in 2013, supported by improving sentiment in the US market and continued growth in China. Conditions in India and Japan remain more uncertain, not least due to the continuing volatility of their currencies, which is expected to affect growth in US dollar terms. Overall, despite the fragility of the world economic recovery, macro-economic conditions are generally supportive of global growth in polished diamond value in 2013, at levels slightly above 2012. So far this year, polished prices have edged up on the back of moderate retailer re-stocking but banks are expected to continue to tighten up on lending to cutting centres making liquidity an ongoing challenge for rough diamonds. In the medium to long term, the supply demand fundamentals of the industry remain positive.

Fig. 1

Consumer demand forecasts, 2012 and 2017 (US$ PWP)*



Data note: These figures provide estimates and forecasts of the size and growth of main diamond consumer markets based on pipeline and consumer research commissioned by De Beers. 2012 results are preliminary.

*Polished Wholesale Price

[5] This estimate of carats contains Indicated (24%) and Inferred (76%) Resources. Not all Inferred Resources may be upgraded to reserves, even after additional drilling. Further details appear in the 2012 Anglo American Annual Report.
[6] The current mining rights expire in 2038; Venetia Mine will apply to extend the mining rights at the appropriate time in the future.
[7] This estimate of carats contains Indicated (77%) and Inferred (23%) Resources. Not all Inferred Resources may be upgraded to reserves, even after additional drilling. Further details appear in the 2012 Anglo American Annual Report.
[8] Details appear in the 2012 Anglo American Annual Report.

Our approach to sustainability

Our commitment to operating in a responsible and sustainable manner sits at the heart of the De Beers business strategy. We believe that this approach creates competitive advantage for our company, and social and economic value for the societies in which we operate.

Contributing to sustainable development

Our approach to sustainability is based on the concept of creating shared value. This means unlocking the economic value of diamonds to generate shared financial returns and to support sustainable development in the countries in which we operate. Diamonds are a long-term business and it is our ability to create shared value – financial, social and environmental – with our partner governments, our employees, our customers and the communities in which we operate, that will ultimately deliver long-term success for our company.

With operations across the diamond value chain, from exploration and mining, to rough diamond and consumer brands, De Beers is exposed to risks that could affect the sustainability of our business and the societies in which we operate. Delivering good financial returns depends on our ability to effectively address these risks. We therefore take a risk-based approach to sustainability, working to mitigate upstream exploration and mining risks that could impact our licence to operate or restrict access to new resources, and risks across the diamond value chain that might undermine consumer confidence in diamonds and our brand. We categorise sustainability risks into five key areas: Economics, Ethics, Employees, Communities and Environment.

Alongside managing risk, we see operating sustainably as a competitive advantage, and embrace opportunities to support improved industry standards, and to demonstrate leadership in finding mutually beneficial solutions to challenges facing business and the societies in which we operate.

Underpinning our approach to sustainability are our Purpose, Vision and Values, and our three guiding Principles (see p68). These are supported by a suite of management systems, policies, guidelines and tools, which inform our decision-making, engagement with stakeholders, and assessment of how our business impacts society.

Governance and management

Sustainability governance rests with the De Beers sa Board, including Board committees such as the Audit Committee and ECOHS Committee, and the Boards of our operating companies. A comprehensive sustainability management framework, comprising four elements, supports this governance structure:

- **Environment, Community, Occupational Health and Safety (ECOHS) Committee:** A Board committee that meets quarterly to provide strategic oversight of the disciplines within our ECOHS programme. Meetings cover major incidents and performance updates. The Committee assures compliance to our ECOHS policies, guidelines and operational practices, as well as relevant standards and legislation;
- **Principles Committee:** Established in 2007, Principles Committee is a Group-level, cross-functional management committee responsible for sustainability risk management in line with our Principles. Scheduled to meet quarterly, its remit is to provide strategic evaluation of all sustainability issues and risks, including those that fall outside the ECOHS area, and to promote co-ordinated management of both risks and corresponding opportunities. It is also responsible for external assurance against key risks and performance reporting through the Report to Society;
- **Local ECOHS functions:** Teams at operating company and business unit-level manage ECOHS issues on the ground; and
- **Other functions:** Corporate Affairs, Group Legal, Internal Audit and other functions manage sustainability risks falling outside the ECOHS area (e.g. reputational or legal risks).

Each element informs the identification, review, prioritisation and management of our sustainability risks (see p12–13).

ECOHS programme

Our ECOHS programme is designed to manage operational risks within the Group across the technical disciplines of Environment, Community, Occupational Health and Safety. The ECOHS programme has three main functions:

- Provide technical skills, leadership and governance to align ECOHS performance with the Group's core business strategy by delivering world class standards;
- Integrate ECOHS practices and accountability into core business processes at every stage of the diamond value chain; and
- Provide assurance on performance for ECOHS Committee and operating company Boards.

Peer groups

Across the Group of Companies, a peer group system supports the ECOHS programme. Peer groups develop new management approaches, provide an internal assurance function and allow individuals working in specific functions or on particular issues to share best practice.

Assurance

Assurance is an essential part of managing sustainability and ensuring rigorous reporting. We use a range of assurance approaches, from first party assurance by our ECOHS and Principles Committees and the Internal Audit department, to third party assurance of our sustainability reporting (see p66), and Best Practice Principles Assurance Programme (see the 2012 Assurance Risk and Compliance Supplement).

Stakeholder question:

How will the integration of De Beers into Anglo American affect your approach to sustainability?

Anglo American's acquisition of the 40 percent share in De Beers held by the Oppenheimer family was completed in August 2012. Anglo American is now the majority shareholder in De Beers with a holding of 85 percent, with the Goverment of the Republic of Botswana holding the remaining 15 percent.

Anglo American and De Beers share a deep commitment to operating sustainably and responsibly, forged through a common history spanning more than 85 years. As a result of this shared history, the two companies already have a well-established culture of peer review and support, using shared tools and systems, technical protocols, and project review and assurance processes. While De Beers will remain an independently managed business, Anglo American's majority shareholding opens up significant opportunities for De Beers to draw on the skills, resources and expertise of one of the world's leading mining companies to enhance our sustainability approach.

Building on a shared history

With the completion of the acquisition, work began to align our management and governance systems across a number of sustainability areas in order to meet specific requirements for a business within Anglo American. From August 2012, we focused on identifying gaps and planning alignment between sustainability systems and processes in our upstream, mining activities – as described in the Anglo American 'Ways' – as well as in other core business processes related to people management, tax, and anti-corruption practices.

The Anglo American 'Ways' set out mandatory performance requirements, as well as the vision, principles, policies, frameworks and management systems for managing sustainability risks and opportunities in four core areas covered by the 'Safety Way', 'Occupational Health Way', 'Environment Way', and 'Social Way'. Integration work plans have been developed for 2013 to align our approach with these four 'Ways' and other areas of sustainability practice across our five key sustainability areas.

A view of Venetia Mine, South Africa.

Economics

We will continue to deliver value to our producer governments (see p21) in line with Anglo American's tax strategy, which supports the principles of transparency and strong governance. We also anticipate greater alignment in our enterprise development and supply chain management programmes, to increase De Beers' contribution to the development of sustainable local communities in the areas of our operations (see p23).

Ethics

A gap analysis was completed in 2012 against Anglo American's 'Good Citizenship' Business Principles and Business Integrity Policy to support alignment on anti-corruption training and governance (see p30).

Employees

Both Anglo American and De Beers share the vision of zero harm to our employees and contractors. De Beers' approach to safety and occupational health management was developed in close collaboration with Anglo American colleagues, and meet the requirements of OHSAS 18001. A gap analysis of the De Beers Safety Management System Standards and Occupational Health Standards against the Safety Way and Occupational Health Way, respectively, in 2013 will inform our work programme for alignment. The impact of the integration on De Beers' employees from restructuring and redundancies has been extremely limited, given our already lean workforce. For our people, being part of the broader Anglo American with over 100,000 employees operating in 18 countries represents a great opportunity for career and talent development.

Community

Work to formalise the approach to community engagement across the Group of Companies began in 2009, and will accelerate with integration. As part of the process already underway, all De Beers' operations completed a benchmark self-assessment against the requirements of the Social Way in 2012. This will serve as the baseline for improvement plans to be developed in 2013 (see p48).

Environment

A gap analysis of our Environmental Standards against the Environment Way and relevant Technical Standards was conducted in 2012, with a good level of alignment found. Initial self-assessments of performance against the requirements of the Environment Way for all of our operations will be completed by mid-2013.

Reporting

A selection of key sustainability indicators was identified and reported for De Beers in the Anglo American Sustainable Development Report for 2012, covering the three months majority ownership from September 2012. Data collection and reporting systems will be reviewed in 2013, to allow a full set of key sustainability data to be included for De Beers in the Anglo American Sustainable Development Report for 2013. More information about the Anglo American approach to sustainability and responsible business, including the group's Tax Strategy, can be found in the Anglo American Sustainable Development Report.

www.angloamerican.com

Identifying and managing our sustainability risks

We have comprehensive systems in place to manage and mitigate those risks that can affect our commercial interests by undermining consumer confidence in diamonds, impacting our licence to operate, or restricting access to new resources.

Risk review process

Each year, sustainability risks are identified and managed through three interlinked risk review processes, undertaken across the Group of Companies. These include: a Group-wide risk review process, risk review processes focused on Environment, Community, Occupational Health and Safety (ECOHS) risks as part of the ECOHS management programme; and reputation and sustainability risks. These risk management processes are built on a systematic 'bottom-up' reporting process supported by wide-ranging stakeholder engagement across the business (see p13).

Group-wide risks

A Group-wide review of strategic, operational, and financial reputation and sustainability risks is undertaken twice a year. This is the primary process for identifying and managing risk across the Group of Companies. As part of this process, individual risk reports are submitted by operations and functions by a network of Risk Champions. In these reports, key risks are identified, along with actions that are being or will be undertaken to mitigate the risk, with associated accountabilities. These reports are reviewed and consolidated, with key risks advanced higher within the organisation for further review. A summary of the key risks identified through this process is compiled by the Group Risk Champion for review by the Executive Committee.

The Group Risk Champion also reports on the risk management process to the Audit Committee, a sub-committee of the De Beers sa Board. For Group-wide risk, the De Beers Internal Audit function provides independent, objective assurance and consultancy on the risk review process under the mandate of the Audit Committee (see p13, 2012 Assurance Risk and Compliance Supplement).

ECOHS risks

Each quarter, ECOHS discipline heads report to the ECOHS Committee, a sub-committee of the De Beers sa Board, on key risks in their discipline, drawing on information provided by members of their respective peer

Fig. 2

Assessing risks and performance through stakeholder engagement

We identify and prioritise material risks to the sustainability and reputation of the Group of Companies through a dynamic and continuous process of engagement with a broad range of stakeholders, including employees, unions, government representatives, customers, NGOs and industry organisations. Through this engagement we also identify opportunities to create shared value with stakeholders through our activities.

Management framework

Enterprise Risk Management (strategic, operational, reputation and sustainability)

Policies and codes

Tools and guidance

Integrated sustainability management systems (ECOHS, Principles Committee)

Assurance (Best Practice Principles Assurance Programme)

External standards

Regulatory compliance

International standards (ISO, OHSA)

Guidelines (GRI, AA1000, UNGC)

Certification (Responsible Jewellery Council)

Initiatives and partnerships to create shared value

Economics (Beneficiation)

Ethics (Diamond Development Initiative)

Employees (training and development)

Communities (Zimele)

Environment (Diamond Route)

Direct engagement at operations, company and Group level

Individual and stakeholder group dialogue

Stakeholder surveys

Roundtable discussions (Multistakeholder Forums, Diamond Dialogues)

Indirect engagement

Sector-specific initiatives (Kimberley Process Certification Scheme)

Broad multi-stakeholder initiatives (UNGC CEO Water Mandate, WWF-South Africa Limpopo river basin project)

Public policy engagement

External reporting

De Beers Group of Companies Report to Society

De Beers Group of Companies Operating and Financial Review

Operating company reports

Diamond Dialogue Issue Briefs

Engaging with stakeholders at multiple levels on sustainability issues

Internal
Working within multi-disciplinary teams, drawing on the technical expertise of external assurers, and providing assurance to internal stakeholders on sustainability issue management.

Community
Ensuring that the communities in which we operate are involved in the decisions that might affect them.

Industry
Identifying common industry needs, and knowledge-sharing or partnering in the development of new technologies, and approaches to drive best practice across the diamond value chain.

Regional/National
Supporting national and regional policy initiatives, working to enhance capacity, and developing collaborative, long-term strategies.

Global
Making a meaningful contribution to global sustainability debates through private sector and multi-stakeholder initiatives.

groups and stakeholder engagement. A summary of these key ECOHS risks is also provided to the Executive Committee.

Reputation and sustainability risks

At each Principles Committee meeting, a summary of reputation and sustainability risks is reviewed. This risk log is compiled by the Corporate Affairs Risk Champion, drawing on and supplementing the risks identified in the Group-wide risk review process. Discussion of key reputation and sustainability risks is subsequently reported to the Executive Committee.

Stakeholder engagement

Our ability to work with stakeholders across all levels of our business is a key factor in maintaining our legal, social and political licence to operate, and supporting consumer confidence in, and demand for, diamonds. Drawing on stakeholder viewpoints in our sustainability risk assessment and management processes helps us identify and prioritise stakeholders' concerns and to establish whether we are living up to their expectations, and ultimately 'living up to diamonds'. This includes issues within our direct control, which we have a clear responsibility to address, and those that are external to the Group of Companies, yet nonetheless fall within our sphere of influence.

Our stakeholders include groups on which De Beers has a significant impact, as well as those groups that can significantly impact our activities. These include our shareholders, producer governments, employees, local communities, civil society and intergovernmental organisations, unions, customers and consumers. Each operating company identifies, prioritises and engages stakeholder groups at a local level, generally through Corporate Affairs teams.

Stakeholder engagement happens every day at all levels of our business on issues as diverse as preventing conflict diamonds from entering the global supply chain (see p32) and agreements to structure our contribution to transformation in South Africa through Social and Labour Plans (see p50).

Types of engagement

Our stakeholder engagement takes two main forms:

- Direct engagement – happens at operating company and Group level. Includes stakeholder surveys, roundtable discussions, independent multi-stakeholder dialogue, one-to-one meetings, and 'on-the-ground' engagement with communities and other local stakeholders.
- Indirect engagement – happens primarily at Group level. Includes participating in sector-specific and other relevant external initiatives, engaging on public policy issues and using external benchmarks and standards.

Contributing to broader debates – Diamond Dialogues

Diamond Dialogues is a series of roundtable discussions that have been hosted by De Beers and facilitated by external subject experts since 2007. They bring together industry, civil society and policy-makers for frank discussion on key sustainability issues relevant to mining, development and Africa. Meeting notes from the Dialogues are posted on the Business and Human Rights Resource Centre. The outputs from the Dialogues help inform the contents of our annual Report to Society as well as our policy-making and sustainability initiatives.

One Diamond Dialogue was held in 2012 focused on natural resources and national development. The second in a series of Diamond Dialogue Issues Briefs was released to coincide with the event.

www.business-humanrights.org
www.debeersgroup.com

Engagement for reporting

At Group level, two annual stakeholder engagement processes help to guide the issues we cover in our annual Report to Society. We seek feedback from external experts at our Multi-Stakeholder Forum, and from our employees through the Managers' Perception Survey (see the 2011 Assurance and Compliance Supplement for a summary of the feedback and how it informed this report). Responses to some of the questions raised in these fora are provided in this report (see p11, 30, 41 and 50).

Engaging with external initiatives

Managing our sustainability risks also requires us to engage with stakeholders on broader issues, for example, raising ethical standards or combating corruption. We do this through our membership and support of broad multi-stakeholder initiatives such as the United Nations Global Compact and the Extractive Industries Transparency Initiative, and sector initiatives such as the Kimberley Process and Responsible Jewellery Council.

Local engagement at our operations

At our operations, frequent and informal engagement is ongoing between our employees and the local community. More formal engagement occurs between our Community and Environment Managers and the local community on specific issues, for example in relation to closure planning (see p53 and p62) or social investment (see p50).

Our approach to reporting

Our reporting is focused on disclosing our performance on those risks that are important to both our stakeholders and the success of our business.

A risk-based approach to reporting

We use a Sustainability Risk Matrix to evaluate the short-, medium- and long-term risks that are most material to our stakeholders and to our business. The matrix is developed using outputs from our risk identification process and from our engagement with stakeholders (see p12–13).

Each year we undertake a robust process to identify all of the potential risks we could report on and prioritise those that are most material. First, we compare risks identified through our ongoing internal risk management processes with those reported externally the previous year. We consult with risk owners across the business to map risks on our Sustainability Risk Matrix.

Following this, we engage with external stakeholders via our annual Multi-Stakeholder Forum (see p13) to check that our assessment fits with stakeholder concerns and expectations. Based on this feedback we modify the matrix as necessary.

We also complete an annual Managers' Perception Survey to gather internal feedback on our approach, and the Report to Society. The 2012 Assurance, Risk and Compliance Supplement gives details on the specific feedback gained from these two engagement processes.

www.debeersgroup.com

Fig. 3

Our risk matrix approach to reporting

Material risks in 2012

Each of the following chapters includes an individual Sustainability Risk Matrix. The purpose of the matrix is to articulate the short-, medium-, and longer-term risks most material to the reputation and sustainability of the business (Fig. 3). Business risk includes both the likelihood of a risk manifesting itself and the potential impact that it would have on our business (i.e. direct risk). Stakeholder materiality is based on the degree to which stakeholders consider an issue relevant and material, and the ability of those stakeholders to have an impact on our business (i.e. indirect risk).

In 2012, we identified a total of 29 sustainability risks and these are shown in the sustainability risk matrix on the following page. We have prioritised 22 of these risks across all five sustainability areas to cover in this report.

Key changes from the risk matrix presented in 2011 include removal of the 'Managing organisational change' risk, which originally reflected the impact of the global financial crisis. Aspects of this risk that are still relevant are now included within the 'Attracting and retaining talent' risk. For 2012, we have prioritised two risks previously only highlighted in the risk matrix, 'Diversity and inclusion' and 'Respect for protected areas, key biodiversity areas or World Heritage sites'. Full descriptions of our sustainability risks are provided in the 2012 Assurance, Risk and Compliance Supplement.

An award-winning report

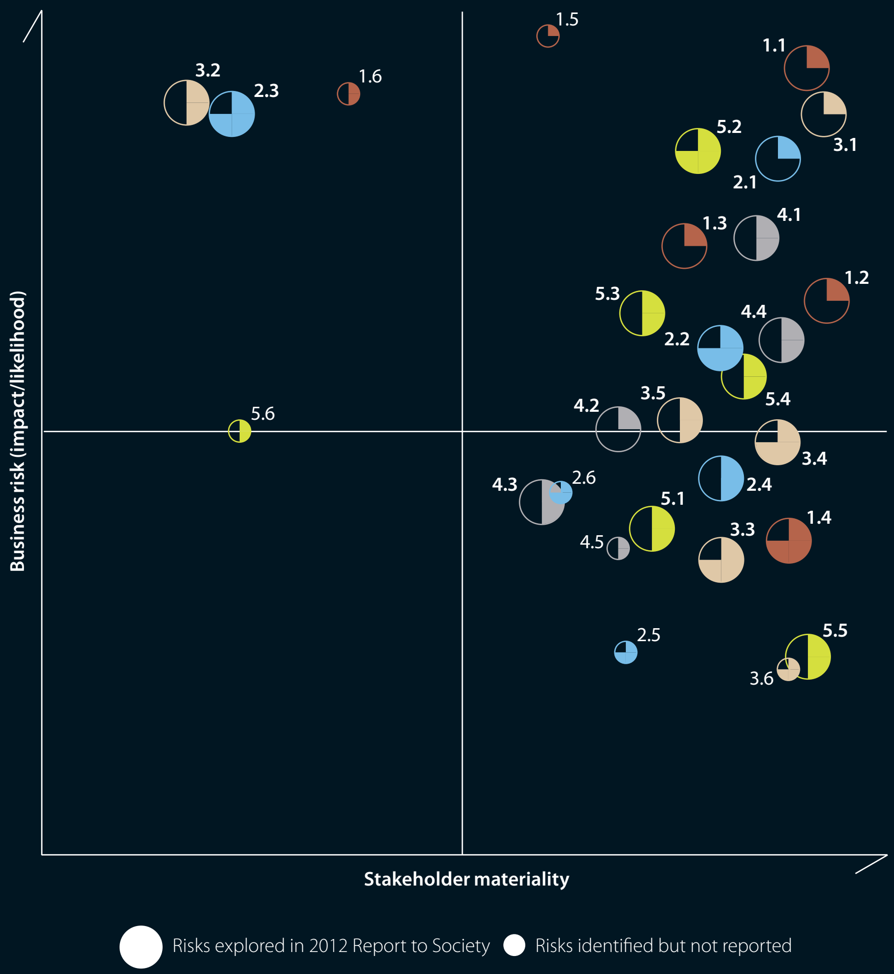
We are proud that our 2011 Report to Society won Best Overall Sustainability Report and Best Extractive Sector Report in the ACCA South Africa Sustainability Reporting Awards. This is the third year running that our Report to Society has won these two awards.

Internal and external assurance

This report, and the data presented within it, is assured by internal and external parties. De Beers Internal Audit provides assurance on selected material issues including internal auditing, the Best Practice Principles, the Kimberley Process, anti-money laundering and integrated reporting (see the 2012 Assurance, Risk and Compliance Supplement). Principles Committee provides oversight of the report as a whole and the De Beers sa Board Level Audit Committee provides oversight of our approach to integrated reporting, as recommended by the South African King III Report – an international benchmark on Corporate Governance.

For the third consecutive year, our external assurer Société Générale de Surveillance (SGS) has verified our Report to Society. Their assurance statement for this report can be found on pages 66–67.

2012 Report to Society sustainability risk matrix



All risks identified on the matrix have perennial aspects. The duration, or 'term', refers to the time-frame within which a specific aspect of a risk is expected to manifest itself or have an impact on the business. For example, uncertainty in the global economy is a short-term aspect of the risk of not 'Delivering value to producers'. A full description of each of these risks is provided in the 2012 Assurance, Risk and Compliance Supplement to this report.

Long term (10+ years, or perennial risk) **Medium term (3–10 years)** **Short term (0–3 years)**

The matrix above sets out the sustainability risks identified over the course of 2012. We classify these based on the risk they pose to our business and the degree to which they are material to stakeholders. The risks in bold are reported in this Report to Society.

Economics

1.1 Delivering value to producers
1.2 Governance and revenue transparency
1.3 Success of beneficiation
1.4 Driving local growth, diversification and capacity building
1.5 Driving and maintaining demand
1.6 Access to new reserves and sustainable relationships in new territories

Ethics

2.1 Kimberley Process and System of Warranties credibility
2.2 Anti-corruption
2.3 Illicit trade and diamond security
2.4 Maintaining pipeline and sector standards
2.5 Legal compliance, e.g. competition law
2.6 Human rights

Employees

3.1 Safety performance
3.2 Attracting and retaining talent
3.3 Occupational health and wellbeing
3.4 HIV and tuberculosis
3.5 Diversity and inclusion
3.6 Compliance with international labour standards

Communities

4.1 Effective community relations
4.2 Socio-economic benefit
4.3 Resettlement
4.4 Social impact of closures and transfer of assets
4.5 Managing land claims

Environment

5.1 Maintaining environmental standards
5.2 Water and energy security in a changing climate
5.3 Lifecycle planning
5.4 Promotion and maintenance of biodiversity and ecosystems
5.5 Respect for protected areas, key biodiversity areas or World Heritage Sites
5.6 Management of waste and pollution prevention

CREATING SHARED VALUE

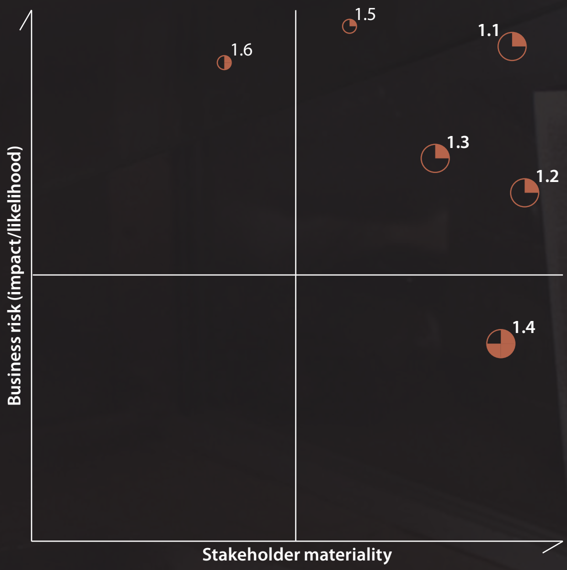
Glovebox diamond sorting at the DTC Botswana, Gaborone.

Economics

Diamonds have contributed significantly to development in producer countries, but as a finite resource the success of diamond mining is ultimately measured by sustainable economic and social development that endures beyond the life of a mine.

Risks

In this section we report on our approach to key economics risks identified for 2012 through our risk materiality process (see p14–15) and displayed on the matrix below.



1.1 Delivering value to producers

1.2 Governance and revenue transparency

1.3 Success of beneficiation

1.4 Driving local growth, diversification and capacity building

1.5 Driving and maintaining demand

1.6 Access to new reserves and sustainable relationships in new territories

◕ Long term
◑ Medium term
◔ Short term
● Risks explored in 2012 Report to Society
● Risks

A full description of each of these risks is provided in the 2012 Assurance, Risk and Compliance Supplement.

Approach

Natural resources can and do support socio-economic development, yet all too often the 'resource curse' has hindered this development in resource-rich nations. To avoid this, we work in partnership with host governments to create shared value that supports long-term and sustainable economic development. In addition to the revenues our activities generate for governments and other stakeholders, we support economic development through local and indigenous procurement, enterprise development through dedicated investment funds, and community social investment.

Our beneficiation activities also support the development of value-adding downstream activities in producer countries, such as diamond sorting, cutting and polishing, and jewellery manufacture. In this way, we ensure that the greatest benefit possible flows to our producer partners, helping them to build strong foundations for sustainable economic growth that will endure beyond the life of existing mines. Additionally, our activities create opportunities that can enrich the lives of those involved in diamonds in producer countries through employment and skills development.

Diamonds are a finite resource. With demand increasing and existing production peaking, we are focused on optimising both the life and value of the diamond resources we mine to continue to deliver shared value for producer partners and other stakeholders. We also work to maintain and enhance consumer demand for diamonds. As a company that is solely focused on diamonds, consumer desire for diamond jewellery is the foundation for our business. It is therefore essential that we live up to the expectations of consumers and the value they place on the responsible and ethical provenance of diamonds.

Economics Highlights

Payments to stakeholders in Africa

↘

US$3.9bn

of diamond revenues paid to stakeholders in Africa (2011: $4.37 billion)

page 18

Diamond sales to local Sightholders

↘

US$1.1bn

of rough diamonds sold to Sightholders in our producer countries (2011: US$1.3 billion)

page 22

Preferential procurement

↗

US$1bn

in preferential procurement in southern Africa and Canada (2011: US$960 million)

page 23

Delivering value to producers

Diamond revenues play a key role in driving economic development in our producer countries. Diamonds are a natural treasure and finite resource. We operate in partnership with host countries to maximise the life and value of their diamond resources by mining as responsibly and safely as possible. Our focus is, however, far broader than mining alone. We produce in line with demand from our clients, and work across the value chain to maximise the value of every carat.

Consumers' desire for diamonds is the sole source of value for our business and we invest in building markets and driving consumer demand in key regions. This includes growth markets such as China and India, as well as the established markets of the US, Japan and Europe. We also use a range of programmes and standards to ensure consumers can be confident in the integrity of diamonds, which helps to maintain this demand (see p26–33).

Although 2012 was characterised by a weaker market compared to 2011 (see p8), the long-term fundamentals of the diamond industry remain highly attractive, ensuring that diamond revenues will continue to support our host governments in achieving their development goals into the future.

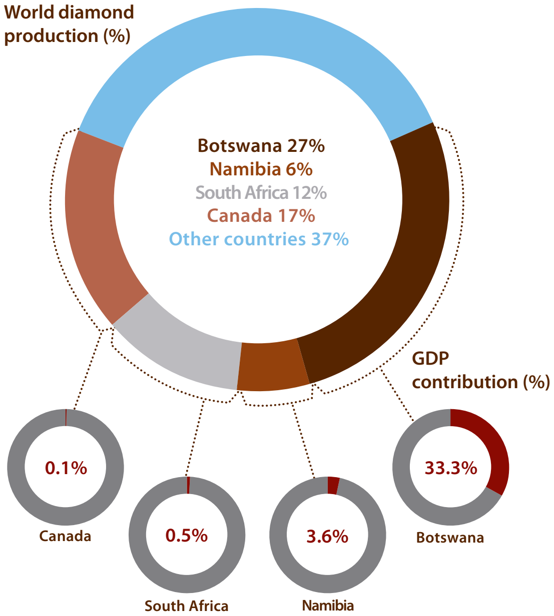
Distribution of diamond revenues

In 2012, De Beers sa*, the statutory group, paid US$5.2 billion or 86 percent of total sales to governments, suppliers, employees, shareholders and other finance providers (see Fig 5). A total of US$3.9 billion or 74.9 percent of these payments were to stakeholders in Africa.

These revenues represent our single biggest economic impact and provide a catalyst for economic activity and investment. They create multiplier effects, which maximise the economic value gained from the extraction and sale of diamonds, and support the development of infrastructure and capabilities that will continue to deliver value beyond the life of the resource.

Fig. 4

The role of diamond production in our countries of operation



■ Approximate proportion of GDP that comes from diamond production

Data note: The 2011 world diamond production figures are taken from data published by the Kimberley Process Certification Scheme calculated by value (US$) in 2012. GDP figures are based on publicly available economic data provided by respective governments for the approximate proportion of GDP. Due to a lack of publicly available data sources, we are reporting the same proportions of national GDP that come from diamond production as were reported in last year's Report to Society.

Fig. 5

Payments to stakeholders, 2012 (US$ million)*

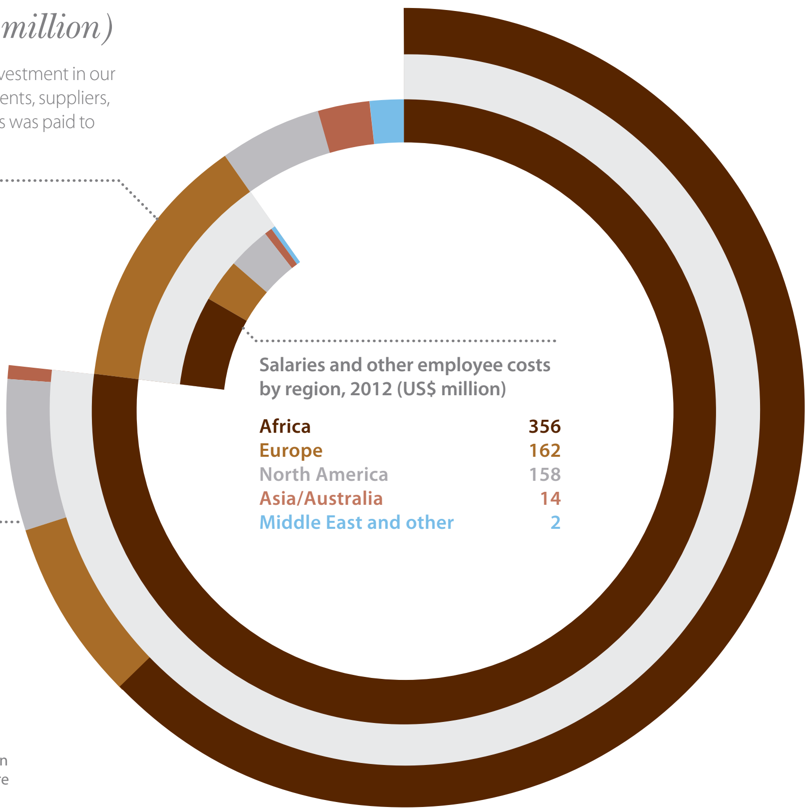
Diamond revenues play a central role in driving economic activity and investment in our countries of production. In 2012, De Beers paid US$5.2 billion to governments, suppliers, employers, shareholders and other finance providers; US$3.9 billion of this was paid to stakeholders in Africa.

Payments to stakeholders, 2012 (US$ million)

Partners, joint ventures and suppliers (payments for diamonds and to suppliers)	4,013
Employees (salaries and other employee costs)	692
Governments (taxation)	275
Finance providers (payments on debt and preference shares)	144
Dividend payments	89

Payments for diamonds and to suppliers by region, 2012 (US$ million)

Africa	3,269
Europe	398
North America	317
Asia/Australia	29
Middle East and other	0



Salaries and other employee costs by region, 2012 (US$ million)

Africa	356
Europe	162
North America	158
Asia/Australia	14
Middle East and other	2

* Data note: This financial information is prepared on a proportionate consolidation basis in accordance with International Finance Reporting Standards. Except where noted, performance is reported on a 100% basis for the group of companies as a whole.

A Kingland-manufactured fuel tank being installed at the Gahcho Kué Project site, Canada.

Local Procurement

Diamond mining involves long-term projects that require large capital investment. However, the life of a diamond mine is finite and its eventual closure is inevitable. We work to maximise the socio-economic benefits delivered during the life of our mines by employing local people, supporting local communities and working with local suppliers. We also conduct long-term planning to minimise the impacts of closure and to support the development of sustainable post-mining economies that will flourish beyond the life of a mine.

In Canada, our commitments in this area are contained in specific agreements with the Goverment of the Northwest Territories for Snap Lake Mine, and Impact Benefit Agreements with First Nations and other Aboriginal communities for both our operations (see p23). In meeting these agreements, at Snap Lake Mine, 22 percent (149) of our employees are Aboriginal, and almost 70 percent of goods and services are procured from Northern businesses.

One such supplier, Kingland Group, is a family-owned business that has been operating in Canada's Northwest Territories for almost 50 years based in Hay River. Kingland Group supplies specialist equipment to mining companies and provides on- and off-site support and maintenance services. Kingland has been providing goods and services to Snap Lake Mine since 2006 and, more recently, the Gahcho Kué Project.

Similar to De Beers, Kingland Group has a long-standing commitment to supporting the Northwest Territories and works to train, recruit, and retain people from the North. Currently, of the 80 mining division employees at Kingland Group, 76 percent are Northern residents and 27 percent are Aboriginal. Since 2006, 14 Northern people have graduated from the mining division apprenticeship program and a further 12 apprentices are currently enlisted.

Our role in supporting economic development varies from country to country, depending on the nature of our operations and the structure of each country's economy (see Fig. 4). In Botswana and Namibia, our mining and sales operations are 50/50 joint ventures with the respective national governments, and diamond mining contributes around 30 percent and 4 percent of GDP respectively. In South Africa, where diamond production contributes less than one percent of GDP, our mining business is a 74/26 partnership with Black Economic Empowerment group, Ponahalo Holdings.

The value of large scale investments

By their nature, mining projects require large-scale and long-term capital investment and, as a result, they attract significant inward investment to host countries. This results in direct economic and fiscal benefits including infrastructure development, provision of local healthcare and education, direct employment and payment of taxes and royalties. Indirect benefits include the development of a supply chain to support mining operations, skills development, indirect employment and community support.

Continuing investment in South Africa

De Beers was founded in South Africa in 1888. During 2012, we continued work to secure our long-term future in the country, progressing with the planning for the project to convert our flagship Venetia Mine in Limpopo province from an open pit to an underground mine. The project was approved in early 2013, and, with a capital investment of US$2 billion, it will extend the life of mine by at least 21 years to beyond 2040[9] and will deliver approximately 96 million carats in approximately 130 million tonnes mined.[10] Over its life, Venetia Mine will create significant direct and indirect economic benefits, along with long-term employment and procurement opportunities (see below). The project will also continue to support the contribution of our beneficiation programme to the development of downstream diamond manufacturing in South Africa.

Since 2005, we have pursued a strategy in South Africa to reshape our mine portfolio to help maximise the value of every carat produced and to be more agile in meeting consumer demand. Diamonds are a finite resource and a loss of economic activity is inevitable once a mine has been exhausted or when maintaining it becomes economically unviable. Rather than close a mine, or leave it dormant within our portfolio, we aim to protect employment and maintain revenue-generation for producer countries by selling to smaller operators with a lower cost base, or those who specialise in generating value from late-life mines. Taking this approach also releases capital to explore for, and develop, new mines, and to maximise the life and revenue-generation of larger or more profitable mid-life mines, such as Venetia.

[9] The current mining rights expire in 2038; Venetia Mine will apply to extend the mining rights at the appropriate time in the future.
[10] This estimate of carats contains Indicated (77 percent) and Inferred (23 percent) Resources. Not all Inferred Resources may be upgraded to reserves, even after additional drilling.

Assessing value creation through investment

In planning for the development of Venetia Mine into an underground operation, we piloted a methodology developed with PWC, to assess the direct and indirect economic benefit the project would make to South Africa and the Limpopo region.

US$2 billion
De Beers approved capital investment in 2013 to turn Venetia Mine into an underground operation.

Life of mine extended by at least **21 years** to beyond 2040.

The project life of mine contains an estimated **96 million carats** in approximately 130 million tonnes mined.

US$19.9 billion
Total expected contribution to the South African economy.

Direct contribution of **US$7.8 billion** directly to the South African economy between 2012 to 2043 (at 2012 prices).

Additional **US$12.1bn** indirect and induced value.

6,625
Jobs supported.

Between 2021 and 2039, it is estimated that the Venetia Underground operation will support **6,625** jobs each year. In addition to the **1,482** employees working for Venetia Underground, a further **5,143** people are expected to be employed elsewhere in the South African economy – the equivalent of **3.5** jobs created for every direct employee.

In line with our strategy, the proposed sale of our Namaqualand operations to EPI, a Black Economically Empowered subsidiary of Trans Hex, was finalised in early 2013 (see p53 and p62). The sale of Namaqualand Mines follows the sale of other late-life mining assets in South Africa, including Cullinan, Kimberley Underground, Koffiefontein, Jagersfontein and Finsch Mines, all of which remain operational under their new ownership.

Securing future production in Botswana and Canada

Progress continued on the US$3 billion Cut-8 extension project at Jwaneng Mine in 2012, with the completion of the infrastructure phase. Cut-8 will extend the life of mine to at least 2025 and will allow access to approximately 95 million carats, worth an estimated US$15 billion, in approximately 80 million tonnes mined.[11]

In Canada, permitting is at an advanced stage for the Gahcho Kué Project. The joint venture 51 percent De Beers : 49 percent Mountain Province Diamonds involves an initial investment of US$600 million and the proposed mine has a life of 11 years, delivering an estimated 48 million carats in approximately 31 million tonnes mined.[12]

Value creation beyond mining

In 2011, we announced a 10-year Sales Agreement between De Beers and the Goverment of the Republic of Botswana for the sorting, valuing and sale of Debswana's diamond production. For De Beers, the Agreement secures long-term and uninterrupted access to the largest supply of diamonds in the world. For Botswana, it preserves and enhances the highly successful route to market provided by De Beers.

The Agreement includes the relocation of our London-based sales operations, a process that began in 2012 and will be completed by the end of 2013. The relocation will create the world's largest rough diamond sales operation in Gaborone, which will aggregate production from De Beers' wholly owned and joint venture operations worldwide, and continue to sell to both international and local Sightholders.

This unprecedented geographic shift in the sale of rough diamonds will strengthen the foundations for the diamond trading, cutting and polishing, and jewellery manufacturing industries across the southern African region.

Governance and revenue transparency

Good governance and revenue transparency support government efforts to translate the value created by our mining operations into lasting benefits. The clear correlation between good governance, local benefit and operational stability, not only drives De Beers' approach to partnership, but also informs our direct engagement with relevant public policy issues.

Political donations

The Group of Companies does not participate in party politics. 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, and are fully disclosed in the Risk, Assurance and Compliance Supplement. No political donations were made in 2012.

Payments to governments

In 2012, we paid US$1.40 billion (2011: US$1.7 billion) to governments in royalties, taxes and charges. Of these payments, 85 percent (US$1.18 billion) were made to host governments in Africa alone (2011: 89.6 percent, US$1.5 billion) (see Fig 6). Further indirect tax benefits are generated through payments made by our shareholders, suppliers, contractors and business partners in the diamond value chain.

Tax revenues generated from our activities form an important element of our economic contribution to the communities and countries in which we operate and this understanding is reflected in our approach to our tax affairs.

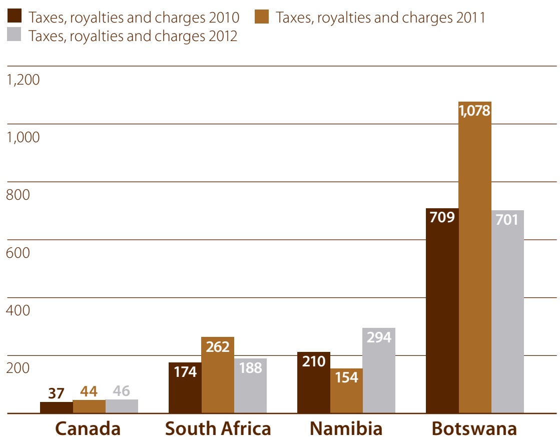
The mining industry operates in an increasingly financially constrained world. Mining is a high risk, long-term business, and the capital investment and commitment we make to host countries reflects this. Governments also recognise that their countries exist in this globally competitive environment and are competing for new and continuing long-term investment. There is a need to balance the risks and rewards of responsible investment and the development of non-renewable resources. For industry this means balancing high-risk long-term capital investment with likely future returns. For government it means balancing the need to raise tax revenues with a competitive, attractive tax regime and other objectives such as employment and poverty alleviation.

Extractive Industries Transparency Initiative

Striking this balance relies on the capacity of governments to administer their tax regime, and ensure strong governance once those revenues have been collected. There are a number of different initiatives aimed at building capacity, governance and transparency such as the Extractive Industry Transparency Initiative (EITI). De Beers has supported the EITI since its inception, participating in the inaugural meeting in 2003.

Fig. 6

Total revenue contributions to host governments by De Beers business entities (100% basis), 2010-2012 (US$million)



Data note: This financial information is prepared on a proportionate consolidation basis in accordance with International Finance Reporting Standards. Except where noted, performance is reported on a 100% basis for the group of companies as a whole.

[11] This estimate of carats contains Indicated (24%) and Inferred (76%) Resources. Not all Inferred Resources may be upgraded to reserves, even after additional drilling. Further details appear in the 2012 Anglo American Annual Report.
[12] Details appear in the 2012 Anglo American Annual Report.

Success of beneficiation

Beneficiation is the process of working with producer governments to ensure that, beyond mining, they have opportunities to participate in the diamond value chain and stimulate economic growth. Our beneficiation strategy enables more local citizens to add value to, and derive value from, their precious natural resource. This not only creates greater short-term economic value from producer countries' diamond resources, it also helps to develop sustainable post-mining economies both within and outside the diamond sector.

Supporting beneficiation

We sell and distribute the majority of our rough diamonds to independent customers, known as 'Sightholders', through three-year contracts. Although we have supported beneficiation for several decades, we formalised our approach in 2006/2007 by establishing De Beers sales operations in South Africa, Botswana and Namibia to supply rough diamonds directly to local Sightholders for cutting and polishing.

In Botswana and Namibia, the beneficiation programme is delivered thought DTC Botswana and Namibia DTC respectively, both 50/50 joint ventures with the governments of those countries. In 2012, these organisations appointed 21 and 13 local Sightholders respectively for the 2012/15 contract period.

In South Africa and Canada, we manage beneficiation programmes directly. In South Africa, we have committed to supply 10 Sightholders for the 2012/15 contract period and make rough diamonds available to local manufacturers through the State Diamond Trader. In Canada, we have appointed two Sightholders.

Beneficiation in 2012

In 2012, in excess of US$1.14 billion of rough diamonds were sold to Sightholders in producer countries, out of a total of US$5.50 billion of rough diamond sales (2011: US$1.30 billion from total sales of US$6.47 billion).

These sales promote in-country wealth creation and skills development by supporting the successful establishment of downstream diamond-related activities, especially in southern Africa. These include dedicated training programmes delivered by Sightholders in their factories and employee succession planning and mentoring initiatives that enable citizen employees to move into highly specialised and technically advanced roles. This reduces their reliance on expatriate workers in factories.

Together with our local Sightholders, we continue to support the Shining Light Diamond Design Awards in southern Africa to encourage and showcase emerging jewellery designers in producer countries. In excess of 800 designs were submitted by students from colleges and design schools across southern Africa for the 2012/13 collection.

www.shininglightawards.co.za

Exceeding requirements

De Beers is the industry leader in beneficiation and we are committed to delivering value in countries where we operate. For example, in South Africa, De Beers consistently meets and exceeds the requirement to sell 40 percent of production by value locally. This is in addition to offering 10 percent of production by value to the State Diamond Trader. Although we have rationalised our South African mining operations in recent years (see p20), all new production will be sold in similar proportions within South Africa. An example is the Venetia Mine underground project, which will provide 96 million carats in approximately 130 million tonnes mined over a 21-year extended life of mine[13] and therefore provide significant ongoing opportunities for beneficiation.

Since 2007, we have sold over US$6.4 billion in rough diamonds to Sightholders in producer countries.

Creating an international diamond centre in southern Africa

In 2013, we will complete the relocation of De Beers' London-based rough diamond sales activity, (including professionals, skills, equipment and technology) to Gaborone as part of the 10-year Sales Agreement with the Goverment of the Republic of Botswana (see p41).

The relocation provides a significant step toward creating a world-leading diamond centre in Botswana that will benefit the whole southern Africa region. We see this as an appropriate development befitting southern Africa's position as the world's leading diamond producing region, with a 43 percent share of global production, by value.

In beneficiation terms, the relocation will create citizen employment opportunities and pave the way for increased investment and skills development in the region, while also providing further economic diversification.

Ripple effect

As well as maximising the value derived from diamond assets, beneficiation has been shown to stimulate inward investment in producer countries from international businesses involved in diamond and other support industries.

This is illustrated by the developing service economy for the diamond industry in southern Africa linked to our relocation to Botswana. Diamond laser cutting companies, specialised transport service providers and funding banks, such as the State Bank of India and ABN Amro, among others, have all established businesses in the region since 2007.

Beneficiation and Sightholders

In 2012, Sightholders faced a difficult economic environment due to a weaker diamond industry. This was particularly marked for Sightholders operating in our producer countries which generally have higher labour costs, and a longer manufacturing pipeline, than the main manufacturing centres in India and China.

A sustainable platform for continued growth of the diamond sector in producer countries requires commitment from all stakeholders. This includes producers providing access to a consistent and economically viable supply of rough diamonds, governments establishing relevant legislation and positively influencing the operating environment, and diamond businesses taking a long-term view in order to overcome initial investment costs. The growth in local Sightholders and diamond-related employment in recent years supports the view that, with the right approach, beneficiation is sustainable.

[13] Details appear in the 2012 Anglo American Annual Report.

Driving local growth, diversification and capacity building

In addition to the revenues generated by our mining operations, we contribute to producer country economies through:

- Direct employment and employment of local contractors;
- Preferential procurement from local and historically disadvantaged groups;
- Enterprise development and social investment.

These activities present a compelling value proposition to governments by helping to develop skills, businesses and infrastructure that can extend beyond the life of a mine.

Employment

At the end of 2012, the Group of Companies (excluding De Beers Diamond Jewellers and contractors) employed 15,739 personnel worldwide in our mining and sales operations (2011: 12,124). Just over 81.2 percent were based in Africa (2011: 10,531, 86.9 percent). Employee salaries and other costs, including social security, health care and pension contributions, grew to US$692 million in 2012 (2011: US$624 million).

Preferential procurement

Preferential procurement, including from indigenous or historically disadvantaged groups, continues to play a key role in our approach to economic development and economic diversification in host countries. In 2012, approximately US$1.14 billion was allocated to preferential procurement in southern Africa and Canada (2011: US$960 million).

Enterprise development

We operate investment funds to promote enterprise development in Botswana, Namibia and South Africa, through Peo Venture Capital, the Namdeb Foundation, and the De Beers Fund/De Beers Zimele, respectively. Generally focused on mining communities and labour-sending areas, these funds contribute to employment, economic diversification and the creation of alternative post-mining livelihoods through small business seed funding and the provision of business advice and mentoring.

At the end of 2012, De Beers Zimele had invested a total of US$4.22 million to support 139 enterprises in South Africa creating 1,240 jobs. In Botswana, Peo Venture Capital had invested US$4.74 million in 60 enterprises creating 1,362 jobs.

A light vehicle maintenance workshop, Orapa Mine, Botswana.

Partnerships for development

We believe that the most effective model for generating shared economic, social, and environmental benefit from natural resource development is one based on partnerships. From our ownership structure and business model, to how we work with local communities and other stakeholders, partnerships are at the heart of our approach to sustainable development.

US$4 in US$5

In Botswana US$4 out of every US$5 generated from our activities goes into public revenues, supporting state development programmes

US$1bn

In 2012, approximately US$1 billion was allocated to preferential procurement from Indigenous or historically disadvantaged groups in southern Africa and Canada

US$3.9bn

In 2012, US$3.9 billion (74.9%) was paid to governments, suppliers, employees, shareholders and other finance providers in Africa

Our business model

De Beers works in partnership with the communities in which we operate, and in particular with the governments of Botswana and Namibia

Harnessing core business

Through harnessing our core business activities, from local employment and procurement, to selling diamonds to domestic Sightholders to support the development of local diamond manufacturing industries as part of our beneficiation programme, we aim to catalyse sustainable socio-economic benefit that will last long after our mining operations cease

US$1.1bn

In 2012, in excess of US$1.1 billion worth of rough diamonds was sold to local Sightholders for domestic production, out of a total of US$5.5 billion of rough diamond sales

81.2%

De Beers directly employed 15,739 people in 2012, 81.2% of whom were based in Africa

2013

We will migrate our international diamond sales activities from London to Gaborone in Botswana during 2013. This will help to establish southern Africa as a world-leading centre in the sorting and sale of rough diamonds

Maximising socio-economic benefit

Through infrastructure, health, education, and economic development programmes, we aim to maximise socio-economic benefit and support sustainable post-mining local economies. These programmes are developed in consultation with communities, with aligned government development priorities, and often delivered in partnership with other stakeholders

US$11.8m

Between 2007 and 2012, we spent US$11.8 million on social projects under formal Social and Labour Plans in South Africa

US$5.3m

In 2012, we invested US$5.3 million in community programmes as part of Impact Benefit Agreements with First Nation and Aboriginal communities at our Canadian operations

139

De Beers Zimele, our enterprise development fund in South Africa, has supported 139 enterprises within our mining communities, investing a total of US$4.2 million and creating 1,240 jobs

Addressing sustainability challenges

We seek out partnerships with industry, civil society and inter-governmental organisations to help us better understand sustainability challenges, and to collectively develop effective solutions

EITI

We have supported the Extractives Industry Transparency Initiative, which promotes transparency in payments made by extractives companies and received by host governments, since its launch in 2003

336,292

In 2012, the Best Practice Principles Assurance Programme, our bespoke ethical compliance programme, covered 336,292 people working in the diamond industry

UN

We are members of the UN Global Compact and the CEO Water Mandate – initiatives that help to guide our approach to environment, labour standards, human rights and anti-corruption

WWF

We work in partnership with WWF on sustainable water management in the Limpopo river basin in South Africa

PROTECTING THE INTEGRITY OF DIAMONDS

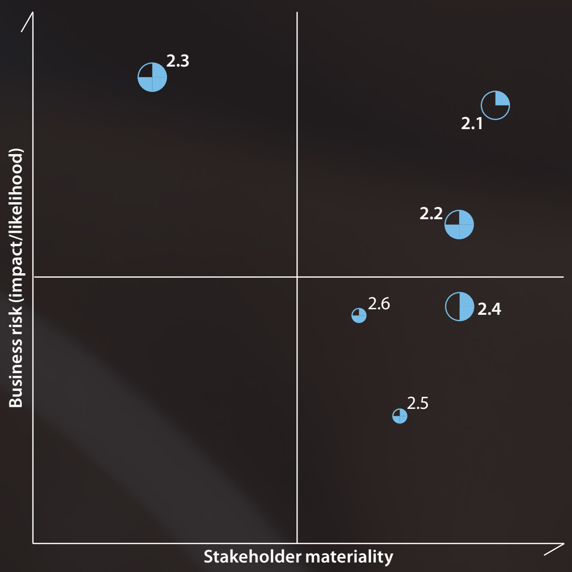
High quality marine diamonds recovered from the seabed by Debmarine Namibia.

Ethics

Ethical integrity underpins the financial and emotional value of a diamond, creating what we call diamond equity. We invest in building diamond equity as it protects our reputation, our markets and the long-term value that diamonds can deliver for development.

Risks

In this section we report on our approach to key ethical risks identified for 2012 through our risk materiality process (see p14–15) and displayed on the matrix below.



2.1 Kimberley Process and System of Warranties credibility
2.2 Anti-corruption
2.3 Illicit trade and diamond security
2.4 Maintaining pipeline and sector standards
2.5 Legal compliance, e.g. competition law
2.6 Human rights

◕ Long term
◑ Medium term
◔ Short term
⬤ Risks explored in 2012 Report to Society
● Risks

A full description of each of these risks is provided in the 2012 Assurance, Risk and Compliance Supplement.

As the world's leading diamond company, we view upholding high ethical standards, and requiring the same from those who we do business with, as fundamental to the success of our business. Through maintaining the confidence of consumers in the ethical integrity of diamonds – a discretionary, luxury product – we protect and grow our business. The conduct of our employees, the robustness of our compliance systems, and our commitment to transparency also work to maintain stakeholder confidence in our company.

We have well-established processes and management systems to combat corruption and the illicit diamond trade, and to ensure that we conduct our business in compliance with all laws, including those on fair competition, taxation and anti-money laundering.

Key to ensuring that the journey a diamond takes from mine to finger meets the highest ethical standards, is our mandatory third-party assured, code of ethical business conduct – the Best Practice Principles Assurance Programme (BPPs). The BPPs apply not only to all De Beers companies, but also to our customers and diamond-related supply chain. The BPPs ensure that our business practices and those of our customers and suppliers support the human rights of workers and protect communities and the environment throughout the diamond value chain.

To promote consumer confidence in diamonds more broadly, we work in partnership to promote the highest ethical standards across the industry. Through the Kimberley Process Certification Scheme and the Responsible Jewellery Council, we collectively provide assurance on the provenance of diamonds, whilst the Extractive Industries Transparency Initiative, which we have supported since its inception, aims to facilitate the responsible distribution of the revenues from diamonds and other natural resources.

Ethics Highlights

Compliance with the Kimberley Process

→

100%

of De Beers diamonds are certified as conflict-free and sold in compliance with the Kimberley Process

page 28

Anti-corruption performance

→

Zero

No significant incidents of corruption identified in 2012

page 30

Best Practice Principles coverage

↘

336,292

diamond industry employees worldwide are covered by the Best Practice Principles Assurance Programme (2011: 357,455)

page 32

Kimberley Process and System of Warranties credibility

The Kimberley Process Certification Scheme exists to eliminate conflict diamonds from the legitimate diamond supply chain. The United Nations defines conflict diamonds as "rough diamonds which are used by rebel movements to finance their military activities, including attempts to undermine or overthrow legitimate governments".[14]

We have been actively involved in the Kimberley Process since it was established in 2000, and implemented in 2003. The success of the Scheme is critical to the reputation and sustainability of the diamond industry. Following a number of challenging years, the Kimberley Process ended 2012 in a more stable position with a number of key issues addressed, and momentum behind its reform.

Providing assurance from export to point of sale

The Kimberley Process requires rough diamonds to be sealed in tamper-resistant containers and to be accompanied by forgery-resistant certificates with unique serial numbers each time they cross an international border. The Kimberley Process is enshrined in the legislation of the 80 participating countries (including the 27 member states of the European Union, represented by the European Commission). As a result of the Kimberley Process, the World Diamond Council estimates that, today, less than one percent of the global supply of rough diamonds originates from areas of conflict.

To support the implementation of the Kimberley Process, the diamond industry developed the 'System of Warranties'. This requires companies to ensure that all invoices for rough or polished diamonds, and diamond jewellery, include a written guarantee that the diamonds invoiced are conflict-free. Records of all warranty invoices given and received must be kept and externally audited on an annual basis.

Supporting the Kimberley Process

All De Beers diamonds are certified conflict-free and are mined and sold in full compliance with national and international law, the Kimberley Process and our Best Practice Principles Assurance Programme (BPPs) (see p32). Our 2012 audit processes confirmed 100 percent compliance with the Kimberley Process.[15] Compliance with both the Kimberley Process and the BPPs is also a core component of Forevermark, our proprietary diamond brand, which provides consumers with a higher level of assurance regarding the ethical provenance of their diamonds (see p32).

We remain deeply committed to the Kimberley Process and strongly support evolutionary reform. In the decade since the Kimberley Process was established, much has changed in the diamond industry. For a number of years, we have been calling for reform to ensure the Kimberley Process remains relevant as the industry evolves. With South Africa and China as chair and vice-chair respectively in 2013, we see a good opportunity to renew the mandate of the Kimberley Process to make it mutually beneficial to producers, mining communities and consumers alike.

Year in review

Although some challenges remain, such as the ongoing conflict in Côte d'Ivoire and Venezuela's continued non-compliance with the Kimberley Process, there were a number of positive developments in 2012.

At the November Kimberley Process Plenary meeting it was agreed that Zimbabwe had met all demands made in 2011 regarding the Marange diamond fields. As a result, the special measures established in 2009, which included regular monitoring of Marange operations and the country's procedures, have been lifted. Zimbabwe has since been admitted as a member of a number of Kimberley Process working groups and committees.

An administrative support function for the Chair was also established during the year. Known as the Administrative Support Mechanism and hosted by the World Diamond Council, it will improve the recording, flow and transparency of information relating to the Kimberley Process. During 2012, 49 annual reports representing 75 countries were successfully submitted.

A growing alliance of African NGOs took part in the civil society coalition in 2012. This is a positive development that should be encouraged particularly since the withdrawal of Global Witness from the coalition in 2011.

Looking ahead

Although progress with reform of the Kimberley Process is slower than some would like, the 2012 plenary meeting confirmed that the Adhoc Committee on Reform, set up in November 2011 and chaired by Botswana, would continue consultations throughout 2013 to develop recommendations for reform. The revision of the definition of conflict diamonds was also carried over to 2013.

[14] UN Resolution 55/66, 2000, http://daccess-dds-ny.un.org
[15] For more detail on our compliance with the Kimberley Process see p13 of the 2012 Assurance, Risk and Compliance Supplement (www.debeersgroup.com)

Working to eliminate conflict diamonds from the legitimate supply chain

We engage with stakeholders at multiple levels of our business, every day, on sustainability issues (see p13). Our support for the Kimberley Process guided a range of engagements in 2012.

Internal
All De Beers diamonds were certified conflict-free, with external auditors confirming 100 percent compliance with the Kimberley Process.

Industry
More than 3,000 business entities in the diamond sector, operating in more than 60 countries, participated in the De Beers Best Practice Principles Assurance Programme (see p32). No instances of non-compliance with the Kimberley Process were identified through this independently verified programme.

Regional/National
In addition to liaising with customs departments of producer partner governments for certification of De Beers' production, De Beers supported constructive dialogue between governments on the Kimberley Process.

Global
Through its membership of the World Diamond Council, De Beers engaged with the 80 member governments and civil society representatives involved in the Kimberley Process at both the annual Plenary and Intersessional meetings.

"DDI promotes fair returns for artisanal miners and aims to ensure that diamonds produce decent incomes for hundreds of thousands of families, ending unsafe, unhealthy and badly-paid work."

Dorothée Gizenga
Executive Director, Diamond Development Initiative International

Tamper-resistant boxes containing diamonds prepared for export, De Beers, London.

Raising industry standards

As the world's leading diamond company, De Beers works to raise standards across the diamond mining industry. In these efforts we aim to both protect the reputation and sustainability of the sector, and to help address sustainable development challenges in the communities and societies of which we are a part. Artisanal diamond mining is one such challenge.

Between 10 and 15 percent of the world's gem diamonds come from artisanal mining. In Africa, there are around one million people working in the artisanal diamond sector. These artisanal miners and their families live and work in poverty, outside the formal economy, often in countries recovering from civil war. Recognising this challenge, the Diamond Development Initiative was founded in 2005 by De Beers and civil society organisations, including Partnership Africa Canada and Global Witness.

The Diamond Development Initiative aims to address the political, social and economic challenges facing the artisanal diamond mining sector, and optimise the development impact of artisanal mining for miners and their communities. Today, the Diamond Development Initiative works alongside the United Nations, the World Bank, USAID, the OECD and the Kimberley Process and is recognised as being at the leading edge of knowledge and improvements in the artisanal sector. De Beers continues to be an active member, and directly contributes to the Initiative's activities and projects.

Formalising the artisanal diamond sector, and supporting access to global markets for artisanal miners, is central to its work. Focus areas include projects to register miners in central Africa, and to track diamonds from production to export with a system that meets Kimberley Process standards. Another key workstream is piloting the Development Diamond Standards, an ethical certification system that can be independently verified and promotes fair returns and improved standards for artisanal miners.

www.ddiglobal.org

Anti-corruption

Corruption is recognised as a complex political and business challenge, and it significantly hinders the development prospects of countries where it is prevalent. It undermines good governance and the rule of law, distorts fair competition, and has a damaging economic and social impact.

We have zero tolerance for all forms of corruption (including 'facilitation' payments) by individuals and businesses acting on our behalf. It is in our interests, and those of our partner governments, to maintain robust systems and procedures to identify, manage and minimise the risk of corruption throughout our operations. This includes training employees most at risk of exposure to corruption on how to deal with and combat corruption, and providing whistleblowing channels where they can confidentially disclose potentially corrupt activity.

Managing corruption risk

Our approach to tackling corruption is outlined in our Group Anti-Corruption Policy, which was last updated in 2011. Throughout 2012, we continued to review our management of corruption risk across the Group of Companies in light of our revised policy and associated risk assessments that have been conducted across the organisation.

To support the effective management of corruption risk, we develop guidance materials and requirements linked to key areas of the policy. In 2012, we developed these materials for two specific risk areas – 'third party risk assessment and due diligence' and 'charitable contributions and sponsorships' – although implementation has been delayed in anticipation of alignment with Anglo American's Business Principles and Business Integrity Policy. Work on alignment will continue in 2013 (see p11).

Performance

No significant incidents of corruption were identified during 2012. No significant fines or non-monetary sanctions were imposed on the Group of Companies in relation to non-compliance with anti-corruption legislation and regulations.

Whistleblowing

Employees and other stakeholders are encouraged to report any activity that they believe is, or may be, unsafe, unethical, illegal or otherwise contrary to our Values and Principles, Anti-Corruption policy, and other related policies.

We recognise the importance of providing an environment in which our employees and business partners have the confidence to alert us to these types of activity. Our Whistleblowing Policy details the conduct or behaviour that employees and others have a duty to report and our whistleblowing facility provides a range of options for them to contact the Group of Companies confidentially (see inside back cover of this report).

Performance

We do not tolerate unethical or illegal behaviour from our employees or contractors, and will dismiss individuals who act improperly, illegally or in breach of our anti-corruption requirements.

As a result of whistleblowing reports and internal investigations we investigated 259 alleged illegalities and/or breaches of our policies by employees and contractors at our operations by employees and contractors in 2012 (2011: 352), resulting in 70 dismissals (2011: 62). These figures include all allegations, irrespective of severity, and they mainly relate to theft and fraud.

Stakeholder question:

Bribery is not the only form of corruption. How does De Beers understand the risks from corruption, and what is it doing to tackle them?

We understand corruption to be one of the biggest barriers to sustainable development, as it undermines good governance and suppresses and distorts economic activity.

We recognise that corruption takes many forms, and reflect this in our Anti-Corruption Policy, which covers fraud and extortion payments; gifts; entertainment (hospitality) and expenses; the conduct of third parties; interaction with government officials and lobbying; charitable contributions and sponsorships; political donations; use of company assets; conflict of interest; and mergers, acquisitions and joint ventures. We take a zero-tolerance approach to all forms of corruption by individuals and businesses acting on our behalf, and do not make any political donations. Training is provided on the policy, along with channels through which individuals can confidentially disclose potentially corrupt activity.

Coloured diamonds, typical of Debmarine Namibia's high-quality offshore production.

Illicit trade and diamond security

Diamond theft and illicit trade continue to be risk areas for our business, and the diamond industry as a whole. The theft of rough diamonds from our operations, and their subsequent entry into the illicit trade, can affect our financial performance, the welfare of our employees, our reputation and longer-term diamond equity. The involvement of criminal syndicates in the illicit diamond trade also exposes our employees to coercion and heightened risk.

The illicit trade also deprives people of employment opportunities and governments and communities of important diamond revenues that would otherwise support development in the countries where we operate.

A significant risk

Research over the last decade suggests that collectively, countries involved in the production of diamonds could be losing hundreds of millions of US dollars a year to the theft and illicit trade in diamonds.

As the world's leading diamond company this poses a direct and tangible risk to our operations. Similarly, with 12 percent of the world's diamonds by value coming from southern Africa, the illicit diamond trade is significant in some of our key producer countries and undermines the development potential of diamonds (see p34–35).

Managing the risk

Our Global Security Strategy manages the risk posed to our business by the illicit diamond trade. The best way to stop diamonds entering the illicit trade is to prevent theft at source. Risk assessments at our operations are focused on identifying vulnerabilities within our processing and security systems.

Our Loss Prevention Programme, which covers both malicious and non-malicious diamond loss, aims to improve management skills and technology, empower individuals, and collaborate with industry and law enforcement agencies to tackle the challenge of diamond loss. As our employees come into contact with diamonds at a number of production stages, we focus on 'protection at exposure' by removing opportunities for theft due to operational failures that result from poor decisions or poor process management.

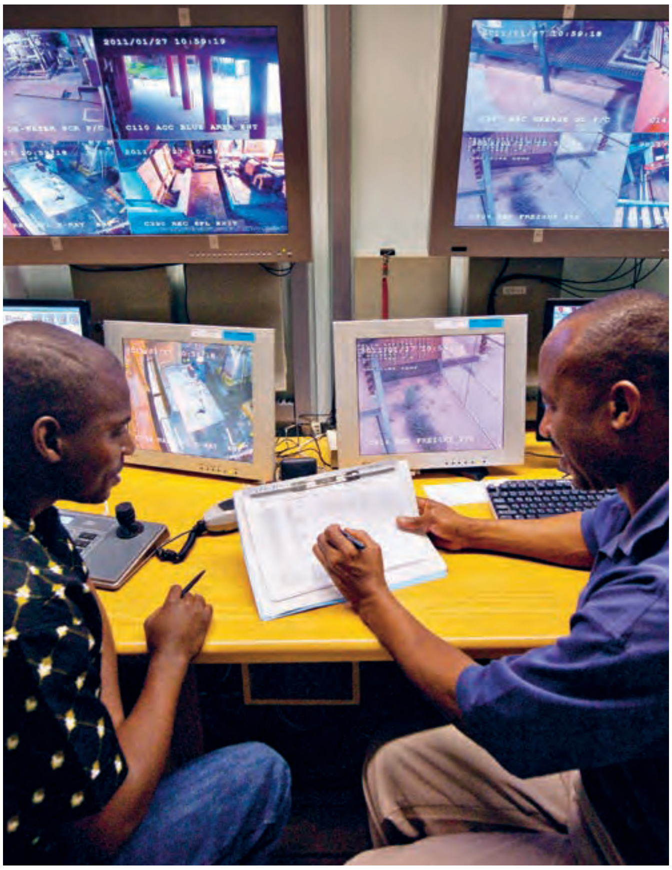
Our collaborative approach aims to establish a strong security culture within our operations, internalise the approach toward security and sustain the highest levels of performance within our security function.

We monitor our progress in preventative security measures, and identify areas for improvement, through our annual security effectiveness audits. Performance has improved dramatically since our review of diamond security in 2010 and the launch of our three-year Global Security Strategy. In the first two years of implementing the strategy we achieved a 46 percent improvement measured against the standards of our Diamond Control Maturity Model, which sets out the requirements for creating resilient systems and performance for diamond control.

Setting standards

We recognise that there are intrinsic security risks associated with each stage in the diamond value chain. To minimise these risks, we have developed specific Security Standards and core competencies. These establish minimum requirements for security and loss prevention and act to safeguard against those with malicious intent having an impact on our business.

The Security Standards provide clarity and ensure consistent security and loss prevention practices. They also help to develop a strong preventative security culture in which people, diamonds and the reputation of the company are protected in a consistent, intelligent and ethical manner.



Security operations at the Venetia Mine surveillance centre, South Africa.

Engaging our employees

We use regular awareness campaigns to influence employees' behaviour. There is a direct correlation between employee awareness and calls to our whistleblowing hotline (see inside back cover), which can provide information and leads on potential diamond security risks.

As well as influencing employee behaviour, we also use a comprehensive security vetting process for all new and current employees. The level of vetting is tailored to the risk profile of the role, and we have a specific policy for employees in high-risk areas to gain security clearance every two years.

Collaboration with others

Externally, we work in partnership with police agencies and across industry to tackle the illicit trade. We hold international and country-specific conferences that bring together experts on the subject and have provided training to diamond branches and other specialist units of local police forces. Our local security departments also work with local communities around our operations, raising awareness of the illicit diamond trade and the negative impacts of diamonds leaving the legitimate supply chain.

Maintaining pipeline and sector standards

It is in the long-term interests of De Beers, and the diamond industry as a whole, to meet consumer and stakeholder expectations relating to social, environmental and ethical standards across the diamond pipeline. We work toward meeting these expectations through research and technology development to detect synthetic and treated diamonds, and through our Business Principles, policies and standards, and the Best Practice Principles Assurance Programme (BPPs).

We developed the BPPs as a continually evolving standard to drive good practice through the diamond pipeline, and to ensure that consumers buying diamond jewellery can rely on the professional, ethical and technical standards of the gem diamond industry. The BPPs protect against unacceptable business, social and environmental practices in the diamond supply chain. They cover all De Beers' operations and, since 2005, those of our customers, known as Sightholders, as well as substantial diamond contractors. They are based on local and international legislation and meet or exceed industry 'best practice' benchmarks.

An independently assured programme

External verification ensures that all Sightholders and substantial contractors conform to the BPPs. These organisations submit annual self-assessment workbooks outlining their performance against the BPP requirements.

In addition, our Internal Audit team assesses De Beers' performance against the BPPs each year. An independent third party verifier – Société Générale de Surveillance (SGS) –undertakes an annual desktop verification of a randomly selected sample of one-third of the workbooks submitted and conducts on-site audits of a sample of our operations, Sightholders and substantial contractors.[16] On average, 10 percent of all Sightholders' business entities (subsidiaries, facilities, etc.) receive an on-site BPP audit each year. In 2012, this equated to around 114 visits (2011: 145).

A unique approach

Unlike other pipeline compliance programmes, the BPPs focus primarily on our Sightholders rather than on suppliers, as well as being applied across our own operations. In addition, the BBPs cover all diamond-related activities and business entities within a Sightholder's group, including those not directly involved with De Beers' diamonds.

Compliance is a mandatory contractual obligation for Sightholders and their substantial diamond-related contractors. Substantial contractors are defined as those that derive 75 percent or more of their revenue from a Sightholder or De Beers. Non-substantial contractors, those that fall below the 75 percent mark, are required to sign a declaration of integrity stating that they are free of any material breaches of the BPP standards.

Broadening the scope

In conjunction with the new three-year Sightholder contract period, which began in March 2012, we have broadened the scope of the BPPs to cover more diamond industry contractors where we believe there is a higher risk of finding standards that do not meet BPP requirements. We see this as an opportunity to raise awareness, be more inclusive and spread good practice further across the diamond industry.

The broadened scope now includes non-substantial contractors that are used by four or more Sightholders, as well as those where there is reported external or media interest due to alleged unethical behaviour.

The Forevermark inscription, unique to each Forevermark diamond.

Launched in 2008, Forevermark, De Beers Group's proprietary diamond brand, provides consumers with assurance of the superior quality and provenance of Forevermark diamonds.

Each Forevermark diamond is inscribed with the Forevermark icon and a unique identification number as proof of the brand promise that it is beautiful, rare and responsibly sourced. The inscription is made using advanced technology, developed by De Beers Group. Invisible to the naked eye, it can only be seen using a special viewer in authorised Forevermark Jewellers.

To provide assurance to consumers that Forevermark diamonds have been mined, cut and polished under conditions that meet the highest standards of ethical, social and environmental performance, De Beers Group developed the Forevermark Pipeline Integrity Standard – a ground-breaking set of responsible sourcing standards. Written in conjunction with the British Standards Institution, the Forevermark Pipeline Integrity Standard incorporates and builds on the Kimberley Process Certification Scheme and the De Beers Best Practice Principles to form the world's largest Track & Trace system for diamonds. The compliance of every Forevermark Diamond partner with this Standard is independently verified.

www.forevermark.com

[16] Figure includes Sightholders and their contractors, De Beers Group of Companies and its contractors, and excludes De Beers Diamond Jewellers, which has been certified by the Responsible Jewellery Council.

A diamond sorting operation in a Sightholder factory, Surat, India.

Virtual contractors

The changes also include a new set of contractors, known as 'virtual contractors.' These are businesses that carry out work, usually cutting and polishing, on behalf of a Sightholder under a 'buy-back' agreement. So, although a 'virtual contractor' buys and owns the rough diamonds while working on them, there is a written or oral contract for the Sightholder to re-purchase the equivalent value or volume of polished diamonds.

Previously, this arrangement would have fallen outside the scope of the BPPs, as the 'virtual contractor' would be classed as a customer of the Sightholder rather than a contractor. As with standard contractors, 'virtual contractors' that derive more than 75 percent of their revenue from a Sightholder are now required to be part of the BPP programme.

The scope, scale and frequency of the verification programme mean that, in 2012, the BPPs covered 336,292* people, globally, who work in the diamond industry (2011: 357,455).

Performance

All major infringements of the BPPs by Sightholder entities found in 2011 were rectified during 2012 following corrective action procedures. In 2012, although new requirements around multiple and virtual contractors have been included into the standards, there was a reduction in the total number of Sightholder infringements (see Table 1) as a result of the implementation of policies and procedures launched in the 2011 cycle. Sightholders had 193 infringements (2011: 268), 19 of which were classified as major (2011: 44). During the same audit cycle, De Beers had five infringements (2011: 16), none of which were classified as major (2011: six). 69 workbooks were submitted to SGS, 23 of which were reviewed in detail, with six site visits. No material breaches of the BPPs were identified in the 2012 audit cycle. The four major infringements identified in the 2011 cycle have been fully addressed and closed.

Supporting industry standards

We are a founding member of the Responsible Jewellery Council (RJC), a not-for-profit membership organisation that certifies the ethical standards of its members to reinforce confidence across the diamond and gold jewellery supply chain. In 2012, we received certification of the RJC Code of Practices through a combined RJC and BPP audit process. We are the largest mining company, and the first diamond mining company, to achieve certification to date. To ensure the independence of the RJC audit process, a different SGS audit team was used to the one that conducts BPP verification audits of De Beers and Sightholders.

Table 1

BPP infringements by Sightholders, 2010–2012

	2010	2011	2012
Business	17	54	13
Social	118	190	173
Environment	0	24	7
Total	**135**	**268**	**193**

We have worked closely with the RJC to align the BPP Programme with the RJC Code of Practices. This enables Sightholders to avoid duplication of effort in complying with the two similar Codes. In 2012, Sightholders that were also members of the RJC were offered the opportunity to be assessed for RJC certification through the BPP programme.

While the RJC certificate is valid for three years, we will continue to follow the full BPP Programme internally on an annual basis in order to ensure the highest standards are maintained and to cover areas that are not addressed by the RJC certification, such as contractors. The RJC website publishes a list of certified members at:

www.responsiblejewellery.com

Responsible Jewellery Council

*Data note: Figure includes Sightholders and their contractors, De Beers Group of Companies and its contractors, and excludes De Beers Diamond Jewellers, which is certified by the Responsible Jewellery Council.

Stolen value

The implications of diamond theft and the illicit diamond trade go far beyond the financial value of stolen diamonds. It puts our employees, and the communities around our operations at risk, and undermines sustainable development. We work in close partnership with the industry, producer governments, communities and law enforcement agencies to tackle the illicit diamond trade.

An illustration of how diamond theft...

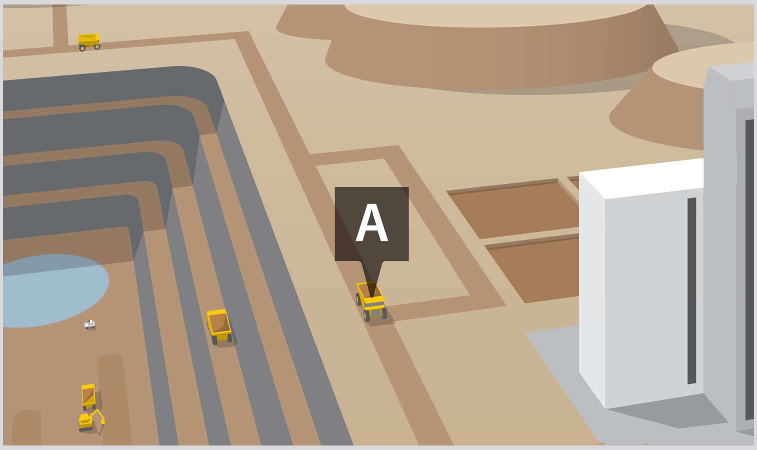
Research suggests that, collectively, countries producing diamonds could be losing hundreds of millions of US dollars a year to theft and the illicit trade in diamonds.

While diamond theft has the potential to affect the financial performance of diamond mining companies, it also deprives governments, communities, and employees of important diamond revenues that would otherwise support development in diamond-producing countries.

In late 2012, **US$2.3 million** of polished diamonds were recovered at Oliver Tambo Airport in Johannesburg, destined for Dubai. No direct link has been made between these illicit diamonds and De Beers operations. However, the case provides a powerful illustration of how the equivalent stolen value could have been used by stakeholders who may be impacted by diamond theft.

...impacts the bottom line...

For diamond mining operations, diamond theft impacts their ability to mine efficiently, cost-effectively and profitably, while the illicit diamond trade puts employees at risk of coercion by criminal syndicates.



US$2.3 million would cover the cost of approximately:

A 69 tyres for the giant haul trucks used in open pit operations

Tackling the illicit diamond trade

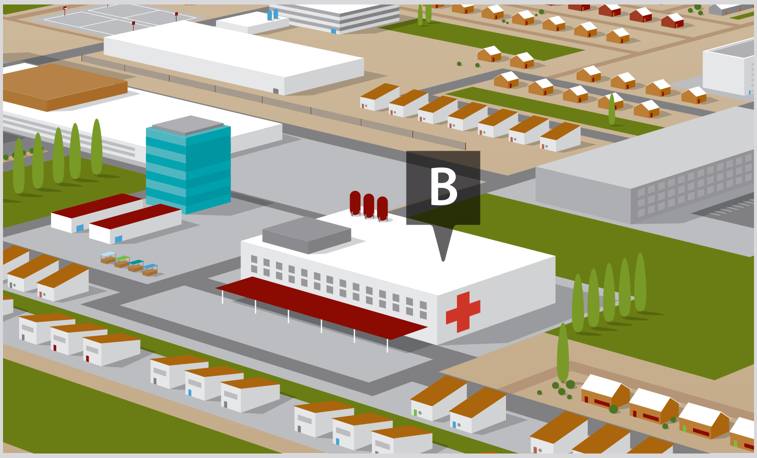
We work to tackle the illicit diamond trade both directly in our own operations, and in partnership with others:

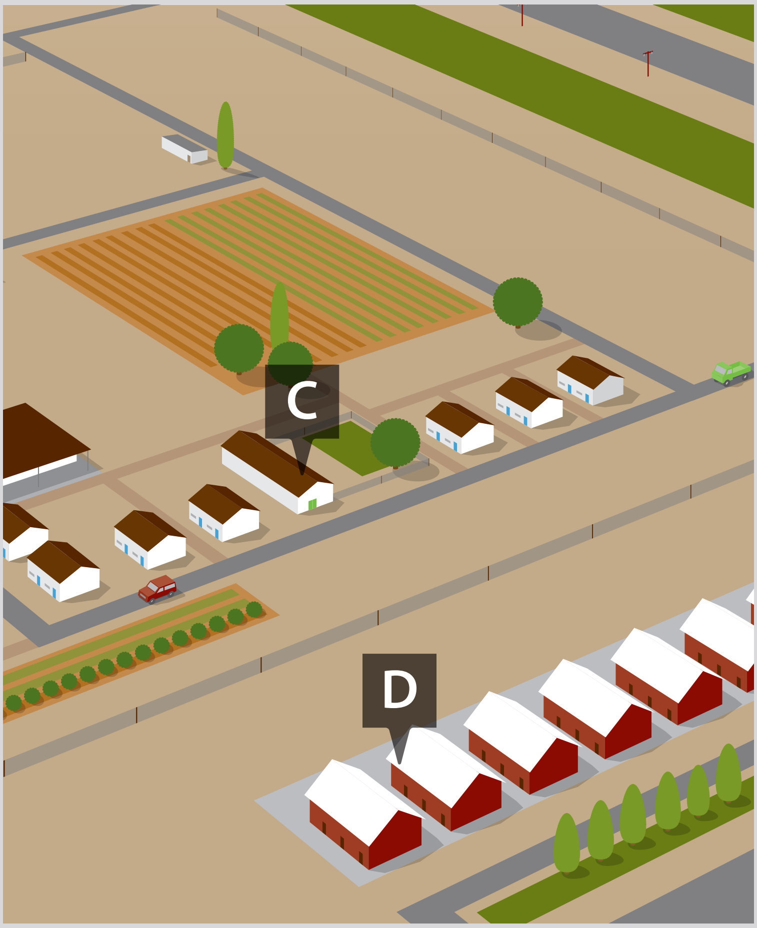
Protecting employees from exposure
At our operations, our production processes are designed to reduce the opportunity for diamond theft, by reducing the number of employees that come into direct contact with diamonds. Employees who are exposed to diamonds, including security personnel, participate in ongoing multi-technique integrity screening. We provide training and engage with our employees regularly to raise awareness of the risks and impacts of stealing diamonds, and colluding in theft.

Detection and continuous improvement
To improve the effectiveness of our prevention measures we continually review our physical and technical security controls, particularly around access to high-risk areas. Security personnel are trained to understand diamond processes, which helps them to identify and close vulnerabilities. Improvements and lessons learnt are shared across our operations through the Security Peer Group.

…and undermines development goals.

In producer countries, diamond theft reduces the diamond revenues available for health, education and other development goals.





In diamond producing countries, US$2.3 million would provide for approximately:

B **4,300** people in Botswana to recieve HIV treatment for one year

C **160** newly qualified teachers in South Africa

D **80** businesses supported through enterprise development programmes

Outreach and engagement

We encourage our employees to report activities that might be unsafe, unethical, or unlawful or contrary to De Beers' values and principles through independent and confidential whistleblowing hotlines. We also engage with local communities, including through meetings and awareness campaigns about diamond theft, and encourage them to use the whistleblowing hotlines.

Working in partnership

Partnerships between the diamond industry and national and international law enforcement agencies are crucial to tackling the illicit diamond trade. We work to create partnerships and alliances that can share experiences around this common goal. We also interact with INTERPOL's Anti-Illicit Trade Program, which works to combat international smuggling of diamonds and precious metals, highlighting areas of concern and supporting the search for solutions.

EMPOWERING OUR PEOPLE

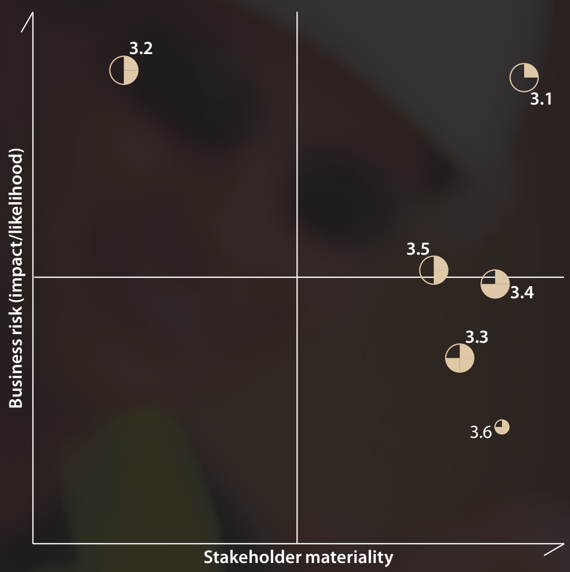
Morris Mboweni, truck operator at Venetia Mine, South Africa.

Employees

The ongoing success of our business depends on the talent and passion of our people. We aim to create a working culture where all employees are engaged and supported to take shared responsibility for the delivery of our business goals and ethical responsibilities.

Risks

In this section we report on our approach to key employee risks identified for 2012 through our risk materiality process (see p14–15) and displayed on the matrix below.



3.1 Safety performance
3.2 Attracting and retaining talent
3.3 Occupational health and wellbeing
3.4 HIV and tuberculosis
3.5 Diversity and inclusion
3.6 Compliance with international labour standards

- Long term
- Medium term
- Short term
- Risks explored in 2012 Report to Society
- Risks

A full description of each of these risks is provided in the 2012 Assurance, Risk and Compliance Supplement.

Approach

The expertise, commitment and professionalism of our people is at the core of our operations around the world. Attracting and retaining the best talent, keeping our employees safe and healthy and ensuring they are engaged with the business, supports productivity, and our collective ability to deliver on our business goals. With many of our operations in remote locations, and a number of the key skills needed to locate, mine and maximise the value of diamonds in high demand globally, ensuring we have the best people is paramount. We also believe that our workforce should reflect the societies in which we operate, and we are committed to supporting the development aspirations of our community and government partners through our approach to diversity and equality in the workplace.

Our people approach covers a wide range of management systems and processes. At the heart of our approach is ensuring the health, safety and wellbeing of our employees through effective management systems, engagement and training. This is reflected in our commitment to zero harm. We respect the right of our employees to associate freely and bargain collectively, and we aim to meet or exceed all relevant global labour standards.

We strive to ensure that everyone who comes to work at De Beers acquires skills and resources that make a positive contribution to their lives and their communities. This is part of our long-term commitment to working in partnership with our producer countries. To support national development goals and help foster a diverse local skills base, we proactively employ and develop local talent at all levels of the business and engage on priority areas such as Black Economic Empowerment, HIV and gender equality.

Through these programmes, we are working to remain an attractive employer by providing meaningful and productive employment, and contributing to the development aspirations of the communities and countries in which our people live and work.

Employees Highlights

Safety performance

13.3%

improvement in our Lost Time Injury Frequency Rate to 0.13 (2011: 0.15)

page 38

Training and development

US$20.5m

spent on professional development of our employees including formal training and qualifications (2011: US$18.4 million)

page 40

Employees in Africa

81.2%

of our employees are based in Africa (2011: 86.9%)

page 40

Safety performance

We have a fundamental commitment to zero harm across the Group of Companies. It is our belief that we can mine and live up to diamonds without any loss of life incidents, serious injuries or occupational illnesses. This was sadly not the case in 2012, when we lost three colleagues in loss of life incidents (2011: seven) (see Table 2).

We continue to strive to achieve zero harm through the effective management of safety in all of our operations. Our key focus areas are to standardise our safety management systems, to create simple non-negotiable safety rules, to prevent repeat incidents, and to establish a culture of caring for one another and personal accountability. Safety is one of the disciplines that make up our Environment, Community, Occupational Health and Safety (ECOHS) Programme (see p10). Our approach to safety is described in the Group Safety Policy, and delivered through a set of standards and guidelines that support safety leadership and behaviour change. Led by the Safety Principal, the Safety Peer Group has responsibility for ensuring we create a culture of safety leadership across the organisation.

Our approach in 2012

In 2012, we continued to implement safety initiatives that focus on leadership and behaviour change. The Safety Peer Group discussed topics such as the development of safety management standards and the Visible Felt Leadership programme. All of our mines maintained certification to the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard. In 2013, we will work to align our safety management approach with that of Anglo American's Safety Way (see p11).

A focus on leadership

We believe that one of the most effective ways to eliminate fatal and other serious accidents is through strong accountable leadership that focuses on identifying hazards, implementing appropriate controls, and measuring the effectiveness of those controls on an ongoing basis.

In this respect, leadership is the catalyst for behavioural change. The demonstrable actions and behaviours of leaders across the organisation create an environment where our employees and contractors work safely.

In support of our belief that managers and supervisors need to lead by example, a Visible Felt Leadership Toolbox has been developed to actively demonstrate their commitment and belief in the De Beers values and approach to safety (see p39).

Embedding a safety culture

We are determined for safety not to be just a priority, but also a key part of our culture. We are working in a number of areas to standardise and improve our approach, including initiatives to prevent potentially fatal risks, enhance safety risk management and learn from incidents and near-misses.

Fatal Risk Control Guidelines

The Fatal Risk Control Guidelines (FRCG) set out the performance requirements for assessing and mitigating six risk areas that have the potential to cause fatal accidents. These risks are: light vehicles, mobile equipment, equipment safeguarding, isolation, working at heights and lifting operations. With the exception of Mobile Equipment (74 percent), all other elements of the Fatal Risk Control Guidelines scored above 80 percent.

Table 2

Loss of life incidents in 2012

Southern Coastal Mines, Namdeb	
Mr Stefanus Akawa (49 years)	On 2 March, Mr Stefanus Akawa was fatally injured when he was struck by an articulated dump truck (ADT). Mr Akawa was a contractor employed by B&E as a General Worker, and had worked at Southern Coastal Mines since October 2011.
Jwaneng Mine, Debswana	
Mr Gosekamang Kheru (37 years)	On 2 March, Mr Gosekamang Kheru, a contractor employed through Murray & Roberts, was struck by lightning when supervising work at the slimes dam wall-raising project. He had worked at Jwaneng Mine for six months.
Jwaneng Mine, Debswana	
Mr Motswhari Raseiteo (34 years)	On 29 June, mine foreman Mr Motswhari Raseiteo was fatally injured when a pit slope failure in Cut-6 of the mine buried the vehicle he was driving. Mr. Raseiteo had worked at Jwaneng Mine in his current position for three months, having previously worked at the mine for a period of three years.

Safety Risk Management Programme

Our Safety Risk Management Programme (SRMP) aims to educate employees and contractors to identify hazards and assess and manage risks better. Training in the SRMP is continuing throughout the company and we have a target for more than 80 percent of applicable employees and contractors to complete the training. At the end of 2012, 77.6 percent of employees and contractors in our mining operations and sales functions had received SRMP training. In line with our focus on leadership and safety, all members of our Executive Committee have completed the SRMP training.

Learning from incidents

One of our fundamental safety principles is to avoid repeat accidents by learning from incidents. All serious and high potential incidents are fully investigated, analysed and learnings shared across the Group of Companies.

Performance in 2012

Despite notable safety performance improvements across the Group, we sadly lost three colleagues in fatal accidents in 2012 (2011: seven) (see Table 2). Fatalities at our operations are unacceptable. Each incident has been thoroughly investigated by the company and the relevant authorities to establish causes and identify measures to prevent recurrence.

While these loss of life incidents show there is a long way to go on our journey to zero harm, we continue to record improvements in the number of lost time accidents at our operations demonstrating the effectiveness of a proactive approach to safety leadership. This is reflected in an improvement in our overall Lost Time Injury Frequency Rate (LTIFR), for 2012 to 0.13 (2011: 0.15). This is a 46% improvement compared to our Lost Time Injury Frequency Rate (LTIFR) of 0.24 in 2010.

A Mining Engineer and Wheel Dozer Operator discuss drill site preparation at Jwaneng Mine, Botswana.

Visible Felt Leadership

Safety has always been a top priority for De Beers and is critical to the way we operate. We are committed to achieving Zero Harm across our operations through effective safety management.

We introduced the Anglo American's Safety Risk Management Programme in 2009 at all sites as a common approach to risk assessment and hazard identification. Operations also use Fatal Risk Control Guidelines, a self-assessment auditing tool that encourages teams to assess their current systems for gaps and improvement areas.

With the integration of De Beers into Anglo American (see p11), the adoption of Anglo American's industry-leading Safety Way standards offers a number of opportunities to improve our safety processes, standards and, ultimately, performance.

Areas of best practice already exist within De Beers that can also inform Anglo American's approach to safety. One example is voluntary near-hit reporting, which involves recording all incidents and ensuring that they are followed up with preventative actions. A direct correlation has been found between increased near-hit reporting and a decrease in incidents.

Among safety professionals there is an understanding that performance improvements can slow over time, even with the best processes in place. Our Visible Felt Leadership programme aims to take performance to the next level by promoting safety leadership at all levels in our organisation. Ensuring managers engage with operations personnel in their work environment, on a regular basis, allows a conversation on safety to develop over time. With routine scheduling and repetition, the aim is for a two-way dialogue to develop on safety highlights and areas for improvement.

Attracting and retaining talent

Wherever we operate we strive to attract and retain talented and passionate people to develop their careers with De Beers. We do this by offering an attractive employee value proposition that provides competitive salaries, supportive working environments and enriching professional experiences, and by operating as a world-class business and maintaining our position as the world's leading diamond company.

We provide training and capacity-building opportunities, both in legally required areas, such as safety and mining technology, and beyond to develop our peoples' skills in line with business requirements. We also engage with our employees on an ongoing basis to keep them informed and motivated for the delivery of our collective business goals.

Workforce profile

A total workforce of 23,273 people were employed by the Group of Companies in 2012, consisting of direct employees, contractors (mining and non-mining) and bursars. Of these, 15,739 were direct employees, including permanent employees, those on fixed contracts, and trainees (2011: 12,124). The majority of the 29.8 percent increase in our directly employed workforce (2011: -9.8 percent, see Figs. 7 and 8) reflects our alignment with Anglo American reporting definitions, and the inclusion of Element Six employees (2,481) and Morupule Coal Mine employees (510) for the first time. The majority of our workforce continues to be based in South Africa, with 81.2 percent of direct employees in the region (2011: 86.9 percent, see Figs. 7 and 8).

The proportion of employees on fixed term contracts was slightly higher at the end of 2012, at 9.4 percent (2011: 9.0 percent, see Figs. 7 and 8). Employee turnover, which includes resignations, redundancies, retirement, dismissals and completion of fixed contracts, fell across the Group of Companies in 2012 to 12 percent (2011: 18.3 percent, see Fig. 9).

Looking ahead, the project to transform Venetia Mine from an open pit to an underground operation from 2013 (see p20), is expected to create approximately 1,482 direct jobs, and provide opportunities for both semi-skilled and skilled workers, drawn primarily from the region, during the extended life of the mine.

A focus on development

Our talent management strategy focuses on three areas: building the talent pipeline across the Group of Companies, succession planning for key roles, and establishing processes to effectively manage talent across the business.

To support this strategy, talent committees were established in 2011 to better identify, and improve the mobility of, talent around the organisation. By 2012, this approach had created greater awareness, engagement and accountability around developing key talent across our functions. In 2013, we will continue to align our approach to people management and the development of talent with the Anglo American People Way (see p11), and help our employees realise the career development opportunities that come with being part of the Anglo American – a company with more than 130,000 employees operating in 18 countries.

Skills development

In 2012, we spent a total of US$20.5 million (2011: US$18.37 million) on professional development, including formal training and qualifications. The majority of this spend is focused on our mining operations and a significant proportion continues to be dedicated to safety training.

Engaging with employees

Highly engaged employees are more productive and work smarter and more safely. We engage with our employees on a regular basis both directly, and through structured engagement with trade unions. In our

Fig. 7

Workforce composition (permanent and non-permanent), 2010–2012

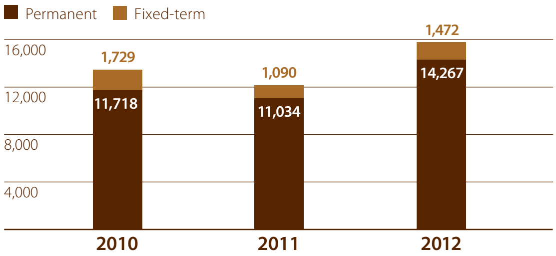
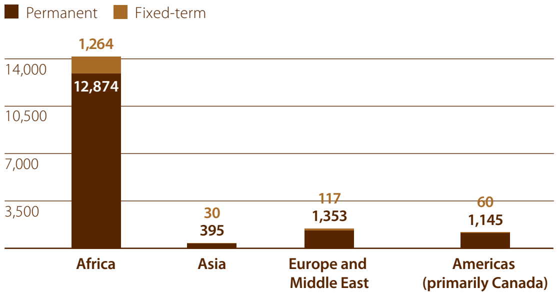


Fig. 8

Total workforce at year-end by region, 2012



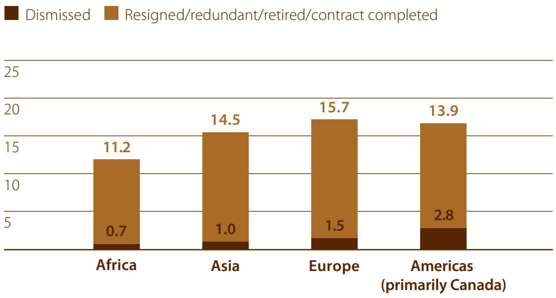
Data note (Fig. 7, Fig.8): Data includes direct employees from our joint ventures, with the exception of De Beers Diamond Jewellers. Direct employees include permanent employees, those on fixed term contracts, learnerships, and trainees.

Fig. 9

Labour turnover, 2010–2012 (%)

Fig. 10

Labour turnover by region, 2012 (%)



Data note: 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 fixed-term categories. As the large majority are likely to be permanent employees, we have categorised them as such.

Data note: (Fig. 9, Fig. 10): Data includes direct employees from our joint ventures, with the exception of De Beers Diamond Jewellers and Moropule Coal Mine.

Majwe Mining contractors at a training session for haul truck operating techniques, Jwaneng Mine, Botswana.

approach, we aim to inform and consult with employees on key issues and developments that may affect them, to connect them to the goals and vision of the business, and to better understand their aspirations and expectations of us as a business.

We employ a number of tools to assess and support employee engagement, including surveys, training and social networking. In 2012, we undertook an employee engagement survey for all wholly owned operations to understand how employees felt about the changes within the company and to assess their active engagement. As a result of the findings, training to improve the line-leader capabilities of line management will be a focus in 2013, when we will repeat the survey to assess progress. From 2014 we will integrate joint venture operations, such as Debswana and Namdeb, which currently conduct similar surveys independently, into a common approach survey.

Unions are important stakeholders and regular engagements took place in 2012 with recognised unions across the company. Successful wage negotiations have been concluded with our trade unions in all southern African operations.

Significant engagements in 2012

We engaged with employees across the organisation throughout 2012 on the integration of De Beers into Anglo American (see p11). The impact of the integration on the profile of the workforce was very limited, with fewer than 10 compulsory redundancies as a result of restructuring. Engagement with employees has focused on communicating progress on integration and the relevant changes to operating processes.

In both the UK and Botswana, we engaged with employees on the relocation of our London-based sales activity to Botswana, part of the 10-year Sales Agreement between the Goverment of the Republic of Botswana and De Beers announced in 2011. Since the announcement, we have run a significant engagement and support programme for the 139 affected employees and their families.

As agreed as part of this beneficiation commitment within the Sales Agreement, the relocated roles in Botswana are temporary, for a period of up to five years, and will focus on capacity building and skills transfer to the local workforce. As such, the relocating employees will be leaving a positive legacy in Botswana when their tenure comes to an end. The opportunity to relocate had been taken up by 88 employees by year end. All of these employees will have relocated to Gaborone by the end of 2013. The relocation will be completed in the second half of 2013.

Other significant engagements in 2012 included line-management and employee engagement in South Africa subsequent to the violent protests at Lonmin's Marikana Mine (see p48), and with employees in Canada on our engagement with the Attawapiskat First Nation Community (see p50).

Occupational health and wellbeing

Our integrated approach to preventing occupational diseases and promoting employee health applies both within and beyond the workplace, and ensures that all employees are fit for the work they perform. Optimal employee health is essential to the effectiveness of our operations, and to the wellbeing and participation of employees in their communities outside the workplace.

Occupational diseases reflect past rather than current exposure to workplace health hazards and can arise long after employment has ended, raising the potential for health claims related to past practices. Protecting employees from health hazards, meeting all relevant workplace regulations and effectively managing incidents of occupational disease are central to our approach to occupational health.

Occupational Health consists of two complementary disciplines, Occupational Hygiene and Occupational Medicine. Both form part of our ECOHS management system (see p10) and are led by their respective Principals and peer groups. Our approach to employee health is articulated in our comprehensive Occupational Health Policy and is managed through a suite of standards and guidelines.

Our approach in 2012

The Health Peer Group convened via teleconference on two occasions, and the Occupational Hygiene Peer Group on one occasion in 2012. A global Occupational Health workshop was also held in October for peer group members. The workshop began preparation for aligning with the Anglo American Health Way (see p11) and provided clinical sessions to discuss uniformity in fitness-for-work assessments, including functional ability and substance use testing. Our data collection tool for Occupational Medicine reporting was rolled out to more operations, and the ongoing Occupational Hygiene self-assessment indicated improved implementation of Occupational Hygiene programmes by the majority of business units.

Performance in 2012

We achieved compliance with Group of Companies Health Standards in 2012 with an Occupational Illness Fatality Rate of zero (2011: zero) and a reported Occupational Illness Frequency Rate of 0.4 cases per million hours (pmh) worked (our Health Standard requires performance of less than five cases pmh).

Across the Group of Companies, compensated occupational diseases included two cases of noise-induced hearing loss and one case of partial loss of vision from chemical exposure. Moderate incidents reported were two cases of noise-induced hearing loss, four cases of occupational malaria with lost time, and three severe cases of carpal tunnel syndrome.

Potential workplace noise exposure and effective hearing conservation programmes remain our major occupational health challenge in both onshore and marine mining operations. We classify loss of hearing from any cause as a medical incident and target all cases to be investigated as an integral component of existing hearing conservation programmes.

Optimal employee health is essential to the effectiveness of our operations, and to the wellbeing and participation of employees in their communities outside the workplace.

HIV and tuberculosis

Our holistic strategy for employee wellbeing includes a focus on HIV prevention, treatment, care and support; our goal is for all employees to know their HIV status and other associated health risks, such as tuberculosis, enabling them to manage their health appropriately. For our operations in southern Africa, the prevention and management of both HIV and tuberculosis remain priorities for the wellbeing of our employees and their families, the continuity of our business and continued national development.

Our management approach has been effective at reducing the risk of HIV to the sustainability of the Group of Companies. For example, in 2012 an HIV impact evaluation conducted in our South African mining operations identified HIV prevalence of 8.6 percent, compared with 10.4 percent in other similar demographic South African workforces. However, HIV remains a cause of in-service employee deaths.

At our South African mining operations, a tuberculosis incidence rate of 50 cases per 100,000 full-time employees was reported, which compares with a South African incidence rate of 993 cases per 100,000 people. Through our active tuberculosis surveillance programme for contractors, we identified and managed five additional cases of tuberculosis in 2012, in close collaboration with public health facilities.

Actively supporting prevention

Prevention is routinely promoted across our operations through Provider Initiated HIV Counselling and Testing during occupational and primary care consultations. HIV tests are available to all employees, spouses, life partners and contractors. Private-public partnerships also help to make testing available in communities near our operations.

Providing ongoing treatment

For our southern African operations, the prevention and management of tuberculosis and HIV remain priorities for the wellbeing of employees and their families. ART is made available to employees and their life partners where it can be provided in a responsible and sustainable manner. In South Africa we provide lifelong ART upon retirement or retrenchment, and our goal is to encourage all HIV-positive individuals to join a programme to help them manage the disease as early as possible.

Initiatives in the workplace

During 2012, innovative leading indicators for financial and mental wellbeing were developed and piloted in the South African mining operations. Occupational medical staff collected data on chronic diseases, medical discharges and in-service deaths; and initiated proactive screening and health interventions such as a Men's Health Day with nutritional instruction.

Diversity and inclusion

The sustainability of our company relies on our ability to attract and develop a talented and diverse workforce that reflects the communities in which we operate.

Investing in local skills and talent

We are committed to building a highly skilled and diverse workforce by attracting, employing and developing local talent at all levels of our business. This in turn helps to establish a wider skills base in the local communities where we live and work. We are also committed to supporting the efforts of our partner governments to provide opportunities to previously disadvantaged groups. For example, Historically Disadvantaged South Africans made up 79.5 percent of our South African workforce in 2012, and held 40.2 percent of management positions (2011: 77 percent, 31.4 percent).

We ensure that designated groups are represented in our workforce and management positions in proportions that reasonably reflect the demographics of the country's economically active population. A number of structures have been established to monitor our performance in this area, including our Employment Equity Committee, which includes management representatives, union representatives and functional personnel.

Supporting women in mining

Traditionally, mining has been a male dominated industry. However, during the past decade, greater automation, new technology, better health and safety standards, outreach and improved site facilities have made the sector more female-friendly. The number of women working in mining has been steadily increasing at a global level, as more women are training and qualifying as geologists, engineers and managers. In 2012, women made up 23.7 percent (2011: 23.1 percent) of our workforce, holding 25.5 percent of management positions, and 16.7 percent of senior management positions (2011: 30.8 percent, 18 percent respectively).

We actively support efforts to increase the proportion of women in mining and women in senior management positions. This includes establishing mentoring schemes for women within our operations in which women in senior positions share their experiences with other female employees to help them to achieve their full professional potential. Externally, we support the 'Women in Leadership' programme in South Africa, which is facilitated by the Department of Minerals and Energy through the Da Vinci Institute of Technology.

Fire drill on board the mining vessel Debmar Atlantic, Namibia.

Living up to diamonds

The success of our business depends on the skills, passion and professionalism of our people. Across our operations around the world, and along the diamond pipeline, our people share a common commitment to living up to diamonds.

EXPLORATION

Name: John Delgaty
Position: Exploration Projects Manager
Location: Canada

"Exploring for diamond-bearing kimberlites is like a treasure hunt – only one in 80 kimberlites is economically viable. Up-front planning is crucial to seamless exploration projects. There are many challenges to prepare for, including extreme weather, no roads or airports, encounters with polar bears and wolverines, and daily high-risk activities such as drilling or helicopter work. This is why living up to diamonds, for me, is about taking safety into consideration on a daily basis, so that we all go home safe to our families. Local recruitment for support roles is another important part, as it's a good opportunity for remote communities to learn skills that are transferable and to get experience working outside their community."

23,273

direct employees and contractors work for De Beers, across the diamond pipeline

SALES AND BRANDS

Name: Nigel Simson
Position: Head of Beneficiation
Location: Botswana

"In my job, I work closely with our customers – Sightholders – and with governments, to support downstream diamond industries in our producer countries. Visiting a factory in Botswana, Namibia, South Africa or Canada and seeing a quality of polishing as good as anywhere in the world is incredibly inspiring. Beneficiation touches all parts of De Beers, right across the diamond pipeline, as the reputation and integrity of diamonds are hugely important given the symbolism associated with a gift of a piece of diamond jewellery. A number of the Sightholders I work with are also Forevermark Diamantaires. It's great to see our partnerships with producer countries and Sightholders fit together to create a beautiful product that has been responsibly sourced, and that means so much to so many people."

81.2%

of our direct employees are based in Africa

As the world's leading diamond company, our operations span the diamond pipeline. Whether exploring for kimberlites in the far north of Canada, mining diamonds off the coast of Namibia or meeting our customers from Surat to Antwerp, our people are committed to living up to the unique values of diamonds.

For our employees across the business, living up to diamonds captures a shared aim to strive for excellence in everything we do, and to make a real contribution to the communities in which we operate. As a company, we aim to provide our employees with the opportunities, resources and training to maximise their potential, and to develop their careers with us.

PRODUCTION

Name: Natasha Kandjii
Position: Mineral Processing Engineer
Location: Namibia

"Marine diamond mining is highly technical and we are the world leader, with a fleet of five state-of-the-art vessels to recover around one million carats of diamonds each year. My job, mineral processing, is all about separating commercially valuable diamonds from ore and managing waste by-products. In my role I provide guidelines on efficient processing and technical support for on-board teams, and I get the best of both worlds because I'm able to exercise my strengths on-board and on land. I see living up to diamonds as searching for excellence in every process or operation. That's why one of the best aspects of my job is being at the forefront of technical developments, using the most sophisticated equipment for diamond extraction."

23.7%
of De Beers' employees are women

PROCESSING

Name: Thabo Balopi
Position: Senior Manager, Mineral Resources Management
Location: Botswana

"My job is highly varied. I look after nine sections of mining and geoscience disciplines with technical expertise from geologists, surveyors, and hydrologists to geotechnical engineers and mine planners. I also come into contact with a wide range of external stakeholders – from local farmers to government officials. The most rewarding part of my job is creating and motivating teams to deliver to a very high performance and enabling my colleagues to work to their full potential. Living up to diamonds is about trust – having solid governance and legal structures and doing everything with a level of integrity that stands up to third-party scrutiny. It's about exploiting natural resources in a sustainable manner, ensuring societies are protected and that we bring real benefits to local communities as well as governments."

US$20.5m
spent on training and professional development

SUPPORTING SUSTAINABLE LOCAL COMMUNITIES

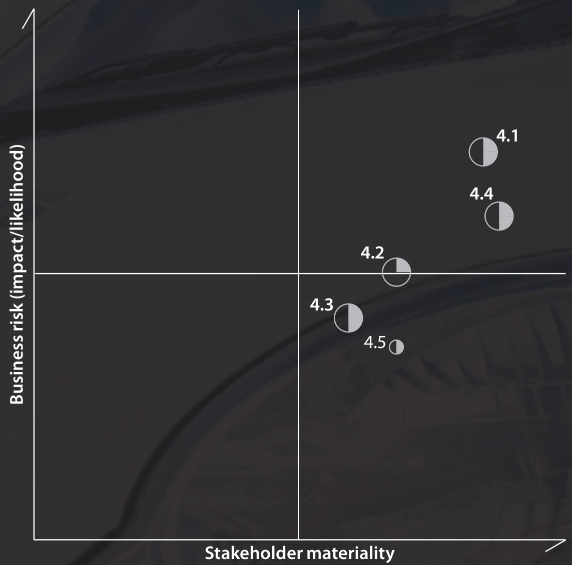
Sophia Mputhi, owner/operator of Sophia's driving school, Galeshewe, South Africa.

Communities

Investment in the future of communities beyond the life of our operations is core to retaining our social licence to operate. We strive to create both economic and social capital through all of our activities and programmes.

Risks

In this section we report on our approach to key community risks identified for 2012 through our risk materiality process (see p14–15) and displayed on the matrix below.



4.1 Effective community relations
4.2 Socio-economic benefit
4.3 Resettlement
4.4 Social impact of closures and transfer of assets
4.5 Managing land claims

◔ Long term
◑ Medium term
◔ Short term
● Risks explored in 2012 Report to Society
● Risks

A full description of each of these risks is provided in the 2012 Assurance, Risk and Compliance Supplement.

Approach

Effective community relations, based on the principles of trust and mutual benefit, are essential to maintaining our social licence to operate at all stages of the mining lifecycle. Good and stable relationships with the communities that are impacted by our activities are key to our ability to gain access to new ground, develop new or existing mines, and to operate without disruption. In addition to being a good neighbour, we are committed to meeting international best practice in order to protect consumers' confidence in the integrity of our product.

We employ a number of structured techniques and tools to help us identify, assess and mitigate our impacts on communities, and to manage our relationships with them. The potential community impact of a mining operation depends on its context and social environment, and particular care is required when planning or operating a mine in areas of socio-economic vulnerability or cultural sensitivity. Possible impacts addressed through our planning and management framework include the influx of workers from outside the community during construction and operation, restrictions on community access to land and freedom of movement due to safety and security measures, and the loss of employment opportunities and other benefits when a mine closes.

We engage with stakeholders on an ongoing basis to ensure our activities and social investment respond to the needs and priorities of local communities. Through working together, we aim to realise sustained social and economic benefit for communities both during and beyond the life of a mine. Our programmes to support the development of sustainable local economies span capacity building, infrastructure development, employment, strategic social investment, enterprise development and local procurement.

Communities Highlights

Community Social Investment

↘

US$39.3m

in Community Social Investment spending in 2012 (2011: US$42.6 million)

page 50

Focus on Africa

↘

83%

of our Community Social Investment spending took place in Africa (2011: 83.3%)

page 50

Supporting Aboriginal Communities

↘

US$5.3m

Spent as part of our Impact Benefit Agreements with First Nation and other Aboriginal groups near our Victor and Snap Lake Mines in Canada (2011: US$5.4 million)

page 51

Effective community relations

Our approach to community engagement is reflected in our Group Community Policy, which meets and exceeds international law and industry protocols relating to the rights of local communities and indigenous peoples.

Our community strategy is threefold: to know and work with our communities; to understand our impacts and responsibilities; and to manage our short and long-term community risks. This strategy is supported by a number of management processes covering impact assessment, community engagement, community social investment and closure planning. Community is one of the disciplines that make up our Environment, Community, Occupational Health and Safety (ECOHS) Programme (see p10). Our community strategy is coordinated by the Community Principal and delivered by community practitioners across the Group of Companies. Best practice is shared through the Group-wide Community Peer Group.

Managing our impacts across the mine lifecycle

We employ a range of tools to identify and address our impacts on communities across the mine lifecycle. During exploration, while developing a mine, or when planning significant changes to existing operations, we undertake Environmental Impact Assessments (EIAs), Social Impact Assessments (SIAs) and specialist studies, such as that undertaken for the Venetia Mine Underground Project (see p20).

To better understand and manage the impacts of our existing operations, we have begun to roll-out the Anglo American Socio-Economic Assessment Toolbox (SEAT) across the Group of Companies. SEAT outlines a structured process for mining operations to engage with local stakeholders in order to assess their community impacts and to develop or update community engagement programmes to deliver socio-economic benefit (see p50–51). As the impacts of our operations may change over time, SEAT is undertaken every three years. In planning for the closure of a mine operation, we use a number of tools alongside SEAT, including the International Council of Mining and Metals (ICMM) and Anglo American Closure Toolbox.

Some of our community engagement activities and social investments are governed by formal regulatory agreements with local communities and authorities, such as Impact Benefit Agreements (IBAs) in Canada and Social and Labour Plans (SLPs) in South Africa (see p50).

Our Community strategy is threefold: to know and work with our communities; to understand our impacts and to manage our short and long-term community risks. This strategy is supported by a number of management processes.

Stakeholder question:

Was De Beers impacted by the incident at Lonmin's Marikana platinum mine in South Africa in 2012?

De Beers operations were not directly affected by the labour unrest in Rustenberg in August 2012. However, along with our colleagues across the mining industry and our stakeholders, we were deeply troubled by the tragic events.

While the situation at Marikana is complex, our operations are not exposed to a number of the structural factors identified as contributing to the unrest, including a high proportion of migrant labour, and strained inter-union relations. We do, however, acknowledge the dynamic socio-economic challenges facing our employees and the communities in which we operate. We will continue to proactively engage with all social partners on the implementation of programmes that support sustainable local socio-economic development. Whilst most of our employees are recruited from communities surrounding our mines, we commenced a project in June 2012 aimed at facilitating home ownership of some 700 homes for our semi-skilled employees across our three operations. The project is exploring various options including affordability, availability of houses, accessing government subsidies, financial institution participation and capital investment by De Beers to facilitate home ownership.

The labour unrest seen in South Africa in 2012 did considerable damage to the reputation of the South African mining industry. We are committed to playing our part in realising South Africa's development as a democratic, inclusive society, and will continue to champion the transformative potential of business in the development of Africa.

Compliance with our own and external community management requirements is assessed through a number of assurance and review processes. These include our Principles Committee (see p10), the mining requirements of the Best Practice Principles Assurance Programme (see p32), the annual business plan technical review for mining operations, and project finance approval processes at both business unit-level and Group-level.

Our approach in 2012

In 2012, we continued to formalise our approach to managing community issues and align them across the Group of Companies. Progress with rolling-out SEAT continued to be made across the organisation. SEAT reports for Kimberley, Venetia and Voorspoed Mines in South Africa were drafted in 2012, and will be finalised in 2013. In preparation for all other operations undertaking SEAT in 2013, SEAT training was provided to Community and Sustainability practitioners during 2012.

Complaints and grievance procedures were also a focus during the year, with a Group-wide review of procedures to ensure our compliance with the requirements of the Responsible Jewellery Council's Code of Practices (see p33) and the development of more robust complaints and grievances processes. Improvement opportunities identified elsewhere in the Group have been incorporated into workplans for 2013, which also lay out activity to align our approach at all operations with the Anglo American Social Way (see p11).

> *"Our vision for Oranjemund is to create a well-developed and sustainable town with diverse economic and employment opportunities, and a thriving community that is able to grasp them."*
>
> **Henry Coetzee**
> Mayor of Oranjemund, Namibia

Oryx grazing in the proclaimed mining town of Oranjemund, Namibia.

Proclamation

Diamond mines are often in very remote locations. Historically, De Beers has built towns to house and support the mining workforce that settle in the area. Our closure planning focuses on ensuring that these mining towns have a viable future, with post-mining economies that can support what are often long-established populations. Transferring responsibility and governance of mining towns to local authorities through proclamation is an essential part of this process.

Established in 1936, Oranjemund in Namibia has operated as a closed mining town owned by Namdeb for almost 80 years. Now home to around 7,000 inhabitants, Oranjemund was officially proclaimed as a public town by the Goverment of the Republic of Namibia in August 2011 following a 10-year consultation process. Proclamation is a major achievement for the town, which for the first time has an elected town council and mayor.

The aim of the proclamation process has been to open up the town and establish it as a self-governing municipality. The process has been complex, as Oranjemund sat within Namdeb's mining licence area, which is located in Namibia's restricted Diamond Area, and was only accessible by a private road. Progress continues in strengthening municipal management by the elected leadership, valuing real estate to enable private ownership by residents, and building a public school and health centre to serve residents who cannot use Namdeb's private facilities.

A number of economic diversification projects are underway, especially linked to tourism and cultural activities. The council has also established a range of environmental goals, including zero waste to landfill and zero fossil fuel use by 2050.

The Community Peer Group held three meetings in 2012 and met once at the annual Community Workshop in Johannesburg. During the year, interaction between peer group members was strengthened and a number of exchange visits between our teams in South Africa, Botswana and Namibia took place. They shared best practice to support the creation of an enterprise development model in both Botswana and Namibia similar to the De Beers Zimele model in South Africa (see p23).

Illegal mining, South Africa

In May 2012, a large underground area excavated by illegal miners collapsed near Bontekoe in the Namaqualand Mines lease area, killing 10 illegal miners. A rescue operation was undertaken by the company. As the sale of Namaqualand Mines is ongoing the mine was not in active production at the time of the collapse (see p21). Illegal mining is also an ongoing challenge at the Colville Tailings Dump in Kimberley. In both areas, we endeavour to prevent trespassing, prevent the destruction of mine property and fencing, fill in illegal excavations and work with authorities and local communities to raise awareness of the dangers of illegal mining.

While illegal mining presents risks to the Group of Companies and the illegal miners themselves, it is a reflection of the wider socio-economic circumstances that local communities face. It is also a way for diamonds to enter the illicit diamond trade, reducing the development potential of diamonds, and fuelling the activity of criminal syndicates (see p34–35).

We work in partnership with government and industry to support collective action against illegal mining. We also work to address the reasons behind illegal mining through enterprise development initiatives, such as De Beers Zimele (see p23), and through the Diamond Development Initiative (see p29).

Housing challenges, Canada

In Canada, the Attawapiskat First Nation, a priority community for the Victor Mine, declared a state of emergency that called national attention to their long-standing housing challenges. Working with community and government stakeholders, we provided project management and logistics expertise to help address these challenges. We continue to offer support in addition to our commitments in the Impact Benefit Agreement (IBA).

*Data note: Data for 2011 has been restated from US$34.7 million reported previously, reflecting the inclusion of all direct and indirect IBA payments, in line with the figure reported for 2012.

Socio-economic benefit

Our community investment strategy looks beyond narrow philanthropic spending to focus on delivering long-term socio-economic benefits for local communities. Where relevant, we try to align our community investment activities with national, regional and local development programmes and priorities.

During 2012, we aligned our community investment data with Anglo American's reporting definitions and also benchmarked our approach to social investment management. The figures reported for 2012 reflect these new definitions. Work will continue in 2013 to align and enhance our approach to social investment.

In 2012, our overall social investment contribution totalled US$39.3 million (2011: US$42.6 million*), 83.0 percent of which was focused in Africa (2011: 83.3 percent, see Fig. 11). This figure includes investment required under applicable legislative or contractual arrangements, as well as long-term, in-kind social investment. It incorporates both philanthropic and socio-economic programme expenditure.

In 2012, we continued to focus our investment on six broad areas:

In-kind community services, such as access to mine-supported schools and hospitals.

Skills development and capacity building, to support economic development and skills that will last beyond the life of our operations. Skills development programmes mainly focus on education, enterprise development and preferential procurement within local communities. We also operate investment funds to promote enterprise development, including Peo Venture Capital in Botswana, the Namdeb Foundation in Namibia, and De Beers Zimele in South Africa.

HIV and Aids programmes, including testing, treatment and outreach services through company hospitals, and support for HIV and Aids programmes provided by other organisations through our social investment funds. These programmes are in addition to our internal HIV and Aids management programmes (see p42).

Social and Labour Plan investments focus on infrastructure development, community development and poverty eradication in South Africa.

Developing a second round of Social and Labour Plans in South Africa

We engage with stakeholders at multiple levels of our business, every day, on sustainability issues (see p13). In 2012, we completed the first round of Social and Labour Plans for our South African operations, spending US$10.55 million on social projects during 2007–2012. We also engaged extensively on the drafting of our second set of Social and Labour Plans, for 2013–2017, including:

Internal
Employees on Skills Development programmes and employment equity procedures. These are designed to ensure that employees acquire the necessary competencies and related qualifications to meet De Beers' future business and human resources needs.

Community
Communities and NGOs on Local Economic Development programmes. Designed through engagement to understand needs and development priorities, these projects aim to support job creation, enterprise development, poverty eradication and basic services infrastructure.

Industry
Trade unions on all sections of the Social and Labour Plans. This includes ongoing discussions regarding the future of the mines and community development projects in the host and labour sending areas (see p23).

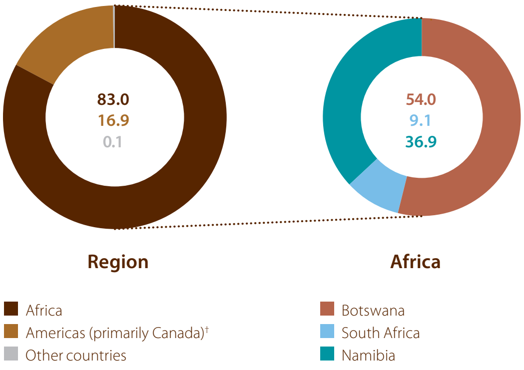
Regional/National
Local and district councils and municipalities to align the Social and Labour Plans with government Integrated Development Plans for the region, and with the Department of Mineral Resources to align the Social and Labour Plans to their development objectives, and to obtain final approval.

Dispensing medicines at the Orapa hospital pharmacy, Botswana.

Our community investment strategy looks beyond narrow philanthropic spending to focus on delivering long-term socio-economic benefits for local communities.

Fig. 11

Social investment spend by region and (African) country, 2012 (%)



† Data note: 2012 CSI data for Canada includes cash donations and in-kind donations. Cash donations total US$6,550,524, which includes community-allocated investment of US$5,300,266 through our Impact Benefit Agreements. In-kind donations total US$204,439 and include charitable projects such as drilling wells for community use, making company facilities available for community use, or lending or donating company products, services or equipment.

In South Africa, mining companies must submit five-year Social and Labour Plans (SLPs) to the government before mining or production rights are to be granted. SLPs aim to ensure that mining companies contribute to socio-economic development through job creation, infrastructure development, education and health investment, HIV/Aids programmes and small business development.

In 2012, we completed the first round of SLPs for our South African operations covering the five years from 2007 to 2012. During this period, we exceeded the spending committed within the SLPs, investing a total of US$10.55 million in social projects. US$1.09 million was spent under SLPs in 2012 (2011: US$3.48 million), reflecting a planned lower spend in the final year of the SLP cycle.

New SLPs for 2013–2017 were developed for Voorspoed, Kimberley, and Venetia Mines through extensive stakeholder engagement in 2012 (see p13), and submitted to the South African Department of Mineral Resources for approval in 2013.

Impact Benefit Agreements with First Nation communities and other Aboriginal groups in the vicinity of the Victor and Snap Lake Mines, require us to make investments in a range of community programmes. In 2012, social investment spending under the Impact Benefit Agreements (IBAs) was US$5.31 million (2011: US$5.40 million).‡

In Canada, IBAs ensure that mining delivers tangible benefits to Aboriginal communities. The content of IBAs varies, but typically includes agreements on hiring local Aboriginal people, education and training, support for Aboriginal culture, environmental protection, and, where appropriate, financial compensation.

De Beers is signatory to seven IBAs, four relating to our Snap Lake Mine in the Northwest Territories and three relating to Victor Mine in Ontario. In 2012, extensive stakeholder consultation was undertaken as part of the negotiations for IBAs relating to the Gahcho Kué Project.

Strategic philanthropy has a thematic focus on health, education, housing and community development, but aims to be responsive to community needs. It includes cash and in-kind support for small and large-scale development projects across a broad range of categories (see p54–55). Our strategic philanthropy is generally managed through dedicated social investment vehicles such as the De Beers Fund in South Africa, De Beers Fund Namibia and the Diamond Trust in Botswana.

‡ Data note: Data for 2011 has been restated from US$4.41 million reported previously, reflecting the inclusion of all direct and indirect IBA payments in line with the figure reported for 2012.

Resettlement

We aim to avoid the relocation of people as a result of our exploration and mining activities, but it is occasionally necessary for the safety and security of local people and our operations. Resettlement can result from physical displacement where housing or communities need to be relocated, or economic displacement where livelihoods are affected. In the event of any potential resettlement, we consult widely and follow best practice, including the International Finance Corporation's Performance Standards for resettlement.

Angola

Following an extensive consultation process conducted over nearly two years, the resettlement of the Mulepe Community, a semi-rural community of 16 households (72 people) in the Lunda Norte region of Angola, was completed in December 2011. The resettlement was necessary to complete an advanced drilling programme to evaluate a kimberlite adjacent to the Mulepe village without putting the health and safety of the community at risk.

The resettlement process involved extensive and ongoing engagement with the community and the local administration in both Portuguese and Tchokwe, the local language. Through this process, a compensation framework was agreed covering replacement housing and farmland, and cash compensation for loss of access to crops and disruption. All key decisions were made through consultation to obtain the mutual consent of the community, the local administration and the company, and a grievance mechanism was established to address potential issues related to the resettlement.

Technical support was provided throughout the resettlement by an external consultancy, to ensure the resettlement project met with international standards, supported by a local Angolan partner who represented the community's interests. A follow-up assurance visit to the community by the external consultants in February 2012 identified a number of additional requirements relating to housing and livelihoods, which were resolved by mid-year.

An agricultural development programme continues to be provided to the community, and our exploration team in Angola engages with the community regularly. At the end of 2013, the external consultants will complete a final assurance visit to the community.

Botswana

At Orapa Mine, a project to expand the existing mining lease area progressed in 2012. The project may require the resettlement of a number of farmers, and preliminary engagement with the affected people has begun. In 2013, we will continue to engage with relevant stakeholders and develop a management plan for the potential relocation in line with international best practice.

Local authorities visit Orapa Mine to understand community relations and CSI initiatives with the Boteti community, Botswana.

The private school in the proclaimed mining town of Oranjemund, Namibia.

Social impacts of closures and transfer of assets

As mine closure is predictable, we are able to plan early in order to mitigate negative impacts on the community and maximise positive ones. This helps ensure our operations act as a catalyst for sustained community development, and help manage the transition to a post-mining economy. A particular focus within closure planning is the process of transferring responsibility for infrastructure and public services from our operations to regional authorities, and proclaiming previously closed mining towns as self-governing municipalities.

As an alternative to closure, we actively look to divest our late-lifecycle mines to smaller operators who are able to extend the productive life of these assets. We use a rigorous, inclusive and transparent set of criteria to select buyers who have the relevant technical and financial skills needed to create value from an operation, and deliver sustainable benefit to the communities around the operation. In South Africa, Black Economic Empowerment credentials are a central requirement in these processes.

Integrated closure planning

All of our mines have closure plans covering the environmental and physical aspects of closure. Integrated closure plans, which cover social aspects such as employee and socio-economic community impacts, are in place at our South African, Namibian and Canadian operations. These plans cover issues including labour transition, employee skills training, enterprise development, social investment and rehabilitation.

We use a rigorous, inclusive and transparent set of criteria to select buyers who have the relevant technical and financial skills needed to create value from an operation, and deliver sustainable benefit to the communities around the operation.

In 2012, Debswana made good progress in updating its closure plans to include the social impacts of closure, and these draft integrated plans will be reviewed in 2013. A Group-wide gap analysis to identify any areas for improvement across all of our integrated closure plans is also planned for 2013.

Town proclamation

Oranjemund in Namibia has been managed as a closed company town since it was established in 1936. In 2012, following a 10-year planning and consultation process, Oranjemund was officially proclaimed and a Local Authority was elected (see p49). For the time being, Oranjemund remains an access controlled town until the Town Council is in a position to provide full municipal services and the land registration and transfer process has been completed.

In South Africa, the proclamation of the Namaqualand towns of Kleinzee and Koingnaas , which have been closed towns since 1929 and 1970 respectively, has been completed. Handover of the municipal authorities to the relevant local authorities is anticipated in 2013.

In Botswana, work continued on planning the proclamation of Orapa town in consultation with the relevant local and national government bodies in 2012. This is part of a broader long-term post-mining vision for the Orapa Mine area.

Asset transfer

With all asset transfers or mine sales, we ensure there are clear conditions of sale that help create sustainable local benefit, including employment creation, community support, equity ownership by Black Economic Empowerment groups and environmental rehabilitation.

In South Africa, the proposed sale of Namaqualand Mines to a Trans Hex-led consortium with strong Black Economic Empowerment credentials was subject to a new Sales Agreement in 2012 (see p21). Under the new agreement, De Beers will retain a large portion of the mine area and more than half of the physical rehabilitation liability (see p62).

Creating value for communities

Our social investment programmes are developed and delivered in partnership with local communities and other stakeholders, with the aim of generating value that endures beyond the life of a mine. We engage broadly with communities to understand their development needs and priorities, and employ a wide range of targeted community investment programmes, such as capacity building, enterprise development, strategic social investment in health, education and housing, and local procurement.

Supporting education in the community and workforce

Education, health and employment are key priorities for all the communities we engage with. In addition to supporting local schools and educational programmes, we run a number of bursary programmes to identify and support the development of local talent for our business. In Namibia, Namdeb has run a bursary scheme for mining, engineering and geology students since 1979, providing full tuition and living expenses, and is a major provider of well-qualified and technically-skilled individuals for both our business and others in Namibia and beyond.

US$7m

invested in community education and training programmes worldwide in 2012

Supporting local suppliers

Procurement of goods and services from local or historically disadvantaged groups in the areas where we operate is one way we support local economies. Mining is a long-term business and we aim to provide long-term opportunities to our suppliers. In Canada, our procurement policies ensure we provide assistance to local and Aboriginal suppliers so that their businesses are competitive and can provide the goods and services that we require. One example is the Attawapiskat Catering Company, which provides catering and camp services at Victor Mine. Of the Attawapiskat Catering Company workforce, 79 percent are First Nation employees.

37%

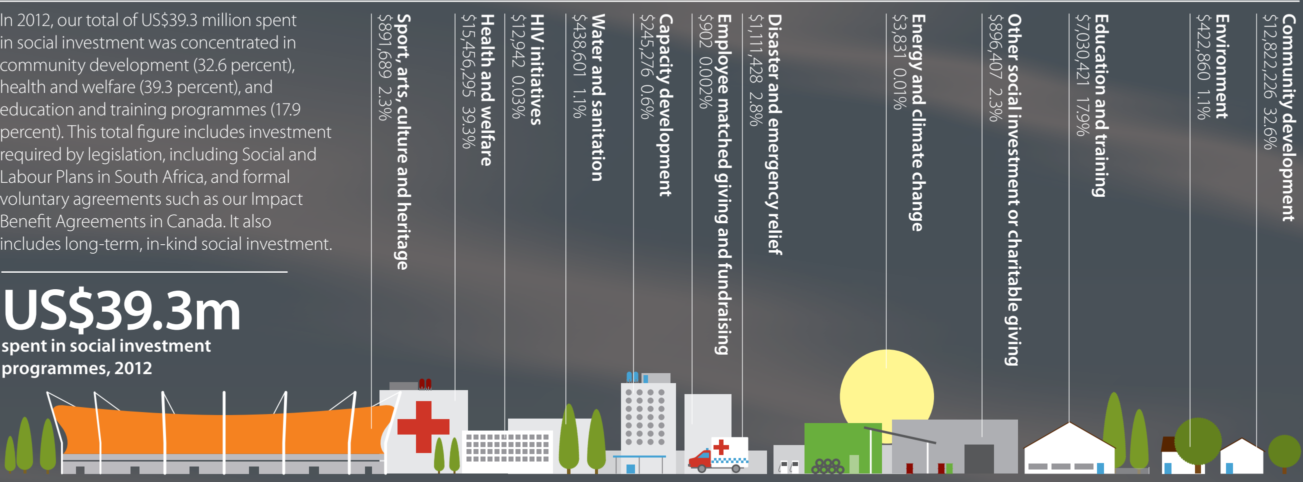
of Canada's US$307m 2012 procurement budget was spent with Aboriginal suppliers

Social investment spend by project type, 2012 (US$, percent of total spend)

In 2012, our total of US$39.3 million spent in social investment was concentrated in community development (32.6 percent), health and welfare (39.3 percent), and education and training programmes (17.9 percent). This total figure includes investment required by legislation, including Social and Labour Plans in South Africa, and formal voluntary agreements such as our Impact Benefit Agreements in Canada. It also includes long-term, in-kind social investment.

US$39.3m

spent in social investment programmes, 2012



Supporting community health

In Botswana, our fully funded mine hospitals provide medical services to mine employees but also act as district hospitals for the communities surrounding our mines. At Orapa Mine in the Boteti region, the mine hospital provides essential health services to more than 64,000 patients and delivered almost 600 babies in 2012.

US$15.5m

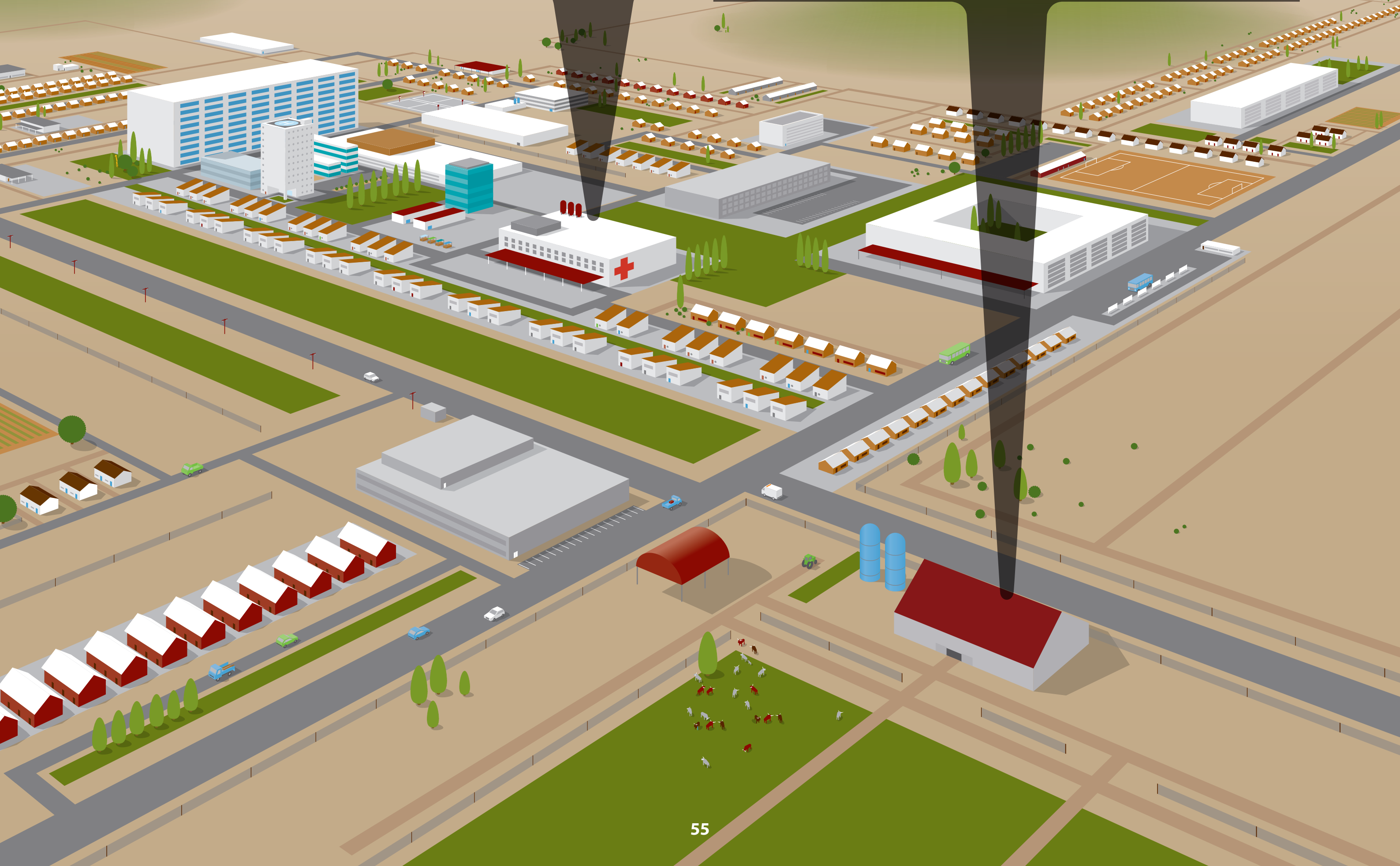
invested in health and welfare programmes worldwide in 2012

Supporting enterprise development

Enterprise development programmes can help support the creation of diverse local economies that will thrive beyond the life of a mine. In South Africa, the De Beers Zimele enterprise development programme has invested US$4.2 million in 139 enterprises since 2009, creating 1,240 jobs. One example is Sithagu Farm, which received a business loan that not only helped to preserve five jobs but also created five new positions and 10 temporary jobs during harvest. Having repaid her Zimele business loan early, owner Mercy Sithagu also won the '2012 Female Farmer of the Year' award within her local municipality for the quality of her produce.

1,240

sustainable jobs created in South Africa through De Beers Zimele since 2009



ENABLING NATURAL HABITATS TO THRIVE

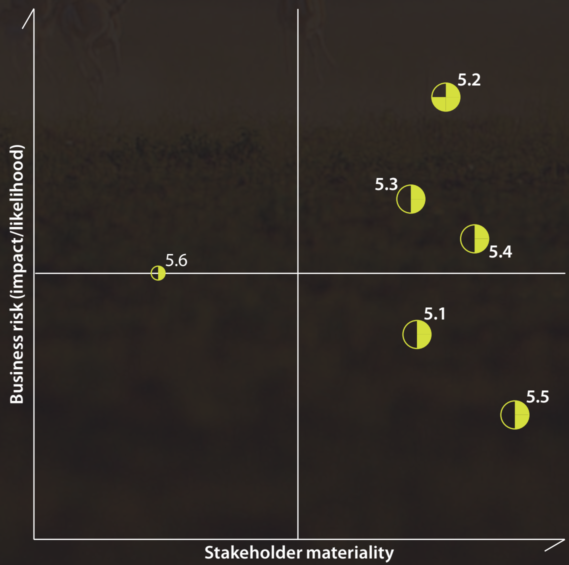
Springbok at dawn, Orapa, Botswana. (Credit: Dr Johan Steyn.)

Environment

The sustainable management of the natural environment is vital to the future prosperity of the countries in which we operate. We are committed to proactively managing our impacts on this shared resource.

Risks

In this section we report on our approach to key environmental risks identified for 2012 through our risk materiality process (see p14–15) and displayed on the matrix below.



5.1 Maintaining environmental standards

5.2 Water and energy security in a changing climate

5.3 Lifecycle planning

5.4 Promotion and maintenance of biodiversity and ecosystems

5.5 Respect for protected areas, key biodiversity areas or World Heritage Sites

5.6 Management of waste and pollution prevention

◕ Long term
◑ Medium term
◔ Short term
● Risks explored in 2012 Report to Society
• Risks

A full description of each of these risks is provided in the 2012 Assurance, Risk and Compliance Supplement.

Approach

We recognise that the natural environment is a source of shared value, not only providing resources for local communities and our operations, but also supporting livelihoods for local people. We work to minimise the impacts of our operations and contribute positively to the natural capital of the countries in which we operate.

At the core of our management strategy is our commitment to leading environmental practices, underpinned by our six Environmental Standards.

We aim to build competence and consistency in our approach to environmental stewardship across the Group of Companies. Good environmental stewardship involves identifying and managing the environmental impacts of all of our activities within exploration, projects, mining, sales, and Element Six. We take a holistic view of environmental management and consider the interconnected nature of all environmental aspects including biodiversity and ecosystem services, energy and climate change, water and waste management. In addition, our thorough approach to lifecycle planning means we endeavour to understand and mitigate environmental impacts at every stage in the mining lifecycle with a view to ensuring effective rehabilitation at all operations.

We forge partnerships with local communities, governments and NGOs and between operating units within the Group of Companies to address local and national issues of significance. For example, we work with the WWF on watershed management in the Limpopo river basin, which provides water for more than 14 million people. The Diamond Route also brings together 10 sites of biodiversity and cultural interest to support biodiversity stewardship and research, provide tourism opportunities and create jobs.

Environment Highlights

Water use

↗

42.9m m³

fresh water use, a 5.8% increase on 2011 resulting from higher volumes of ore treated and some water recovery issues (2011: 40.6 million m³)

page 60

Carbon emissions

↗

1.6m tonnes

of CO_2 emissions. An 8.9% increase resulting from greater waste stripping, haulage distances and tonnes of ore treated (2011: 1.5 million tonnes)

page 61

Conservation

↗

195,640

hectares of land owned and managed by De Beers set aside for conservation

page 62

Maintaining environmental standards

We are committed to maintaining an environmental management approach that matches the world's leading mining companies, and we aim to contribute to international best practice on mining and the environment. Maintaining compliance to standards requires sustained effort at every operation as part of the on-site environmental management systems. Given that mining has inherent environmental risks and our operations have long lifecycles, this is a long-term commitment that requires sustained effort in monitoring, improving our performance and meeting all relevant regulations on an ongoing basis.

Environment is one of the disciplines that make up our Environment, Community, Occupational Health and Safety (ECOHS) Programme (see p10). Led by the Environment Principal, the Environmental Peer Group guides our work in this area and ensures continuous improvement in our approach.

Our approach in 2012

The Environmental Peer Group met four times by teleconference during the year and once at the Environment and Community Workshop in October. The peer group reviews key environmental issues for each operating unit, such as environmental incidents, management system status, project and permitting developments, as well as topics of Group-wide importance. During the year, key topics included changes to our environmental policy and risk definitions, guidance for 'no net loss' biodiversity assessments, Anglo American integration and environmental indicators and data.

Following submissions from the Environmental Peer Group, the Board ECOHS Committee agreed to the revisions of our environmental policy. The revised policy more accurately reflects our commitment to 'no net loss' of significant biodiversity, our commitment to not mining within World Heritage Site core areas, and the requirement to include financial provision for environmental liabilities in strategic business plans – in particular relating to closure. Our environmental risk definitions were also revised to better reflect the risk of environmental impacts, rather than focus solely on unintended incidents.

Defining best practice

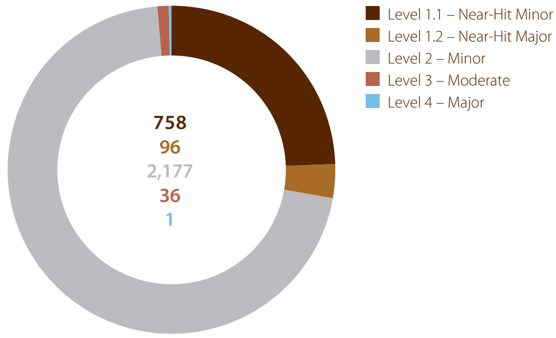
We define best practice for our operations through our six Environmental Standards covering lifecycle planning, biodiversity, water, climate change, pollution prevention/waste management and environmental reporting. The Standards are based on, and benchmark our operations against, leading mining companies' standards and international best practices, and they outline expected performance.

Along with our Environmental Policy, the Environmental Standards are mandatory for all operations and a detailed self-assessment assurance tool is used to assess compliance against the Standards.

We are committed to maintaining an environmental management approach that matches the world's leading mining companies and we aim to contribute to international best practice.

Fig. 12

Environmental incidents, 2012



Total near-hit incidents 2012=854; Total incidents 2012=2,214

Data note: Environmental incident data for 2012 includes Morupule and Element Six for the first time.

By mid-2012, compliance with our Environmental Standards, based on self-assessments by all operations, remained at an average of 86 percent following readjustments to scores at different operations against individual standards (2011: 86 percent). Climate change mitigation and adaptation is a key area for improvement. There is scope for improvement against the Biodiversity Standard. The completion of biodiversity 'no net loss' assessments and updates to Biodiversity Action Plans (see p62) for all mines are expected to improve compliance significantly in 2013.

As part of complying with our Environmental Standards, all operational mines and key facilities retained ISO14001 certification in 2012.

Environmental incidents

Our incident reporting system monitors environmental incidents across the Group of Companies. Incidents are mainly pollution-related (spills and releases) and, to a lesser extent, are linked to resource wastage, biodiversity or archaeological impacts. Incidents are reported by severity and type.

The overall number of incidents dropped during 2012 to 3,068 incidents and near-hits (2011: 3,544 see Fig. 12) with a particular reduction in the number of 'Level 1 – Near-Hits'. The number of 'Level 2 – Minor' incidents increased significantly in 2012 to 2,177 (2011: 1,084), mainly due to the realignment of reporting to match definitions of incident severity with Anglo American definitions.

Following a provisional 'Level 4 – Major' incident in October 2011 relating to water pollution at Snap Lake Mine in Canada, we had a second Level 4 incident at Snap Lake in January 2012. Both incidents have been classified as Level 4 on the basis of stakeholder interest rather than the severity of the limited environmental impact. Both events involved water with elevated nitrate concentrations seeping from the mine into Snap Lake. Following a thorough internal investigation, we have established a response plan to tackle the source of these incidents.

Aboriginal Affairs and Northern Development Canada (AANDC) – the agency with jurisdiction – has completed an investigation and there has been no indication yet that they will take any enforcement action (e.g. fines). AANDC has until January 2014 to initiate enforcement action. However, the mine has made significant improvements to its water management system in response to these incidents, which we believe have been taken into consideration by the authorities. During 2012, Snap Lake Mine was awarded a new eight-year water licence and has been given time during this period to develop revised water quality objectives with regard to discharges.

"The ultimate aim of the breeding project is to release white rhino into the wild once the population exceeds the Orapa Game Park's carrying capacity."

Kay Kulobone Soopu
Biodiversity Conservation Coordinator, Orapa, Letlhakane and Damtshaa Mines

A female white rhino with her calf, Hope, at Orapa Game Park, Makgadikgadi, Botswana. (Credit: Dr Johan Steyn.)

Orapa Game Park

We are committed to protecting and promoting the importance of biodiversity. In addition to our commitment to achieve 'No net loss to biodiversity' in our operations (see p62–63), we currently manage five hectares of land for biodiversity conservation for every hectare of land disturbed by mining, undertaking active conservation and supporting vital scientific research.

An example of this is Debswana's rhino breeding programme, conceived to help protect Botswana's white rhino population. Once widespread in the bushveld areas of southern Africa, the Southern White Rhino is now listed as 'near-threatened' according to the IUCN Red List of Threatened Species, due to the impacts of illegal poaching. The threat of illegal poaching has increased dramatically over the last few years. Both the Orapa Makgadikgadi Game Park and Jwana Game Park, which surround the Orapa and Jwaneng Mines, respectively, were considered ideal locations for white rhino breeding sites because of their ecological capacity, good security measures, and the resources, infrastructure and committed management to make the project a success. Rhinos were introduced to the Jwana Game Park in 2007, and the Orapa Makgadikgadi Game Park welcomed its first rhino in March 2012.

Debswana worked with a range of stakeholders, including the National Rhino Management Committee, leading up to the introduction of rhino at the Orapa Park.

The rhino breeding programme has paved the way for Orapa Game Park to be added as the first Diamond Route site in Botswana (see p63). This supports the post-mining vision to promote tourism within the Boteti region and for Orapa to become the tourist capital and gateway to the renowned Makgadikgadi region.

www.diamondroute.com

Venetia Mine at night, South Africa.

Water and energy security in a changing climate

Climate change presents risks to the sustainability of our business. These can take the form of water scarcity, extreme weather events and rising temperatures.

Approximately 95 percent of our rough diamond production comes from arid regions in southern Africa. Reduced rainfall and water availability could affect our production capacity and costs and pose a risk to relations with communities with whom we share water resources. This is a particular risk for our longer lifespan mines.

Similarly in Canada, rising temperatures could disrupt the seasonal ice roads used to supply our remote mines, leading to increased airfreight and its associated energy requirements and costs.

Using water efficiently and sustainably

In 2012, we used 42.9 million m^3 of new (potable and non-potable) water across all of our operations and facilities (2011: 40.55 million m^3 – see Fig. 13), an increase of 5.8 percent. Overall, this increase was mainly due to an increase in the volume of material treated and some technical issues related to water recovery at some mines.

The use of recycled process water at our southern African mines, which are in arid areas, dropped to 41 percent of total fresh water use (2011: 46 percent). This reduction reflects the sale of Finsch Mine and minimal water recycling at both Morupule Coal Mine and Element Six, which are being reported for the first time. We also used 25.3 million m^3 of sea water (2011: 16.63 million m^3) at our west coast mining operation in Namibia, in line with an increase in production.

Managing water risk and impact

Balancing the need to reduce both water and energy use presents an ongoing challenge. There are often trade-offs, particularly in southern Africa, between water and energy efficiency, as water reduction processes often require greater energy inputs and therefore increase our carbon footprint.

Water also presents a social challenge. We need to balance our ambition to create value from diamond resources for producer countries, with the water needs of communities near our operations. As water scarcity increases, so does the need to engage with the community to ensure policy that is responsive to their needs.

Working in partnership

To help understand and resolve the challenges we face, and to share good practice, we signed the United Nations Global Compact CEO Water Mandate in 2009. In doing so, we have committed to action on water policy, management and performance, as well as community engagement. In 2012, we submitted our second Communication on Progress (available on our website) outlining how we are meeting these commitments.

At our Venetia Mine in South Africa, we are entering the latter part of a three-year catchment management project in the Limpopo river basin in collaboration with the World Wide Fund for Nature (WWF-South Africa). Straddling four southern African countries, the Limpopo basin provides water to more than 14 million people. Water management challenges pose a major risk for all stakeholders in the area, including businesses. In 2012, as part of this collaboration, WWF appointed a Water Facilitator who liaised with all stakeholders in the region on catchment and watershed management. We began to plan a collaborative and co-funded project with the CEO Water Mandate, which will gather accurate basin-scale data for the region in 2013.

During 2012, we were also one of 45 business leaders to endorse a Communiqué on making water sustainability a priority for heads of government at the Rio+20 Summit in June.

Tackling climate change

Guided by our Climate Change Standard, we are working to reduce non-renewable energy use through energy reduction targets, improving energy efficiency in our operations and reducing carbon emissions.

To respond meaningfully to climate change, particularly in Africa, we believe it is also important to focus on adaptation to the effects of climate change. The impacts of climate change, such as temperature increases and water shortages, will be felt acutely in the communities where we operate. These communities are often located in both arid and less developed regions that are not well equipped to cope. Operationally, predicted temperature increases will require planning for more cooling at underground mines and for health-related responses.

Climate modelling

In our collaboration with WWF, we have contributed to climate change predictions for southern Africa through the Council for Scientific and Industrial Research. These predictions indicate that the largest changes will occur over the central interior of South Africa, at more than twice the global average over the 21st century.

For the Limpopo province, where Venetia Mine is located, temperatures are predicted to increase by 1-2 °C, with an additional 20 to 60 very hot days per year, when the maximum temperature will rise above 35 °C. These aspects will be taken into account in planning the underground development of Venetia Mine (see p20), including increased cooling requirements.

Energy efficiency and carbon emissions

In 2012, our direct and indirect energy consumption amounted to 12.7 million Gigajoules (GJ), a 9.6 percent increase over 2011 (11.59 million GJ – see Fig. 14). There is a net change of zero between the two years with increases resulting from energy use at Morupule and Element Six, which is reported for the first time, and a reduction resulting from the sale of Finsch Mine in 2011. The overall increase in energy use is mainly attributed to increased waste stripping, greater haulage distances and an increase in tonnes of ore treated.

Our total CO_2-e (carbon dioxide equivalent) emissions increased similarly to 1.58 million tonnes in 2012 (2011: 1.45 million tonnes – see Fig. 15), an 8.9 percent increase. Two-thirds of these emissions come from the electricity we purchase. These indirect emissions amounted to 0.93 million tonnes in 2012 (2011: 0.85 million tonnes). Direct emissions from fuel use (mainly diesel) amounted to 0.65 million tonnes (2011: 0.60 million tonnes).

Energy and water targets

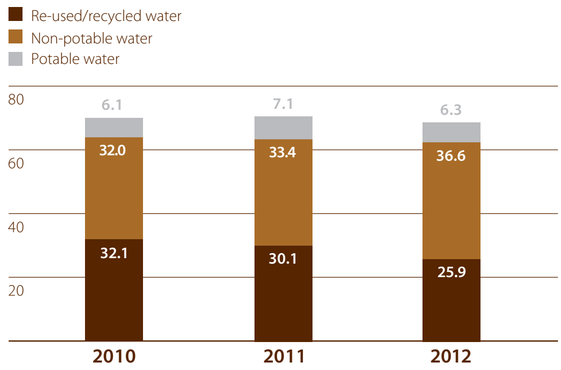
All operations have targets for energy and water that are specific to the type of mining operation, such as marine, alluvial or open pit, and as a result, we do not set Group-wide targets. During 2013, we will start reporting site-specific targets and performance for both energy and water in line with Anglo American reporting requirements.

Supporting renewable energy generation

In South Africa, our mining operations have allocated land to six renewable energy companies to construct three solar farms in the Kimberley region and three wind farms in Namaqualand. Environmental Impact Assessments have been submitted in all cases. In March 2013, some of the projects will apply for Independent Power Producing licences, which will allow them to continue toward full implementation. Such projects promote renewable energy use in South Africa and will create job opportunities in impoverished areas.

Fig. 13

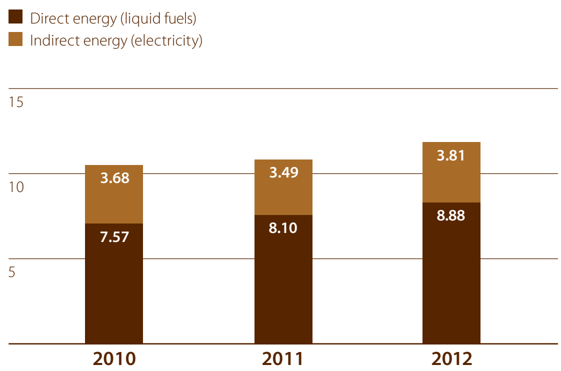
Fresh water use, 2010–2012 (million m^3)



Data note: Figures for 2012 include Morupule Coal Mine and Element Six for the first time and no longer include Finsch Mine, which was sold in 2011. The net effect of these changes to our data boundary is a 1.4 million m^3 reduction in water use, which is incorporated in our total water use figure.

Fig. 14

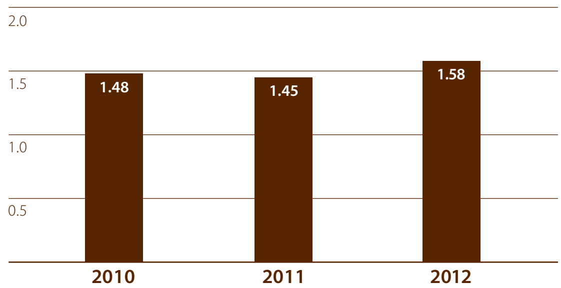
Direct and indirect energy use, 2010–2012 (million Gigajoules)



Data note: Figures for 2012 include Morupule coal mine and Element Six for the first time and no longer include Finsch mine, which was sold in 2011. There is a net change to our energy use of zero from these alterations to our reporting boundary.

Fig. 15

CO_2 equivalent emissions, 2010–2012 (million tonnes CO_2-e)



Data note: Figures for 2012 include Morupule coal mine and Element Six for the first time and no longer include Finsch mine, which was sold in 2011.

Lifecycle planning

Mining activities can have significant impacts on the environment. Our Lifecycle Planning Standard guides us in managing lifetime environmental and social risks at our operations and contributing toward a positive environmental and social legacy.

We are committed to adopting the mitigation hierarchy approach at every stage of the mining lifecycle. We endeavour to first avoid, then minimise, and finally rehabilitate the impact of our activities to leave a minimal residual impact. This includes environmental and social screening at the conceptual phase, undertaking impact assessments as the project moves into the pre-feasibility phase of a project, and developing management plans as part of the feasibility assessment. Environmental management systems are then implemented through the life of a project.

Planning for closure

Our Lifecycle Planning Standard and newly revised Environmental Policy require all operations to have adequately funded closure plans at the right level of detail for their remaining life of mine. Closure plans and costs are not static and require ongoing adjustment to ensure they remain aligned with changes to the mine plan and remaining life of an operation.

There are two key aspects to closure planning and costing:

- Concurrent rehabilitation, which involves annual activities during a mine's life that contribute to final rehabilitation and reduce end-of-life closure liabilities
- Post-production closure rehabilitation, which is legally required in all of our operating countries and includes planning for many years of rehabilitation beyond a mine ceasing production

With a number of late lifecycle mines, with 10 years or less of mining operations, closure planning and funding is of particular importance for the Group of Companies. In 2012, we continued to focus on reviewing the level of funding set aside in our operations' business plans for both concurrent and end-of-life rehabilitation.

The comprehensiveness of closure planning, costing and associated financial provision is varied across the company, and work is needed to bring closure plans to an appropriate level for each particular mine. Not all of our mines currently use the Anglo American's Closure Toolbox for their planning, but this will be implemented during 2013. Applying the Toolbox will allow a comparable overview of the status of all mine closure plans, including concurrent rehabilitation planning and costing.

Namaqualand Mines sale

As part of the sale process of Namaqualand Mines in the Northern Cape of South Africa, a fully funded (through bank guarantee) rehabilitation liability of US$43.5 million has been approved. Within this liability, we will retain more than half (US$23.2 million) of the rehabilitation liabilities, and will conduct the rehabilitation work (mainly earthmoving) during the next three years. We continue to engage with Conservation South Africa and other stakeholders on the environmental and community aspects associated with the sale.

Meanwhile, rehabilitation of the area disturbed by many decades of mining has continued. To the end of 2012, 25 million cubic metres of earth have been moved to landscape the largest voids and highest dumps, accounting for 58 percent of the total volume of earthmoving works required. Ecological restoration of 560 hectares of the most disturbed land has also been completed, accounting for 15 percent of the total surface area to be restored. Since 2008, this has been completed at an average cost of approximately US$3.7 million a year.

Promotion and maintenance of biodiversity and ecosystems

Our current mining footprint covers biologically diverse environments, and biodiversity is one of our most significant environmental focus areas. As a result, we include biodiversity in environmental planning and impact management during exploration, development, mining and closure.

Biodiversity strategy

Our biodiversity strategy consists of a number of approaches that help to deliver a valuable and recognisable contribution to biodiversity conservation around our areas of operation.

We committed to achieving 'no net loss of biodiversity' in 2009. The commitment requires that we implement a mitigation hierarchy, firstly to avoid areas of high biodiversity, then minimise biodiversity impacts, and finally rehabilitate impacts so that the residual biodiversity impact is minimal. Where the residual biodiversity impact is significant, compensation or offset mechanisms are required to ensure 'no net loss'.

Assessing biodiversity significance

As part of our commitment to no net loss of biodiversity, and to improve our understanding, we have developed a methodology for assessing biodiversity significance. Developed with input from external biodiversity experts, the methodology was trialled for Voorspoed, Victor and Namdeb operations during 2012. Although the trial assessments are retrospective and assess the overall biodiversity impact at existing sites, the process is required for all greenfield mine developments to ensure 'no net loss' is considered from the earliest stages of project development.

Managing our impacts

We respect legally designated Protected Areas and key biodiversity areas and we do not operate within World Heritage Site Core Areas. Our annual Biodiversity Overlap Assessment assesses whether our operations overlap with these types of protected areas. The 2012 assessment confirmed we are adhering to our policy commitment.

We manage biodiversity risks through the Environmental Management Systems at our mines supported by Biodiversity Action Plans (BAPs). These are in place for our mining operations, and help develop a coordinated approach to biodiversity stewardship, supported by management objectives and actions.

Marine biodiversity

Due to the scale of our offshore marine mining operations in Namibia, we have established a Marine Scientific Advisory Committee (MSAC) that will meet twice per year. The Committee consists of independent experts and provides guidance and oversight on relevant and practical environmental monitoring to assess biodiversity impacts and ecological recovery. Since active rehabilitation is not possible with marine mining, this monitoring assists with demonstrating the eventual recovery of marine biodiversity following offshore mining. A successful first meeting of the MSAC was held during November 2012.

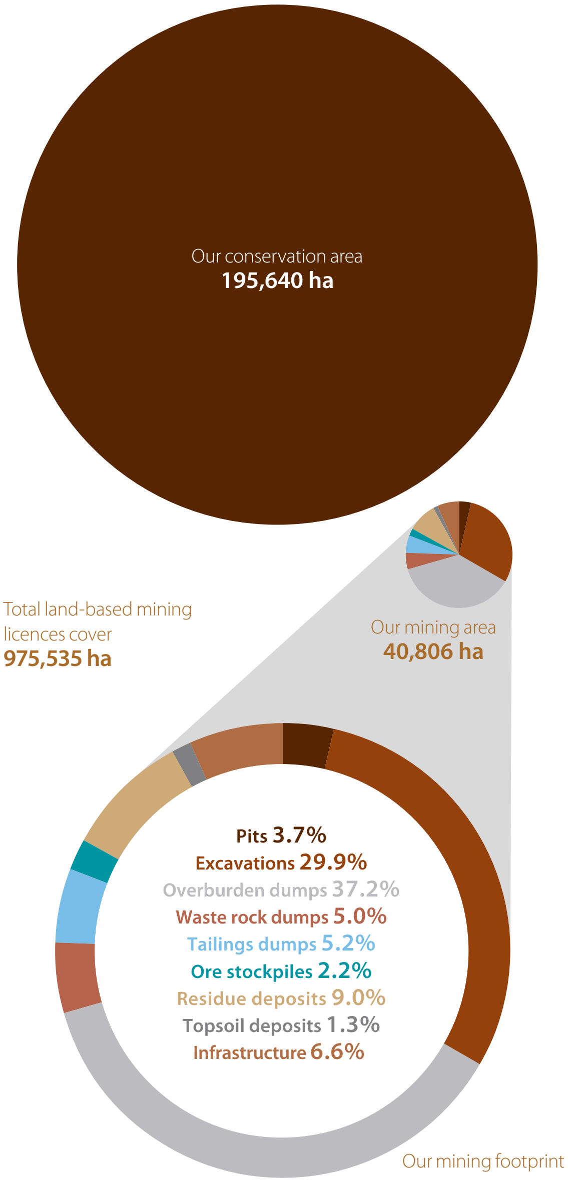
Supporting biodiversity conservation

Our land-based diamond and coal mining licences cover 975,535 hectares (ha), only 40,806 ha of which (4.2 percent) is disturbed by our actual mining footprint. An area of 195,640 ha is set aside for conservation. We continue to manage roughly five hectares of land for biodiversity conservation for every hectare of land disturbed by mining.

De Beers chairs the South African Mining and Biodiversity Forum, which brings together representatives from mining companies, government departments, the Chamber of Mines and NGOs, as well as independent biodiversity professionals to improve biodiversity stewardship and performance in the mining industry from Venetia Mine, with water

Fig. 16

Our ratio of conservation area to mining area (5:1) and our mining footprint, 2012 (%)



Data note: Figures for 2012 include Morupule Coal Mine for the first time and no longer include Finsch Mine, which was sold in 2011.

abstraction points and a water pipeline located in this buffer zone. A key output of the Forum in 2012 is a guideline entitled "Mining and Biodiversity Guide", which is being finalised for publication.

Diamond Route
The Diamond Route is an award-winning multi-site initiative that covers 10 sites of biodiversity and heritage interest across southern Africa. A joint initiative between De Beers, E Oppenheimer & Son and Ponahalo Holdings, the Diamond Route supports local economic development through tourism and education, and promotes biodiversity through active conservation and vital scientific research.

The tenth Diamond Route site – the Orapa Makgadikgadi Game Park in Botswana – was added in 2012. The site was launched by his Excellency the President of the Republic of Botswana Lieutenant General Seretse Khama Ian Khama, and included the introduction of white rhino to the park (see p59).

The third Diamond Route Research Conference took place in October 2012, with approximately 180 delegates from 61 national and international institutions. The conference included 26 presentations and 24 posters on a wide range of research topics from sites in the Diamond Route and within the Group of Companies, including lions at Venetia to caribou monitoring in Canada. During 2012, we also started to develop an online research database, which will soon be available through the Diamond Route website, containing reports, publications and theses of research completed on Diamond Route properties as well as specialist studies completed at our operations.

www.diamondroute.com

Respect for protected areas, key biodiversity areas and World Heritage sites

We respect legally designated Protected Areas and World Heritage Sites, and aim to minimise ecosystem disturbance through responsible planning and biodiversity stewardship across throughout the lifecycle of a mine. Taking this approach mitigates the current and future risk of environmental impacts, potential litigation and reputational damage.

A key tool for managing this risk is our annual Biodiversity Overlap Assessment, which confirms whether our operations overlap with protected or key biodiversity areas.

Through our work on biodiversity, we discovered in February 2012 that the core area of the Mapungubwe Cultural Landscape in the Limpopo Province had been proclaimed as a World Heritage Site in the South African Government Gazette of 30 January 2009, under the World Heritage Convention Act (WHCA). As well as the core area, the Gazette references a 'buffer zone' around the site that incorporates the Venetia Mine licence area, with water abstraction points and a water pipeline from Venetia Mine located in this buffer zone.

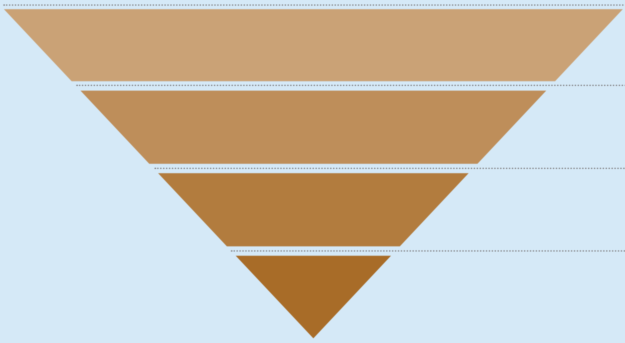
De Beers was not consulted or informed prior to this development and while the buffer zone is not proclaimed as a protected environment, it directly challenges our commitment to respect protected and key biodiversity areas. It also presents risks to our current operations at Venetia and expansion plans for underground mining.

Since the discovery, we have been actively engaging with the South African government and various parties to discuss new boundaries that will exclude the Venetia Mine licence area from the buffer zone. In early 2013, on our request, the Minister of Environmental Affairs sent a letter confirming that De Beers may continue mining at Venetia although it falls within the buffer zone, subject to all permit and other legal requirements.

In addition, some exploration licences also overlap with portions of known IUCN Category I–IV Protected Areas in South Africa, Namibia, Angola and India and no exploration activities are conducted on these overlap areas.

Integrating biodiversity across the mining lifecycle

A number of our mining operations are located in biologically diverse environments. At De Beers, we recognise the value of the natural environment and have committed to achieving 'No Net Loss of Significant Biodiversity'. To meet this commitment, we undertake specific activities at each stage of the mining lifecycle to avoid, minimise, rehabilitate or offset our impacts on biodiversity. These activities are described in a 'mitigation hierarchy'.



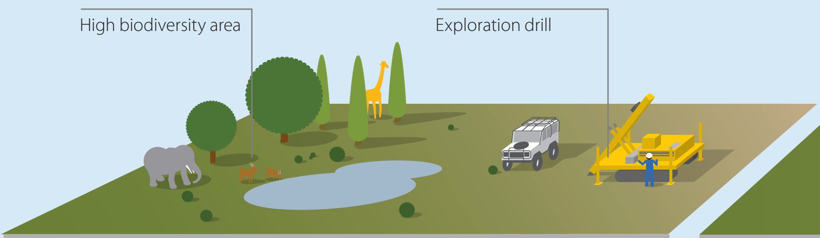
MITIGATION HIERARCHY

Avoid areas where mining is likely to have a negative impact on biodiversity and associated ecosystems

Minimise unavoidable impacts by considering alternatives, and implementing mitigation measures

Rehabilitate unavoidable impacts through rehabilitation and restoration

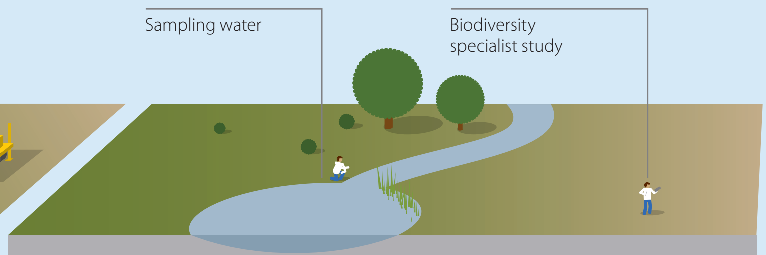
Offset impacts if, after following the mitigation hierarchy, there is loss of significant biodiversity



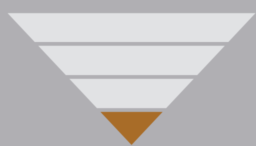
During exploration, we map the area, conduct Biodiversity Overlap Assessments to identify if the area is legally protected or recognised as a key biodiversity area, and conduct biodiversity baseline studies. These activities indicate if area is suitable for project development or should be avoided.

Avoid

1. EXPLORATION



During project development, impact assessments, a No Net Loss assessment, and specialist biodiversity studies indicate areas to be avoided, biodiversity impacts to be minimised, and planned rehabilitation potential. From these activities, an Environmental Management Plan is developed, supported by a Biodiversity Action Plan. Offset is only required as a last resort if, after following the mitigation hierarchy, there is loss of significant biodiversity.



Offset

2. PROJECT DEVELOPMENT

Terrestrial Mining

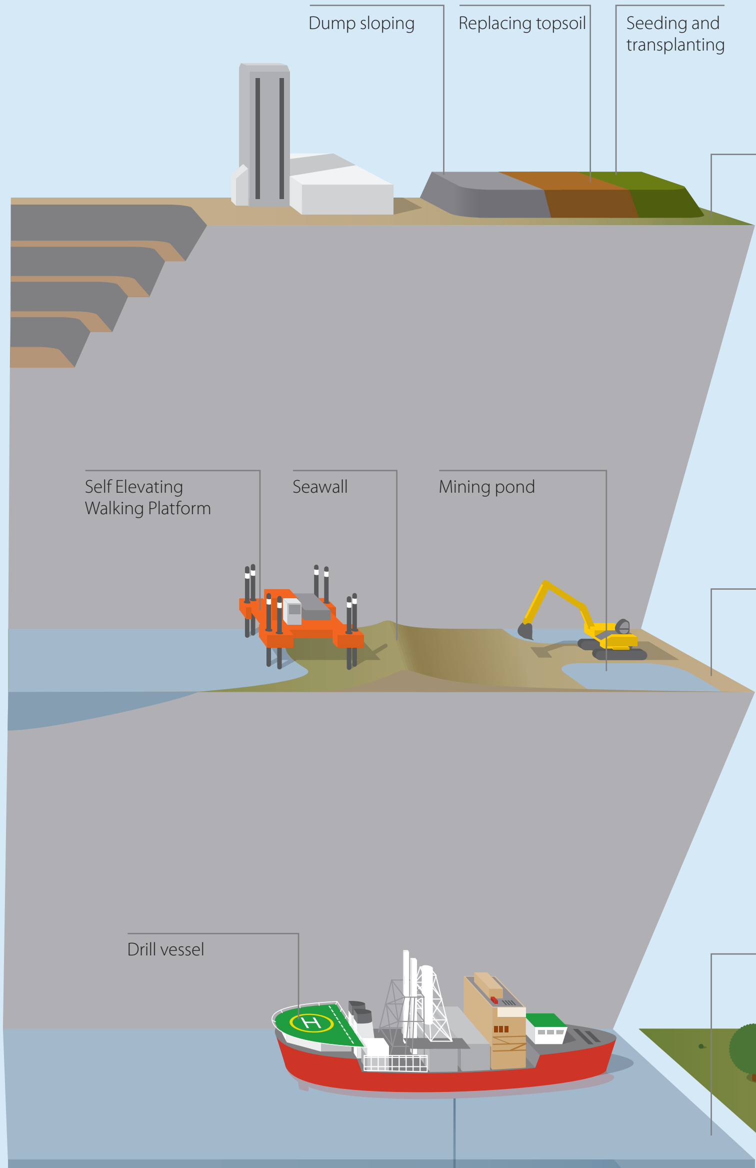
Biodiversity is managed by monitoring impacts, for example limiting the footprint of infrastructure, and by rehabilitation. Rehabilitation can be either physical rehabilitation or ecological restoration. Physical rehabilitation includes activities such as topsoil stripping, or dump sloping. Ecological restoration includes soil amelioration, seeding, transplanting and netting.

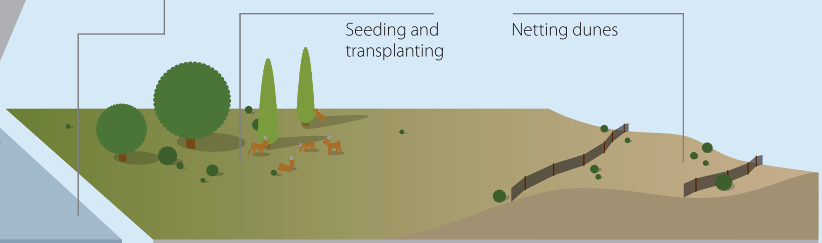
Coastal mining

To mine coastal areas we create seawalls. After we finish mining operations, these seawalls are either breached or allowed to rehabilitate naturally, based on environmental conditions. We undertake long-term monitoring of sandy beaches, rocky shores and subtidal environments on an ongoing basis, to monitor and demonstrate their recovery.

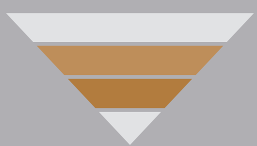
Marine mining

In the offshore environment, no active rehabilitation of the mining footprint is currently possible. However, ongoing, long-term monitoring of seabed sediments and associated organisms is undertaken to demonstrate natural recovery.



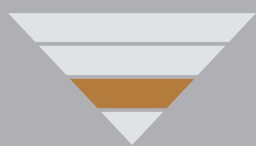


Biodiversity is actively managed through Environmental Management Plans, which are in place at every operation, and through integrating biodiversity into the ISO14001 Environmental Management System. Physical rehabilitation programmes are implemented concurrently with production during the active life of the mine.



Minimise and Rehabilitate

Closure plans are in place at all our operations. In implementing these closure plans we undertake active rehabilitation, and monitor and measure the effectiveness of our rehabilitation programmes. We also conduct No Net Loss assessments to evaluate and ensure the restoration of biodiversity.



Rehabilitate

3. OPERATION

4. CLOSURE

Assurance statement

SGS United Kingdom Ltd's report on sustainability activities in the De Beers 2012 Report to Society.

SGS

Nature and scope of the assurance/verification

SGS United Kingdom Ltd was commissioned by De Beers to conduct an independent assurance of the 2012 Report to Society. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text and 2012 data in accompanying tables contained in this Report.

The information in the 2012 Report to Society of De Beers and its presentation are the responsibility of the directors or governing body and the management of De Beers. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the 2012 Report to Society. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all De Beers' stakeholders.

The assurance scope has been approached as follows:

GRI G3 (2006) – We have evaluated the content of the 2012 Report to Society and the GRI table in the 2012 Risk, Assurance and Compliance Supplement.

AA1000AS (2008) – This is based on the contents of the 2012 Report to Society; 2012 Risk, Assurance and Compliance Supplement; and the management systems supporting that.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines G3 (2006) and the AA1000 Assurance Standard (2008). These protocols follow differing options for Assurance depending the reporting history and capabilities of the Reporting Organisation.

This report has been assured as an AA1000AS Type 2 assurance at a moderate level of scrutiny using our protocols for:

- evaluation of content veracity;
- evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (2006);

The assurance comprised a combination of pre-assurance research, interviews with relevant employees in the UK (London offices) and South Africa (Cape Town and Johannesburg offices); documentation and record review and the observation of the Multi-Stakeholder Forum in December 2012.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

Statement of Independence and Competence

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS United Kingdom Ltd affirms our independence from De Beers, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with AccountAbility and SAATCA (Lead Environmental Auditor).

Verification/Assurance Opinion

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the 2012 Report to Society verified is accurate, reliable and provides a fair and balanced representation of De Beers sustainability activities in 2012.

The assurance team is of the opinion that the 2012 Report to Society can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 Accountability Principles (2008) Conclusions, Findings and Recommendations

In our opinion the De Beers 2012 Report to Society fulfills all expected elements to demonstrate strong commitments to the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness. Our findings and recommendations for future reporting are summarised below.

Inclusivity

Governance of sustainability in De Beers continues to be strong, however, due to the integration following the completion of the acquisition of a majority shareholding in De Beers by Anglo American many of the plans for Stakeholder Engagement were delayed during this reporting period including the roll out of the Stakeholder Mapping tool. The major stakeholder engagement events have continued as has engagement around issues local to business units. De Beers should make this a major area of focus in the future year.

Materiality

The risk evaluation processes for the group continue to reflect best practice and these are the major feeds into the identification of material issues. The materiality risk matrix continues to be updated to reflect the changing priorities of material issues. The continued devolution of reporting to business unit and country level, which has been developed, will ensure that local material issues will be better addressed in future.

The report doesn't provide benchmarking or goals and targets to provide better context and comparison when evaluating material issues and therefore De Beers' overall sustainability performance. This has been commented on in the assurance statements for 2010 and 2011 and remains an improvement point.

Responsiveness

De Beers have demonstrated that they have considered the reporting needs of all stakeholders, including those traditionally excluded from consultation. This is underpinned by the continued development and support of local reporting, though focus must be given to not only ensuring consistency, but also the flexibility and transparency of local reporting.

Global Reporting Initiative Reporting Guidelines (2006) Conclusions, Findings and Recommendations

In our opinion, the De Beers 2012 Report to Society meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.0 Application Level A+.

Principles

In our opinion the content and quality of the Report has been produced in line with the ten GRI Principles. Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- De Beers should implement a formalised data reporting system, establishing procedures and roles and responsibilities to ensure the accuracy and traceability of the data and that changes in personnel don't affect the collection and reporting processes. This was also identified as an improvement opportunity in the assurance statement for the 2011 Report to Society.
- De Beers' report would be enhanced if sustainability performance was reported against benchmarking and goals and targets. This will better contextualise the information and allow stakeholders to make more informed judgments about performance. This was also identified as an improvement opportunity in the assurance statement for the 2011 Report to Society.
- The 2012 Report to Society and 2012 Risk, Assurance and Compliance Supplement include feedback on the previous year's report received from stakeholder groups during two engagement activities. The report would be enhanced if feedback was obtained from a greater number of stakeholder groups and used as a basis for forming next year's report.
- The report would benefit from showing how stakeholder groups have influenced which material issues are included in the report.
- De Beers should use the most recently published version of the GRI framework to produce next year's report.

SGS United Kingdom Ltd
Birmingham, May 2013

www.sgs.com

AA1000
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Further information

Three guiding 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 economics, ethics, employees, community and environment aspects of our activities.

Sustainable development through partnership

The Group of Companies is committed to operating in accordance with national legislation and toward 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 and Aids. We will also work meticulously through the Kimberley Process, the industry's System of Warranties, and our own Principles to ensure conflict diamonds are eliminated from world diamond flows.

Accountability and 'living up to diamonds'

Our ethical conduct is governed by the De Beers Best Practice Principles Assurance Programme (BPPs). The BPPs apply to the De Beers Group of Companies, all 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. Compliance with the BPPs is third-party verified each year by SGS (Société Générale de Surveillance).

Acknowledgments
Prepared and produced by the De Beers Group of Companies in partnership with Salterbaxter.
Designed by Salterbaxter
Printed by Pureprint

Acronyms

ART	Anti-Retroviral Treatment
BAP	Biodiversity Action Plans
BEE	Black Economic Empowerment
BOA	Biodiversity Overlap Assessment
BPPs	De Beers Best Practice Principles Assurance Programme
DBCM	De Beers Consolidated Mines
DBDJ	De Beers Diamond Jewellers
DTC	Diamond Trading Company
DTCB	Diamond Trading Company Botswana
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECA	External and Corporate Affairs
ECOHS	Environment, Community, Occupational Health and Safety
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EMP	Environmental management plan
EMS	Environmental management system
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental Social Management Plan
GDP	Gross domestic product
GRB	Government of the Republic of Botswana
GRI	Global Reporting initiative
HDN	Historically Disadvantaged Namibian
HDSA	Historically Disadvantaged South African
IBA	Impact Benefit Agreement
ICMM	International Council on Mining and Metals
IDT	Illicit Diamond Trade
LTIFR	Lost Time Injury Frequency Rate
LTISR	Lost Time Injury Severity Rate
NDTC	Namibia Diamond Trading Company
NGO	Non-governmental organisation
PICT	Provider-initiated HIV counselling and testing
PWP	Polished Wholesale Price
RJC	Responsible Jewellery Council
RTS	Report to Society
SEAT	Socio-Economic Assessment Toolbox
SIA	Social Impact Assessment
SLP	Social and Labour Plan
SRMP	Safety Risk Management programme
UNGC	United Nations Global Compact

Environmental information
This report has been printed on Amadeus 100 percent recycled offset paper produced from 100 percent recovered fibre certified in accordance with the FSC® (Forest Stewardship Council). Both the manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are FSC® chain-of-custody certified.

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Whistleblowing hotline

The De Beers Group of Companies whistleblowing policy details conduct or behaviour that employees and other relevant persons have a duty to report, including:

- Actions that may result in danger to the health and/or safety of people or damage to the environment
- Criminal offences, including money laundering, fraud, bribery and corruption
- Failure to comply with any legal obligation (including applicable anti-trust/competition laws)
- Unethical accounting practices
- Miscarriages of justice
- Any conduct contrary to the De Beers ethical principles
- Concealment of any of the above.

Any person wishing to use our confidential whistleblowing hotlines may do so through the contact details below.

By telephone

By telephone to the following toll free country numbers. All tip-offs are anonymous and confidential:

De Beers Angola	+ 27 (0) 31 571 5772
De Beers Belgium	080075977
De Beers Botswana	71119753 (Mascom)
De Beers Brazil	08008918714
De Beers Canada	18664511590
De Beers China	+27 (0) 31 571 5776 or 4001200533
De Beers DRC	+27 (0) 31 571 5773
De Beers Germany	08001888100
De Beers Italy	800870011
De Beers Isle of Man	08004049528
De Beers India	+27 (0) 31 571 5775
De Beers Israel	1809455111
De Beers Japan	00531270008
De Beers Namibia	0800 003 518 or 061 309058
De Beers Netherlands	08003035554
De Beers South Africa	0800 003 518
De Beers Sweden	020799440
De Beers Switzerland	0800896008
De Beers Taiwan	00801279911
De Beers Ukraine	0800500269
De Beers United Kingdom	0808 234 2168
De Beers USA	18552013285

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,
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Email, website and fax

Written disclosures may also be submitted via:

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At De Beers
we believe in addressing
SUSTAINABILITY ISSUES
openly and honestly.
WE ARE COMMITTED TO
'living up to diamonds'
IN ALL WE DO.

FEEDBACK
We appreciate your feedback on this report or any other aspect of our sustainability performance. Please contact us at:

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