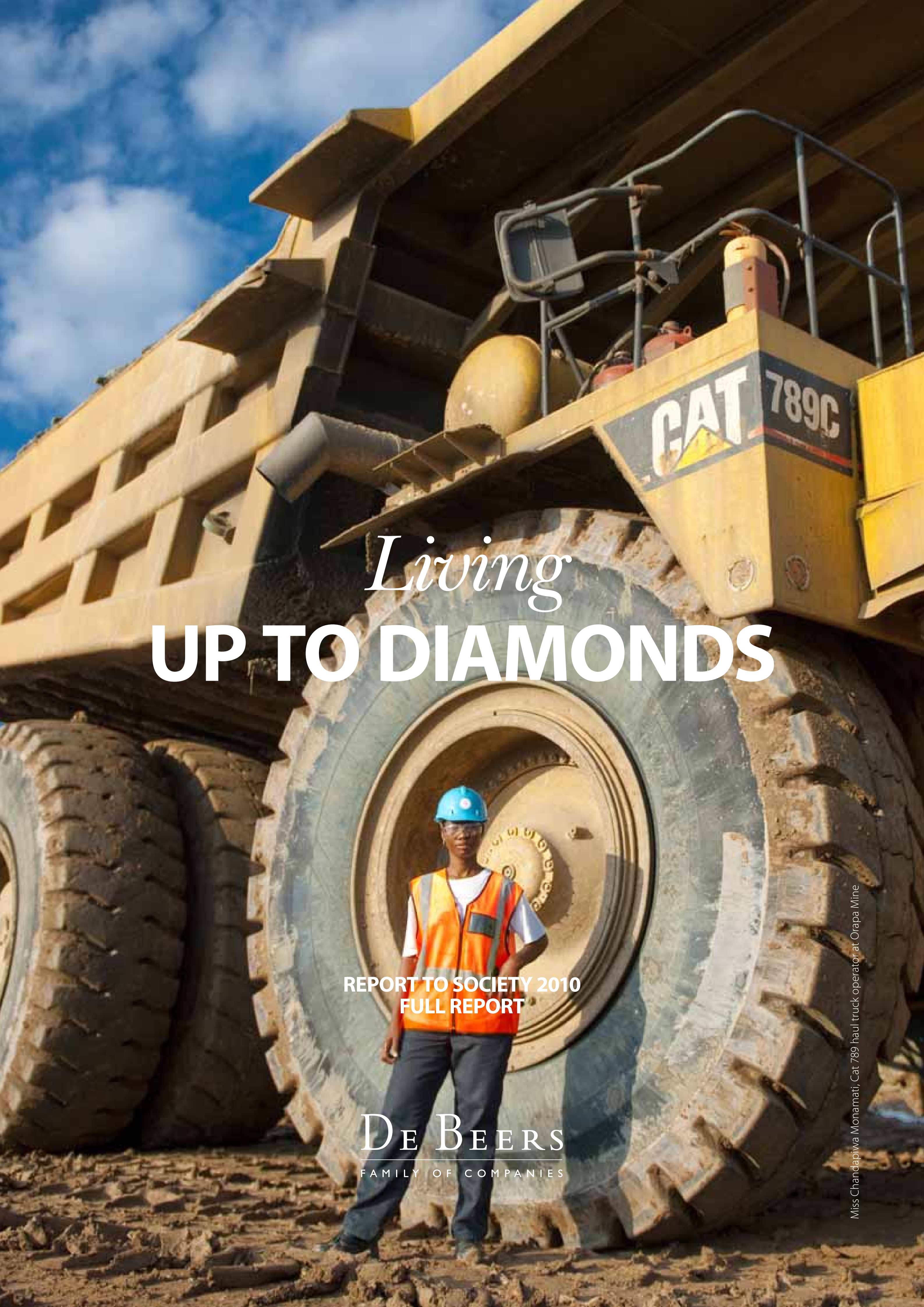
Living UP TO DIAMONDS



REPORT TO SOCIETY 2010
FULL REPORT

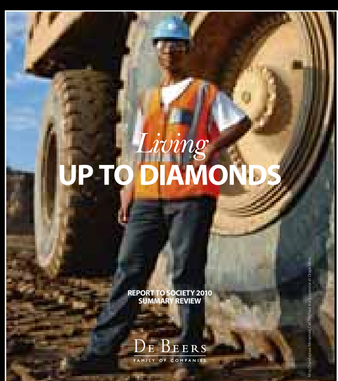
DE BEERS
FAMILY OF COMPANIES

Miss Chandapiwa Monamati, Cat 789 haul truck operator at Orapa Mine

CONTENTS

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

www.debeersgroup.com

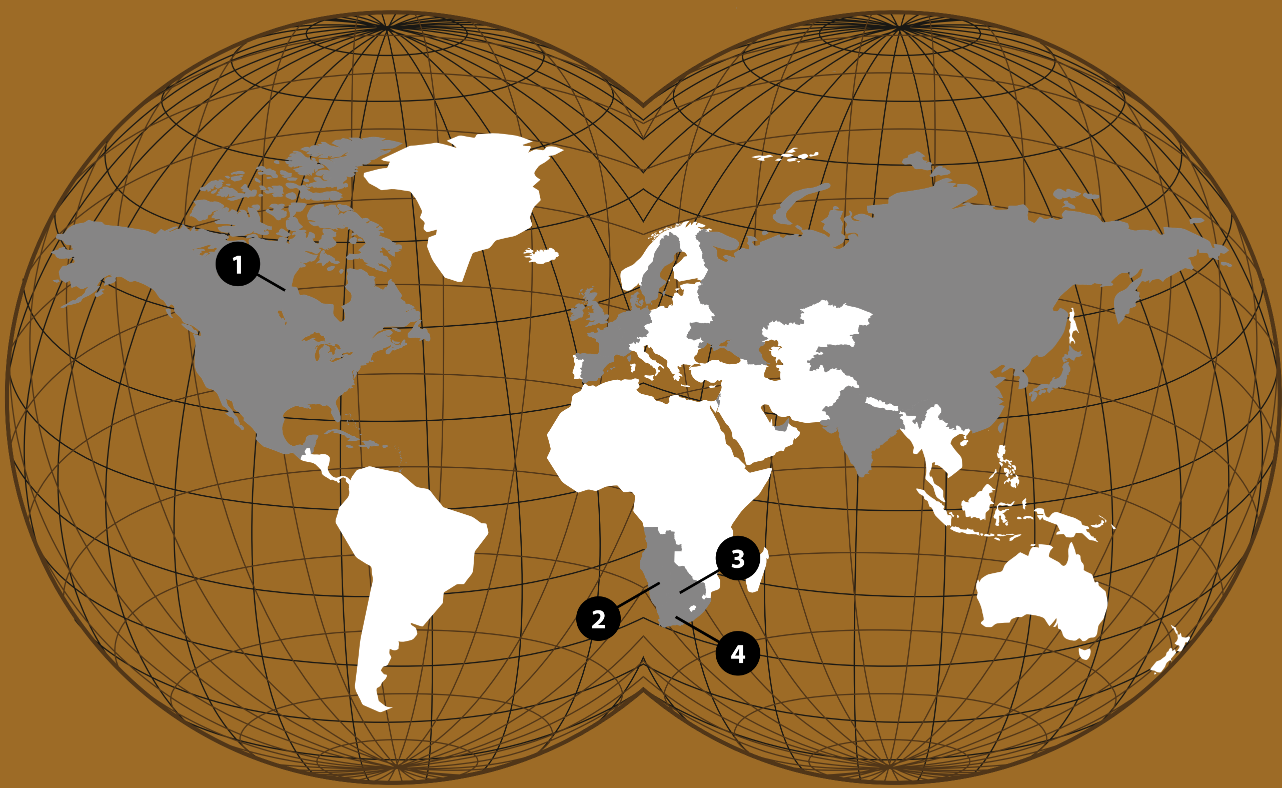


Report to Society 2010 Summary Review

Our GRI compliance table

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.



This map illustrates the countries in which De Beers conducts exploration, mining, rough diamond sales and downstream value-creating businesses.

The global diamond value chain

01

Exploration
Modern exploration uses highly sophisticated technologies to determine the economic viability of deposits. De Beers Exploration currently focuses on Angola, Botswana, Canada, India and South Africa.

02

Mining
The vast majority of De Beers' production comes from underground and open-pit kimberlite mines. We also mine alluvial stones along the south-west African coast using onshore extraction techniques and specialised ships. De Beers is not involved in informal small-scale mining.

03

Rough diamond sales
De Beers sorts and sells rough diamonds to independent clients known as 'Sightholders' through our rough diamond sales operations: DTC, NDTC and DTCB. These clients cut and polish diamonds prior to the manufacture of jewellery.
We also sell rough diamonds to Sightholders and other registered customers through Diamdel, an online auctioning platform.

04

Cutting, polishing and manufacturing
Cutting and polishing of diamonds, and the manufacture of diamond jewellery, takes place around the world and is concentrated in the following major centres: India, China, Tel Aviv, Antwerp, New York, Botswana, Namibia and South Africa. De Beers Diamond Jewellers (DBDJ) has its own design and development capacity.

About this Report: We believe this Report together with the Operating and Financial Review 2010 and its supporting online resources represent an A+ application of the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines. It also forms part of our Communication on Progress to the United Nations Global Compact. A summary of our compliance with the GRI and the 10 principles of the United Nations Global Compact is presented online at www.debeersgroup.com.

From its mining operations across Botswana, Namibia, South Africa and Canada, De Beers produces and markets approximately 35% of the world's supply of rough diamonds by value. Together with our joint venture partners, De Beers operates in more than 20 countries across six continents, and employs more than 16,000 people.

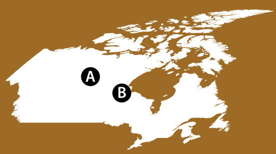
Our values are encapsulated by the concept of *Living up to Diamonds*. We aim to achieve this by making a lasting contribution to the communities in which our people live and work. In this Report to Society 2010, we demonstrate how we live up to diamonds by addressing material risks along the entire diamond pipeline, from mine to consumer.

1 *Canada*

DE BEERS CANADA

100% owned.
Established 1998.

A Snap Lake
B Victor

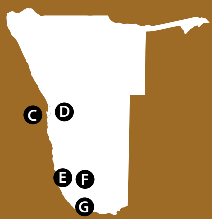


2 *Namibia**

NAMDEB

50/50 joint venture with the Government of the Republic of Namibia.
Established 1994.

C Atlantic 1
D Alluvial Contractors
E Elizabeth Bay
F Mining Area 1
G Orange River



3 *Botswana*

DEBSWANA

50/50 joint venture with the Government of the Republic of Botswana.
Established 1968.

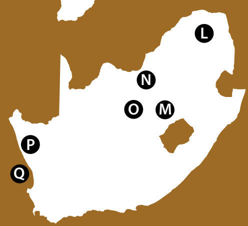
H Damtshaa
I Orapa
J Letlhakane
K Jwaneng

4 *South Africa*

DE BEERS CONSOLIDATED MINES

74/26 partnership with BEE partner Ponahalo Holdings.
Established 1888.

L Venetia
M Voorspoed
N Kimberley
O Finsch
P Namaqualand
Q SASA



	Start of production	2010 Tonnes treated '000	2010 Carats recovered '000
Total		**54,544**	**32,997**
De Beers Canada		**3,602**	**1,751**
Snap Lake	**2007**	**869**	**925**
Victor	**2008**	**2,733**	**826**
Namdeb		**9,434**	**1,472**
Land	**1936**	9,434	492
Sea (m^2 000)	**1990**	–	980
Debswana		**24,439**	**22,218**
Orapa	**1971**	12,928	9,527
Letlhakane	**1975**	3,307	1,221
Damtshaa	**2002**	–	–
Jwaneng	**1982**	8,204	11,470
DBCM		**17,069**	**7,556**
Kimberley mines and contractors	**1980**	5,493	823
Finsch	**1961**	4,483	1,583
Namaqualand mines and contractors	**1928**	41	97
Venetia	**1992**	4,036	4,288
Voorspoed	**2008**	3,016	732
SASA (m^2 000)	**2007**	–	33

Diamond demand
We are involved in diamond retail through De Beers Diamond Jewellers (DBDJ), an independently managed retail joint venture, and *Forevermark*, our proprietary diamond brand. Through Element Six (E6), our industrial synthetic diamond supermaterials business, we supply tool and application manufacturers across a diverse range of global markets.

Coverage

This Report to Society 2010: Living up to Diamonds, and its counterpart *Summary Review*, together comprise the sixth annual sustainability report produced by the De Beers Family of Companies. Both Report and Summary Review are available for download from **www.debeersgroup.com**. The Report and Summary Review include performance data for those businesses that De Beers either owns or has a shareholding in, and that have significant economic, social and environmental impacts. They also include narrative content on management approaches for independently managed companies such as De Beers Diamond Jewellers (DBDJ) and Element Six (E6). Use of 'our' or 'we' in the Report and Summary Review therefore relates to the De Beers Family of Companies, a collective term used for both wholly-owned and joint-venture business entities.

More information on De Beers' structure, operations and performance can be found in the 2010 Operating and Financial Review, available online or as a PDF download at:

www.debeersgroup.com/ofr2010/index.html

*Through 2010, Namdeb's sea licence areas were mined under contractual service arrangement by De Beers Marine Namibia, 70% owned by DBsa. In May 2011, the Government of the Republic of Namibia and De Beers agreed to restructure the partnership, creating a 50/50 holding company with full ownership of Namdeb and De Beers Marine Namibia.

At De Beers
we believe in addressing
SUSTAINABILITY ISSUES
openly and honestly.
Whether it's the development of
SUSTAINABLE
POST-MINING ECONOMIES,
the global challenge of
CLIMATE CHANGE,
or
ENSURING GLOBAL
SUPPLY IS FREE OF
conflict diamonds.
WE ARE COMMITTED TO
'living up to diamonds'
IN ALL WE DO.

Introduction from our Chairman

In 2010 we saw a significant recovery in demand for rough diamonds and consequently a turnaround in De Beers' financial performance and a return to significant positive diamond sector growth in our producer countries. This recovery was, however, not solely due to improved market conditions – it owed a great deal to the steps we and our producer partners took to transform our business in response to the economic crisis.

Our improved financial performance does not, however, represent a complete turnaround in the fortunes of either the global economy or the diamond industry. Rather it represents the ushering in of an era of greater economic uncertainty and volatility, and our heightened appreciation of the many risks inherent in operating in an increasingly globalised economy. Short term concerns over the stability of the global banking system have given way to longer term concerns over levels of structural debt in established markets, especially Europe, potential asset bubbles in some emerging markets and great political uncertainty in others.

In engaging with the challenge of operating in this new global economy, our commitment to live up to the emotional promise of the product we sell has, if anything, been reaffirmed. The success of our business, and its future growth depends on our ability to create shared value with our producer partners, our local communities, our employees and our consumers.

Creating shared value

Five years ago De Beers embarked on an exercise to articulate a series of values and principles that would shape the way we operate. These were defined in part by our belief in the ability of our business to unlock shared value through transforming commercial success into sustainable social capital wherever we operate. This is most powerfully illustrated by the fact that our commercial interests and our partners' development aspirations are mutually served by our focus on maximising the value of every carat we produce.

It is through our partnerships with governments, empowerment entities and local communities that shared value is unlocked. In Botswana, for example, more than four out of every five dollars that Debswana (a 50/50 mining joint venture between Botswana and De Beers) generates goes into public revenues, which in turn are deployed by government to create social capital through state programmes. Diamond resources also drive economic growth through the development and support of local businesses. This is achieved through preferential procurement, enterprise development and beneficiation initiatives that offer Botswana the opportunity to leverage its position in the diamond pipeline to lay the foundations for a sustainable post-mine diamond economy.

But diamond mines are finite resources. Their ability to drive economic growth and catalyse economic diversification in producer countries is limited by the size of the resource. This means that maximising the positive impact of a mine depends on ensuring that the value of each and every carat mined is maximised. In practice, this means shifting emphasis to quality and focusing on maximising the recovery of diamonds in the mining process and reducing breakages. Doing so will help us to ensure that we can sustain our production levels over as long a period as possible and extend the life of what are, in practice, critical national assets.

Extending the life and value of mines

Our desire to maximise the life and value of diamonds has underwritten our support for Debswana's Jwaneng Cut-8 project – an initiative that will see US$3 billion invested into Jwaneng over the next 15 years. This will create an estimated 1,400 jobs, enable Jwaneng to maintain current production levels well beyond 2015, secure approximately 102 million carats, and extend the life of this

"The success of our business, and its future growth depends on our ability to create shared value in partnership with our producer partners, our local communities, our employees and our consumers."

resource beyond 2025. As importantly, it will help ensure consistency in revenues accrued to our government partner in Botswana, drive vital social and economic development programmes within the country, and catalyse the development of cognate industries that, in turn, will create a stronger platform for greater economic diversification in Botswana.

This understanding of value has also focused our approach to late-life mines. While we focus in all instances on ensuring our closure plans and processes meet global benchmarks for best practice, we also recognise the importance of looking at other opportunities to extend the life and hence value of mining resources. In Namibia, Namdeb is in the process of exploring possible options to extend the life of Namdeb's land-based operations to 2050; operations which are due to end in 2014 under the current operating model. In South Africa we have learned that smaller, specialised operators are able to sustain the life of some operations nearing the very end of their economic life that do not fit within our business model. Thus, having successfully sold Cullinan Mine in 2007, DBCM sold its interests in the dormant Jagersfontein Mine to the Superkolong Consortium in 2010. Core to our conditions of sale were a set of clear criteria aimed at creating sustainable local benefit through Black Economic Empowerment (BEE) equity participation, employment creation, and a range of related community initiatives. As a result, we are confident the sale of Jagersfontein will see the rejuvenation of this resource, and, with it, an area where mining ceased almost 40 years ago.

"As we look to the year ahead, we will continue to focus on maximising the value of every carat we produce and likewise to ensure that every carat we produce captures the values that guide us as a business."

Protecting diamond equity

The way we mine, market and sell diamonds is deliberately focused on unlocking as much value as possible out of every single carat. This value can be realised globally through achieving consistent prices, driving demand for diamonds and, critically, through ensuring continued consumer confidence in the product.

From a sustainability perspective, our work in this area has two aspects. First, on managing potential ethical, social and environmental performance-related risks in the diamond pipeline through our third-party audited Best Practice Principles Assurance Programme. Second, through our active and ongoing support for broader initiatives like the Kimberley Process.

Since its inception, the Best Practice Principles Assurance Programme has helped to protect diamond equity through managing potentially serious reputation risks whilst, at the same time, reshaping industry practice on a range of issues including child labour, employment practice and working conditions in cutting and polishing centres like Surat in India. The success of the model has been such that, over 2009 and 2010, it has shifted focus from driving continuous improvement on a broad swathe of issues to applying greater focus to particular individual areas of risk. The success of this initiative illustrates particularly well the clear correspondence that exists between commercial success and the creation of social capital.

2010 was perhaps the most challenging year for the Kimberley Process since its inception in 2003. Participating governments struggled to reach a clear consensus by the year end on the terms under which Zimbabwe would be able to export rough diamonds from the Marange Region. De Beers, which participates in the Kimberley Process through the World Diamond Council, focused its efforts during the course of the year on encouraging participating governments to resolve this issue within the Kimberley Process framework. While the Kimberley Process has been very successful in meeting the challenge it was designed to fulfil – preventing rebel groups from using diamonds to fund civil wars or resistance movements against legitimate governments – it has become something of a victim of its own success. As the spectre of diamond-funded civil wars has receded, some stakeholders have been wanting the Kimberley Process to address far more complex issues. Reflecting a shift in NGO agendas and, likewise, the expectations of some consumers, the Kimberley Process has, in effect, been asked to extend its mandate to address questions relating to possible abuses of human rights within member states. It is, however, clear that the current Kimberley Process consensus mechanism is not designed for this task. From a De Beers perspective, ensuring that consumers are able get the assurance they require remains our priority. We will thus continue to support the Kimberley Process as it seeks to address these challenges while ensuring that consumers can remain absolutely confident that De Beers diamonds live up to the diamond promise.

Future challenges

As we look to the year ahead, we will continue to focus on maximising the value of every carat we produce and, likewise, to ensure that every carat we produce captures the values that guide us as a business. Having ensured the continuity of our sustainability programmes during the course of the economic downturn, our focus in 2011 will be to use our sustainability framework as a springboard to create greater shared value – social and financial – wherever we operate, in a time of economic uncertainty. To do so, we will push our internal systems and processes that are focused on identifying and managing long term sustainability risks and opportunities through our Principles programme. This will be particularly important as we contemplate the possibility of developing resources in countries like Angola where we would need to develop new models of operating to establish a sustainable framework for mutual benefit. This framework would serve both our communities and commercial interests, and ensure that we continue to 'live up to diamonds'.

Nicky Oppenheimer
Chairman
De Beers

Introduction from the Acting CEOs

Operating sustainably and responsibly sits at the heart of De Beers' business strategy. It ensures our continued licence to operate in our producer countries, and supports both the value and integrity of diamonds.

2010 performance overview
If 2009 was defined by our collective efforts to ensure that the De Beers Family of Companies was fit to operate in an era of economic uncertainty, 2010 proved to be a vindication of these efforts. Improved demand for rough diamonds, coupled with our success in reducing costs across the business, yielded positive financial results that translated into significant benefits across our stakeholder base.

Having restructured elements of the business in response to the global financial crisis in 2009, we focused our efforts in 2010 on solidifying our ability to manage sustainability issues from a lower cost base. To this end, we refined our sustainability risk identification and evaluation framework with the specific goal of allocating our resources more effectively to manage those risks that are of greatest consequence to our stakeholders and our business.

Economic contribution
De Beers' operating model is based on the understanding that our long term commercial interests are best served where they are directly aligned with the interests of our key stakeholders. This equation underwrites our partnerships with diamond producers in Africa, and informs our support for governments' efforts to add greater value to their diamond resources through beneficiation and related activities. With, for example, our joint-venture partnerships with the Government of Botswana generating roughly 30% of Botswana's GDP and half of total Government revenues year-on-year, Botswana's citizens are a major stakeholder group. In fact, the citizens of our major producer countries are our largest directly impacted stakeholder group. The more efficiently we mine, the greater the economic and social capital accrued to these stakeholders.

It is, therefore, gratifying to report that total carat production across the Family of Companies increased by 34% in 2010, and rough diamond prices rose on average 27% relative to 2009. As a result, in 2010, the Family of Companies generated and returned a total of US$3.33 billion to stakeholders in Africa.

Late-life mines continue to pose a sustainability challenge. In almost all instances, extending the life of mining operations so that they can continue to create value, provide jobs and support suppliers is more desirable than closure. In Namibia, Namdeb's land operations are due to cease in 2014 under the current operating model. Namdeb is in the process of exploring options to secure the investment necessary to extend the life of these operations to 2050. In South Africa we have learned that specialised operators are better positioned to sustain the life of some older operations that do not fit within our mining portfolio. In 2010, Finsch Mine and Namaqualand Mine were put up for sale, with agreements reached for both mines in 2011.

In 2010, DBCM also sold its interests in the dormant Jagersfontein Mine to the Superkolong Consortium, a Black Economic Empowerment (BEE) holding company that has a number of mining operations. Core to our conditions of sale were a set of clear criteria aimed at creating sustainable local benefit through BEE equity participation, employment creation, and community initiatives. We are confident the sale of Jagersfontein will see the rejuvenation of this resource, and with it an area where mining ceased almost 40 years ago.

Safety
Having operated for two consecutive years without a fatality, it is with great regret that we report that a contractor, Rodney Bercorney, was fatally injured at Orapa Mine in December 2010. This was followed by two further fatalities at Namdeb early in 2011.

Despite having undertaken sustained efforts to instil an effective 'zero-harm' safety culture across the business, these fatalities show that our performance in this area is simply not good enough and that ensuring that our workplaces are safe for all of our employees must remain our highest priority.

There were several points of progress during the course of the year as we rolled out our Safety Risk Management Programme, our Visible Felt Leadership programme, and a new safety incident classification system designed specifically to drive greater universal awareness of safety risks and hazards in the workplace.

Ethics
Ethical provenance remains at the heart of the value of diamonds, or what we call diamond equity. As questions arose regarding the authority of the Kimberley Process in 2010, due to the participants' unsuccessful attempts to reach a consensus on the export of diamonds from the Marange region in Zimbabwe, we focused our energies on guaranteeing that the De Beers diamond pipeline is robust and secure.

Consequently, we expanded our internal and external ethical compliance frameworks through our Best Practice Principles Assurance Programme, commenced rolling out a comprehensive anti-corruption programme across the Family of Companies and expanded *Forevermark* in new markets.

To ensure the effective benchmarking of our compliance standards, we integrated additional criteria from the Responsible Jewellery Council's (RJC) Certification system into our Best Practice Principles Assurance Programme in 2010. We did this with a view to the Family of Companies obtaining RJC Certification in 2012.

Communities
While De Beers continues to have good relationships with local communities, there is not sufficient continuity between operations in terms of how our community relations functions are organised. This problem was exacerbated during the financial downturn as some key community-facing roles were reorganised. Consequently, in 2010 we focused on evaluating the state of the community discipline across the Family of Companies so as to move our community management posture from reactive to proactive over the next three years.

With our exploration operations in Angola moving to a more advanced stage, we initiated consultations with a village of 16 households in the Lunda Norte region, to discuss a possible resettlement. We are committed to meeting all international standards for best practice in this exercise, and ensuring that any resettlement proceeds on the basis of the informed consent of those affected.

Environment
We face an ongoing challenge in our efforts to minimise our water use and impact on the climate. It is technologically possible to continue to deliver reductions in water use at our operations, but this usually comes at the expense of using greater amounts of energy, which in turn increases our carbon emissions. We also need to balance our responsibility to create value for our producer countries, and thereby contribute to national development, with the needs of other water users near our operations. In recognition of the importance of water to our business we endorsed the United Nations Global Compact CEO Water Mandate in 2010.

While our new water usage in 2010 increased by 63% over 2009, due to our increased production as the market recovered, roughly half of the water used by our southern African mining operations was recycled. Similarly, while our total energy usage in 2010 increased 48% relative to 2009, again as a result of increased production, our carbon dioxide equivalent emissions increased by only 32%.

Recognition
De Beers continues to receive recognition for its influence in driving sustainability through the diamond value chain, and the success of its partnership model in supporting economic development in our diamond producing areas. In 2010, our Diamond Route won the Nedbank Capital Green Mining Award for sustainability and our 2009 Report to Society was declared the Overall Winner in the ACCA South Africa Sustainability Reporting Awards. As we look forward to 2011, the men and women of the De Beers Family of Companies are committed to 'living up to diamonds'.

Bruce Cleaver
Joint Acting CEO
De Beers

Stuart Brown
Joint Acting CEO
De Beers

2010 highlights

US$3.3 billion
generated and returned to stakeholders in Africa.

34%
increase in total carat production on 2009 levels.

243,365
total number of diamond industry employees in 57 countries covered by the De Beers Best Practice Principles Assurance Programme.

40%
expansion of *Forevermark*, De Beers proprietary diamond brand, founded on a promise of ethical integrity.

US$715 million
total amount allocated to preferential procurement.

US$29.8 million
total community social investment, including contractually mandated initiatives and in-kind contributions.

US$500 million
shareholder investment in the Jwaneng Mine Cut-8 extension.

Successful sale of Jagersfontein Mine
to Superkolong Consortium, a broad based Black Economic Empowerment holding company.

A *A selection of rough diamonds*
B *Aerial view of Jwaneng Mine*

Operating highlights

2010 marked an exceptional year for the De Beers Family of Companies following the economic downturn and the global financial crisis.

Leading the diamond recovery
The difficult steps we took in 2009 to weather the global economic crisis positioned the company well for market recovery, leading to exceptional financial results for 2010.

Maintaining a leaner workforce, we focused on embedding the lower cost base of 2009 as we increased production in line with improved Sightholder demand.

In 2009 we took steps to restructure our business without reducing our commitment to maintaining the highest ethical, environmental and social standards across our operations. Our focus in 2010 on driving efficiency in all aspects of our performance returned impressive financial results, and reaffirmed our belief that a responsible business is a profitable business.

The difficult steps we took in 2009 to weather the global economic crisis positioned the company well for an exceptionally strong recovery in the price of rough diamonds in 2010.

Strong recovery in the diamond market
Strong demand from DTC Sightholders saw the price for rough diamonds grow by 27% over the year, and surpass pre-recession highs of 2008. This growth was driven by increasing consumer demand for retail jewellery, particularly in the emerging economies of India and China.

Confidence grew throughout the year from retailer restocking, exceptional rates of growth in polished wholesale prices in India and China of 31% and 25% respectively (in local currencies), and a strong US Christmas sales season, up by approximately 7% on the previous year (see Fig. 1, p7).

Higher production from a lower cost base
During 2010, we increased production in line with increased demand from DTC Sightholders, while maintaining as much as possible the low cost base we achieved in 2009 following the economic downturn. Across our business, total carat production increased by 34%, with individual business units increasing production by between 25% and 58%.

Tonnes treated and tonnes mined increased by 55% and 75% respectively, comparing favourably to a 42% increase in production costs. We recovered around 33 million carats in 2010, compared with 24.6 million carats in 2009 (see Fig. 2, p7).

This combination of increased production and low operating costs led to an exceptional growth in profit margins for the company.

EBITDA grew to US$1.43 billion in 2010 – an increase of 118% over 2009 (US$654 million). This growth was driven by a 57% increase in total sales for the full year in 2010 at US$5.9 billion (including those through joint ventures), compared to US$3.8 billion in 2009 (see Fig. 3, p7).

A strategy for sustainable growth
In order to capitalise on this growth, De Beers implemented *Five Strategic Levers* at the beginning of 2010. These levers are designed to drive growth and maximise the value and life of diamonds across the Family of Companies (see Fig. 5, p8).

Our five strategic levers
1. Sustainably maximise the price received for our rough diamonds
2. Find, optimise and invest in mines that generate superior returns
3. Invest in value-creating downstream opportunities
4. Embed cost and capital efficiencies
5. Protect diamond equity

These strategic aims guided our projects and initiatives during 2010. Some highlights are below.

1. Sustainably maximise price for our rough diamonds
An exceptionally strong recovery in the price of rough diamonds saw DTC rough diamond prices increase by an average of 27% in 2010, compared with 2009. As a result, sales of rough diamonds by the DTC totalled US$5.08 billion for the full year 2010.

2. Find, optimise and invest in mines that generate superior returns
We aim to secure future supply by finding new mines, and maximising the value and life of the mines we have. We also free up capital for investment by selling late-life mines to operators who specialise in generating value from them, thus extending the life of mines we are not optimised to manage.

Cut-8 extension to the Jwaneng Mine, Botswana
Cut-8 represents the largest-ever single private investment in Botswana. The project will extend the life of mine to at least 2025, and is expected to yield approximately 102 million carats worth an estimated US$15 billion.

Investing in the Gahcho Kué project, Canada
A joint venture between De Beers Canada and Mountain Province Diamonds, the proposed Gahcho Kué Mine would extract around 4.5 million carats of diamonds annually from three kimberlite pipes over an 11-year mining period.

Mine sales, South Africa
In 2009 we offered a number of our South African operations for sale in order to rationalise our mine portfolio and release capital from late-life mines for more suitable capital investment in other operations. In October 2010, the Jagersfontein Mine was sold to Superkolong Consortium, a broad based Black Economic Empowerment (BEE) holding company. Sale agreements were also signed for Finsch and Namaqualand Mines in January and May 2011, respectively.

3. Invest in value-creating downstream opportunities
De Beers continued to expand its proprietary diamond brand, *Forevermark*, throughout Asia, with the brand now available in 348 doors globally. This represents a 40% increase on the beginning of 2009. *Forevermark* will continue to expand in the rapidly growing China market in the year ahead and has recently launched in India.

In the US, *Forevermark* began an exploratory phase in 2010 that yielded positive early consumer research. We will continue to assess US market opportunities for the brand during 2011.

4. Embed cost and capital efficiencies
All operations within the Family of Companies focused on making the savings we achieved during 2009 a permanent part of our operating culture. Prudent cash management and a continuing focus on costs carried the new cost base through to 2010, contributing to improved margins.

De Beers successfully refinanced all of its international and South African debt in March 2010 on satisfactory terms after support from our three shareholders, who invested a total of US$1 billion in the business, thus illustrating their levels of support for De Beers.

The Botswana Financing Agreement was extended to August 2013. Net debt, excluding shareholder loans, had fallen to US$1.76 billion at the end of 2010, compared with US$3.20 billion at the end of 2009.

5. Protect diamond equity
In 2010, issues associated with exports from Zimbabwe dominated events in the Kimberley Process. While De Beers does not operate in Zimbabwe, we continue to support the Kimberley Process as we have done since its inception. The protection of diamond equity motivates many of the initiatives we cover in this report.

Fig. 1

DTC rough diamond price index (Set at December 31 2008)

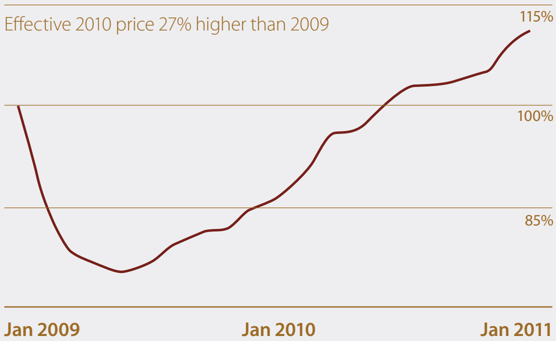


Fig. 2

Total carat production versus tonnes treated, 2008-2010

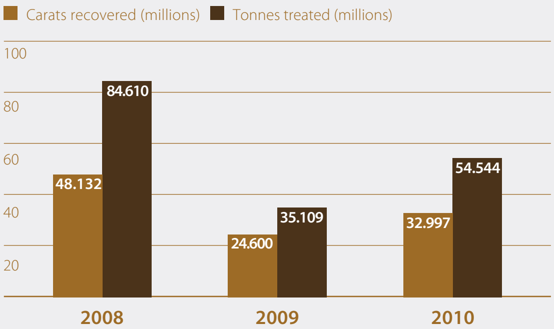
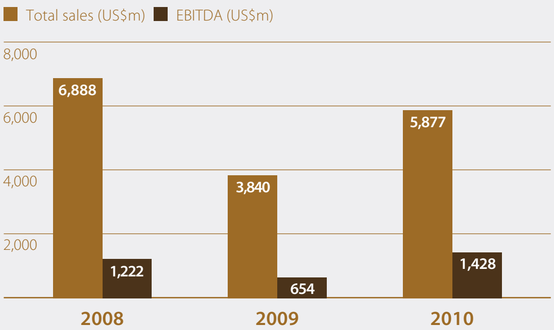


Fig. 3

EBITDA as a proportion of total sales, 2008-2010



To keep step with steadily increasing demand, total production for the De Beers Family of Companies is expected to reach approximately 38 million carats in 2011.

The market outlook

We remain cautiously confident about the diamond market in 2011 and expect to continue to grow, albeit at a slower rate than in 2010. We expect that the growth in consumer demand for diamond jewellery will remain positive in 2011, underpinned by global economic growth and strong retail confidence. After the better-than-expected Christmas buying period, the US diamond jewellery market is expected to continue recovery.

We also anticipate that strong growth in China and India will continue (see Fig. 4). To keep step with steadily increasing demand from our Sightholders to meet this retail demand, total production for the De Beers Family of Companies is expected to reach approximately 38 million carats in 2011.

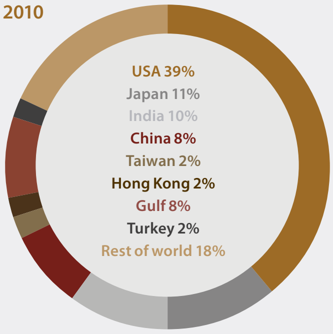
Further information on the approach of operations across the Family of Companies can be found in our Operating and Financial Review, available at

www.debeersgroup.com/ofr2010/index.html

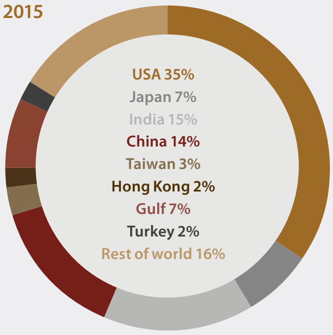
Fig. 4

Consumer demand forecasts, 2010 and 2015 (US$ PWP)

2010



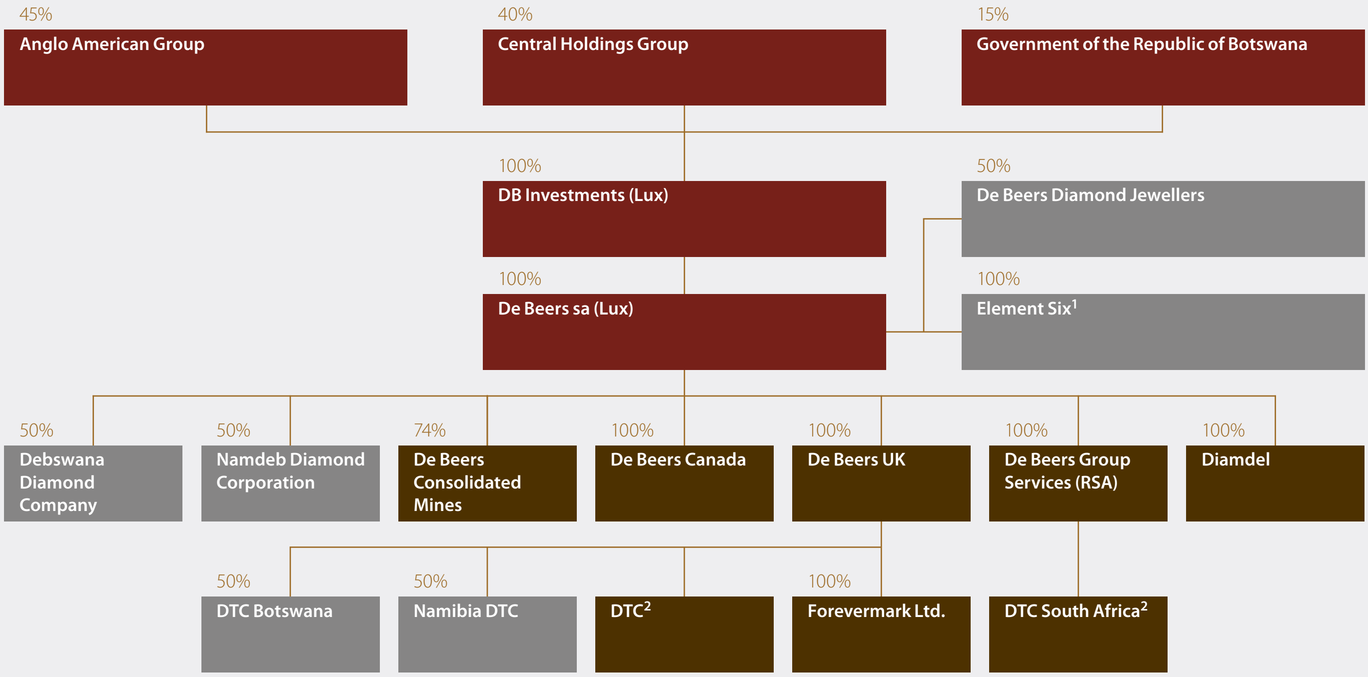
2015



Data note 1: 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 Group Strategy. 2010 results are preliminary. India and China grow at levels above GDP/capita; USA grows at 80% of GDP; other developed markets flat real growth.

Fig. 5

The De Beers Family of Companies



- De Beers sa and shareholders
- Owned and controlled subsidiaries and divisions
- Joint ventures and independently-managed subsidiaries

[1] Non-abrasives – 100%, Abrasives – 59.78%
[2] Marked entries are divisions rather than subsidiaries

2010 Performance summary

De Beers aims to make a real and lasting contribution to the communities and countries in which it operates. We track our performance against broad objectives from across the sustainability spectrum.

ECONOMICS p18-32

Objectives for 2010 and beyond	Our performance in 2010	Trend
To maintain consistent value for shareholders and producer partners	With a 34% increase in production and 27% growth in the price of rough diamonds, our payments to governments, suppliers, employees, shareholders and other finance providers increased by 47% to US$5.0 billion (2009: US$3.4 billion)	↑
	US$500 million shareholder investment in Jwaneng Mine Cut-8 extension	↑
To drive global demand for diamonds and to promote supply stability for Diamond Trading Company Sightholders	US$5.9 billion of rough diamond sales (2009: US$3.84 billion)	↑
	40% expansion of *Forevermark*, De Beers proprietary diamond brand, to 348 doors worldwide	↑
To support government-led economic development, beneficiation, capacity building, diversification and activities that endure beyond the life of existing mines	US$3.33 billion paid to stakeholders in Africa (2009: US$2.2 billion)	↑
	US$1.12 billion in rough diamonds supplied to DTC Sightholders for manufacture in southern Africa (2009: US$579 million)	↑
	Allocation of US$715 million to preferential procurement in southern Africa and Canada (2009: US$610 million)	↑
To access new reserves and build sustainable relationships in new territories	US$43.3 million spent on exploration in Angola, Botswana, Canada, India and South Africa (2009: US$44.8 million)	↓

ETHICS p33-47

Objectives for 2010 and beyond	Our performance in 2010	Trend
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	243,365 diamond industry employees in 57 countries covered by the De Beers Best Practice Principles Assurance Programme	→
	Reduction in total Best Practice Principles infringements by DTC Sightholders for the fourth consecutive year to 135 (2009: 136)	↑
	No significant incidents of corruption identified and no significant fines or non-monetary sanctions imposed in relation to non-compliance with anti-corruption legislation and regulations	→

EMPLOYEES p48-63

Objectives for 2010 and beyond	Our performance in 2010	Trend
To maintain the health and safety of our employees and contractors as a top priority	Certification of all mines, with the exception of Snap Lake and Victor in Canada, to the OHSAS 18001 standard	→
	Having operated for two consecutive years without a fatality, a contractor was fatally injured at Orapa Mine, Botswana	↓
	Rise in Lost Time Injury Frequency Rate (LTIFR) to 0.24 per 200,000 hours (2009: 0.21)	↓
To maintain a motivated, focused and lean workforce into the future	Workforce size increased by 1.88% (2009: -23%)	→
	Employee engagement survey undertaken and 'Pipeline' internal communication platform launched	→
To engage proactively with priority concerns in producer countries, including management of the HIV and Aids pandemic, Black Economic Empowerment and Gender equality	Anti-Retroviral Treatment provided to a total of 1,652 employees and family members in Botswana, Namibia and South Africa. Free and confidential HIV testing, access to Anti-Retroviral Treatment and wellbeing programmes provided for all affected staff and life partners	→

COMMUNITIES p64-78

Objectives for 2010 and beyond	Our performance in 2010	Trend
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	Cut-8 Legacy Project launched to facilitate contractor support for community development initiatives	↑
	Continued deferment of global roll-out of Socio-Economic Assessment Toolbox (and equivalent tools)	↓
	Discussions initiated with Mulepe village community, Lunda Norte region of Angola, regarding resettlement to facilitate safe exploratory drilling	→
To align our community investment activities with relevant national development programmes	Global expenditure of US$29.8 million on community social investment (including contractually mandated initiatives and in-kind benefits (2009: US$29.3 million)	↑
	US$4.9 million (2009: US$4.2 million) spent by De Beers Canada on a range of programmes under seven Impact Benefit Agreements (IBA) with First Nations communities	↑
	US$1.5 million invested by DBCM in Local Economic Development under Social and Labour Plans in South Africa (2009: US$2.5 million), slightly below planned expenditure of US$1.7 million	↓
To ensure the effective management and mitigation of the socio-economic impacts of mine sale and closure	Community and Environmental criteria key in sale of Jagersfontein Mine to Superkolong Consortium, a broad based Black Economic Empowerment (BEE) holding company in South Africa	↑
	Ongoing discussion with Government of the Republic of Namibia on proclamation of the town of Oranjemund	→
	De Beers Zimele pilot expands funding from six to 45 projects in Kimberley, South Africa. Programme expanded to Voorspoed, South Africa, at years' end	↑

ENVIRONMENT p79-93

Objectives for 2010 and beyond	Our performance in 2010	Trend
To manage and mitigate the risks posed to our business and surrounding communities by climate change and water scarcity	50% of total freshwater footprint at our southern African mines from reused and recycled water (2009*: 53%)	→
	63% year-on-year increase of new (potable and non-potable) water across all of our operations/facilities, to 38.09 million m^3 (2009*: 23.31 million m^3), mainly due to production increases	→
	Total carbon emissions rose 31.5% to 1.46 million tonnes in 2010 (2009*: 1.11 million tonnes) due to 34% increase in production	→
	Direct and indirect energy consumption of 11.24 million Gigajoules (GJ) (2009*: 7.82 million GJ), a 43.8% increase year-on-year	→
To mitigate potential environmental impacts when planning, designing and implementing exploration, mining and related activities	Over 230,000 hectares set aside for conservation, an area almost six times larger than our mining footprint (39,000 hectares)	→
	The Diamond Route wins prestigious Green Mining Award in the Sustainability category. De Beers is a partner in the cross-provincial, nine-site tourism route across southern Africa	↑

Data note 2: Previous year's water and energy use data* has been changed slightly from the data reported in our 2009 Report to Society. This restatement takes into account improvements in data reporting and is more accurate.

Our approach to sustainability

Our commitment to operating in a responsible and sustainable manner sits at the heart of the De Beers business strategy.

Our approach has three main elements:

Reporting on our approach *p12*	*Stakeholder engagement* *p14*	*Managing our sustainability risks* *p16*

Delivering good financial returns depends on our ability to effectively address the risks that could affect the sustainability of our business and the societies in which we work.

Contributing to sustainable development
Our understanding of sustainability is shaped by the societal imperatives of our partner governments and communities. This includes helping to define the role of business in contributing to a vision of a more prosperous Africa.

Our approach to sustainability is focused on managing and mitigating those risks that can affect our commercial interests by undermining consumer confidence in diamonds or impacting on our access to supply.

A risk-based approach
We categorise sustainability risks into five key areas: Economics, Ethics, Employees, Communities and Environment. Extensive stakeholder engagement processes help us to assess the relevance and materiality of each risk and to develop appropriate management responses. This Report to Society provides an account of our performance against those risks identified in 2010.

Ongoing stakeholder engagement is one element of our broader sustainability management framework. A set of Principles (see p100) define the way we do business in each of the five risk areas, which are in turn supported by a suite of policies, guidance and management tools. These Principles commit us to consider and take responsibility for the longer term economic, social and environmental implications of our decisions, and to work in partnership with stakeholders across the diamond pipeline to maximise our positive impacts. The Principles also commit us to be accountable for our ethical conduct and sustainability performance.

These Principles inform decision-making, our ongoing engagement with stakeholders and assessments of how our business impacts society.

Corporate citizenship
Managing our sustainability risks requires us to engage with stakeholders on broader issues. We seek to mitigate risks to our business through, for example, raising ethical standards across the diamond or jewellery industry as a whole through initiatives such as the Kimberley Process Certification Scheme or the Responsible Jewellery Council. Through our membership and support of corporate citizenship initiatives such as the United Nations Global Compact and the Extractive Industries Transparency Initiative we aim to contribute to the broader agenda of harnessing the potential of responsible business to contribute to sustainable development.

We also engage on public policy issues. This can range from direct engagement with governments on regulation or mining policy to contributing knowledge and experience to debates on sustainability issues. In general, we prioritise public policy activities based on:

- Issues that could impact the diamond industry; and
- Issues or policies that could influence economic growth and sustainable development – particularly in Africa.

We generally restrict our involvement in policy development to formal participation in relevant forums and organisations. In Botswana, for example, we are active in the Chamber of Mines, and in early 2010 the De Beers CEO participated in the Business and Economic Advisory Council. In South Africa we have several partnerships with NGOs through which we collaborate to influence environmental policy.

Reporting on our approach

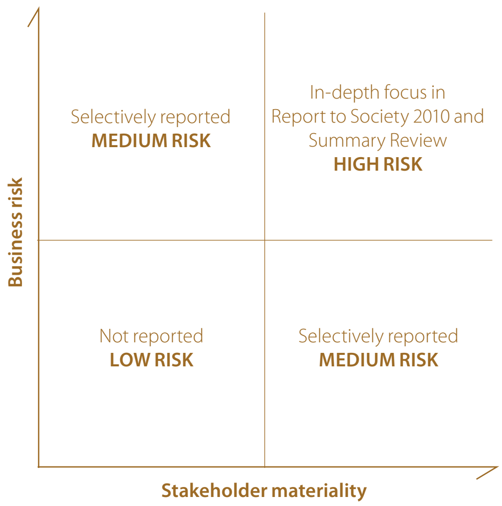
In this Report to Society 2010 we discuss the sustainability risks we have identified as most relevant to the De Beers Family of Companies and our stakeholders. These risks are identified and prioritised through engagement with stakeholders and through our internal risk management processes.

A risk-based approach to reporting

We use a sustainability risk matrix to evaluate the short and longer term risks most material to sustainability (see Fig. 6). Business risk includes both the likelihood of a risk manifesting itself, as well as the impact that such a manifestation would have on our business (i.e. direct risk). Stakeholder materiality is based on the degree to which an issue is considered relevant and material by stakeholders, and the ability of such stakeholders to impact upon our business (i.e. indirect risk). In 2010, our risk analysis and stakeholder engagement processes identified 26 key sustainability risks to report on. We have prioritised 18 of these key risks across all five sustainability areas for discussion in the Report and Summary Review. Of these, 15 are considered high risk issues, falling in the top right-hand quadrant of our materiality matrix. The remaining three – Driving local growth and diversification, Product security and Attracting and retaining talent – are issues that present a medium risk overall, but due to their direct potential impact on our business we have decided to report on them in greater detail.

Fig. 6

Our risk matrix approach to reporting



Changes in our reporting approach

In 2010 we engaged widely on the format and content of our sustainability reporting, with the aim of communicating more effectively with our stakeholders.[3] The 2009 Report to Society won recognition for its overall quality, and was particularly noted for its relevance and materiality, including the risk assessment framework, direct engagement with stakeholders' concerns, and willingness to address sensitive issues.[4]

Based on a range of stakeholder recommendations (see Appendix, p94), we have made a number of changes to our reporting format. This year we have produced a concise printed Summary Review of our sustainability performance throughout 2010, and this more detailed Report to Society. Both are available for download from our group website. With the 2011 Report to Society we will then complete the transition to an interactive web-based Report, with a concise printed Summary Review.

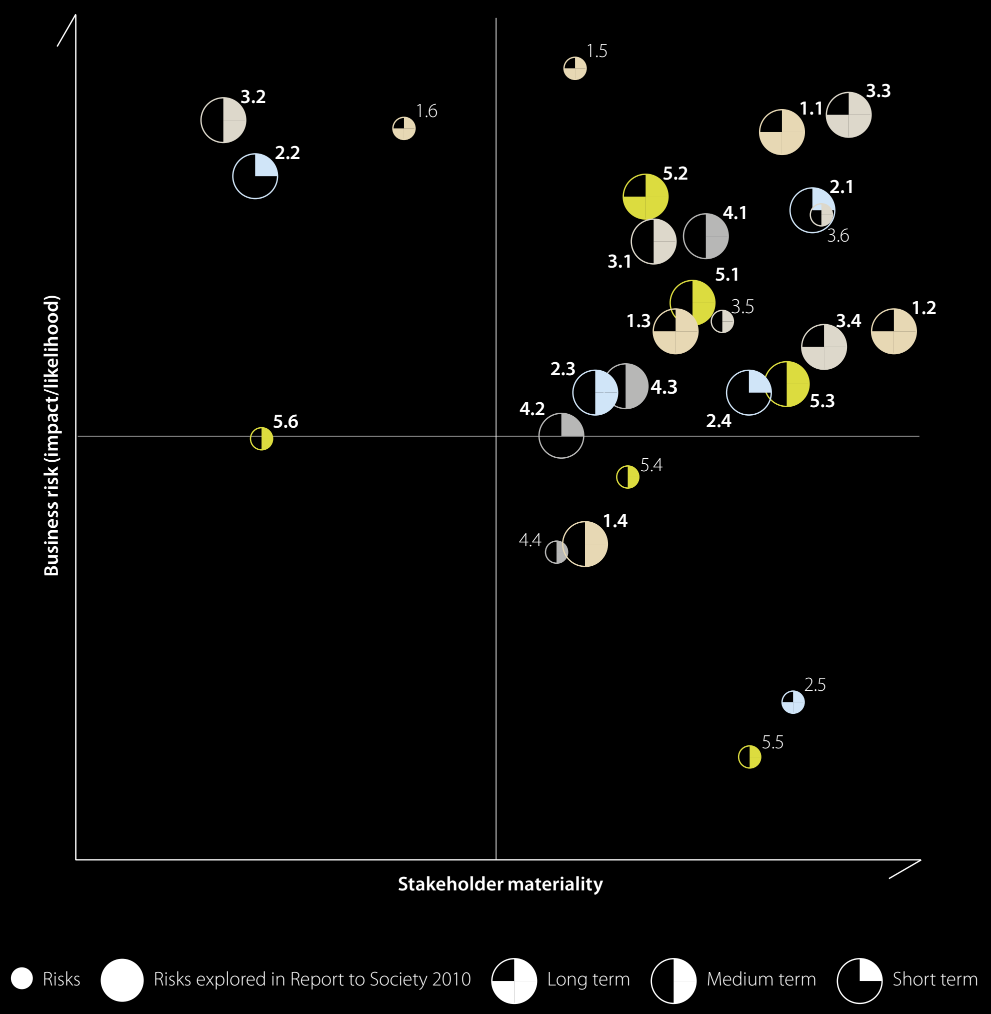
We are also taking a further step towards integrated reporting of financial and non-financial performance by including a summary of the Operating Highlights from 2010 in both the Report to Society and Summary Review. While we do not intend to move to a fully integrated annual report on our financial and sustainability performance, we do recognise this broader drive within the corporate reporting field.

Further, we have undertaken AA1000 sustainability assurance on the Summary Review, in preparation for our application for Responsible Jewellery Council certification in 2012. A statement by Société Générale de Surveillance (SGS) on their assessment of the process by which we have engaged stakeholders in developing the Summary Review, and the integrity of the data we report in it, is provided on page 56 of the Summary Review. With each of these steps we hope to stay at the forefront of sustainability and corporate reporting practice.

[3] This included our annual Managers Perception Survey distributed to report contributors and senior management across the Family of Companies. Our aim was to learn more about how employees use our Report to Society and whether it covers the issues material to them. The survey results indicated that the report is considered a useful tool to help support both internal and external stakeholder engagement, attract and retain talent, and as a platform to effectively communicate key figures and practices to the industry and media.

[4] Having won three ACCA awards for previous Reports to Society, a new award category of 'Overall Winner' was created for the 2009 Report to Society by the ACCA South Africa Sustainability Reporting Awards. The comments are drawn from the judging panel's report. The Report to Society 2009 was also placed for the 'Relevance and Materiality' category at the Corporate Register Reporting Awards.

Report to Society 2010 sustainability risk matrix



The matrix above sets out the sustainability risks identified over the course of 2010. We classify these issues by reference to the risks they pose to our business, and the degree to which they are material to stakeholders.

Ethics

2.1 **Kimberley Process and System of Warranties credibility**
2.2 **Product security**
2.3 **Anti-corruption**
2.4 **Maintaining pipeline and sector standards**
2.5 Legal compliance, e.g. competition law, tax law etc

Communities

4.1 **Local licence to operate**
4.2 **Social impact of closures and transfer of assets**
4.3 **Sustainable community social investment**
4.4 Managing land claims

Economics

1.1 **Maintaining value for 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

Employees

3.1 **Managing changes to the size of the workforce**
3.2 **Attracting and retaining talent**
3.3 **Maintenance of health, safety and occupational hygiene standards**
3.4 **HIV and Aids management**
3.5 Diversity and inclusion
3.6 Compliance with international labour standards

Environment

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

Our management approach to the risks in bold is discussed in this full Report to Society 2010 and in the Summary Review.

www.debeersgroup.com/sustainability

Engaging with stakeholders

Ongoing, open and effective stakeholder engagement is core to the successful management of our business.

Our ability to work with our stakeholders at all levels of the business is a central factor in maintaining our legal, social and political licence to operate. The integration of stakeholders into our sustainability risk assessment and management processes helps us identify and prioritise stakeholder concerns. This enables us to identify issues that are within our direct control and that are our clear responsibility to address, to identify issues that are external to the Family of Companies but which nonetheless fall within our sphere of influence, and to establish whether we are 'living up to diamonds'.

Our stakeholders include groups that the Family of Companies has a significant impact on, 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.

Engaging with stakeholders and managing risks

Our engagement with stakeholders informs our identification of risks, and the development and enactment of strategies to mitigate those risks. This engagement falls into two types. The first is direct engagement, including surveys, roundtable discussions, dialogue at conferences, independent multi-stakeholder dialogue, one-to-one meetings, and 'on the ground' engagement with local stakeholders at each operation. The second is indirect engagement and the use of external benchmarks and standards that represent societal expectations.

Stakeholder engagement happens every day and at all levels of our business on issues as diverse as HIV/Aids management and conflict diamonds (see Fig. 7, p15). Our partnerships with governments in joint ventures in Botswana and Namibia mean ongoing and continuous engagement with our largest stakeholder communities – the citizens of Botswana and Namibia. Elsewhere, we engage continuously with governments and others such as regulators. Stakeholder engagement is a cornerstone of our sustainability risk management process (see p16-17), particularly in developing and supporting action on sustainability challenges that we cannot address alone.

At a group level, we undertake two formal stakeholder engagement processes annually to inform our management of sustainability issues – the Managers Perception Survey and the Multi-stakeholder Forum. Key findings and recommendations from these forums in 2010 have informed the changes we have made to the Report to Society this year (see Appendix, p94). As in previous years, responses to questions put to senior management by participants at the Multi-stakeholder Forum are presented throughout this report in the boxes marked as 'Stakeholder questions'.

Identifying our stakeholders

Our impacts and the stakeholders they affect are context dependent and differ depending on the issue, the stage of the project and the location. Each operation identifies, prioritises and engages stakeholder groups that its activities have the most impact on. This role is typically managed by regional External and Corporate Affairs offices, but also takes place through a number of diverse and more localised channels.

In 2010, we began the strategic planning phase for a stakeholder mapping tool, to provide our operations with a consistent approach to identify stakeholders that have, or could have, an impact on their business and engage them appropriately. In 2011, we will pilot this methodology within the business and provide training for using the tool, along with implementing, managing and reporting on engagement processes.

A *An interpreter translating for visitors from the Tlicho Government, Snap Lake Mine*
B *Employee engagement, Johannesburg*

Fig. 7

A multi-level approach to stakeholder engagement

Global

Supported the development of a generic policy for HIV in the Workplace for the International Commission for Occupational Health

Regional/National

Represented on the Resource Mobilisation Committee for the South Africa National Aids Council, which provides the country coordinating mechanism required by the Global Fund to Fight Aids, Tuberculosis and Malaria[5]

Industry

Participated in revising the International Labour Organisation's Guidelines on HIV and Aids

Local community

De Beers Marine Namibia collaborated with Government, the WHO and the International Diabetes Federation to launch the first annual World Diabetes and Healthy Lifestyle day in Namibia

Internal

'My campaign, My health, My wealth' campaign by Debswana and DTC Botswana to support employee ownership of health outcomes

ISSUE:
HIV/Aids

ISSUE:
Conflict diamonds

Internal

Kimberley Process compliance of all De Beers operations was independently assured by SGS as part of the BPP Assurance Programme

Local community

Engaged with local security forces to identify and combat illegal diamond trading by criminal syndicates

Industry

The DTC offered guidance to Sightholders on the identification of potentially illegal and unethical exports from the Marange region of Zimbabwe

Regional/National

Two 'Diamond Dialogues' stakeholder events were held in London, both focusing on the pressures on the Kimberley Process following the export of Marange diamonds from Zimbabwe[6]

Global

Andy Bone, Head of International Affairs, is a Board Director at the World Diamond Council, which engages in the Kimberley Process. Andy also serves on two of the Working Groups in the Kimberley Process – Monitoring and Alluvial Production[7]

[5] www.sanac.org.za, www.theglobalfund.org
[6] A total of 15 organisations took part in these roundtable discussions, including: the Business and Human Rights Resource Centre, Africa Matters, Zimbabwe-Europe Network, International Alert and Transparency International (UK). Outputs from each dialogue are available online at the Business and Human Rights Resource Centre www.business-humanrights.org
[7] www.kimberleyprocess.com

Managing our sustainability risks

We believe that operating as a responsible and transparent business is a competitive advantage. Our success as a business is defined by our ability to empower our producer partners and our local communities to translate the economic value of diamonds into social, environmental and economic capital.

Our search for opportunities to contribute to the long term sustainable development of our partner countries, and to raising ethical standards throughout the diamond industry, has led to many of the initiatives described in this Report to Society 2010. Our internal management focus, and reporting approach, is framed around managing our reputation and sustainability risks.

A framework for managing sustainability risks
Our sustainability risk management framework includes four elements; Principles Committee (a group focused management committee), the Environment, Community, Occupational Hygiene, Health and Safety (ECOHS) Committee (a Board committee), local ECOHS functions (operating company and business unit-level) and stakeholder engagement, which includes reporting on our sustainability performance. Each element informs the selection, prioritisation and management of sustainability risks.

The ECOHS Committee
The ECOHS Committee provides strategic oversight of the ECOHS disciplines and their respective peer groups. It receives quarterly submissions from discipline Principals on management progress, Reputation and Sustainability Risks, and Strategic and Operating Risks. The ECOHS Committee also obtains assurance on our adherence to common ECOHS policies, guidelines and operational practices, as well as relevant standards and legislation (both local and international). It sends summaries of each of its meetings to the De Beers Board for review.

In 2010 there were four ECOHS Committee meetings. At these meetings major incidents were reported, and performance updates presented by each of the Principals in their respective discipline areas.

Management structures and processes
Two dove-tailing management systems provide strategic direction and oversight to the Executive Committee and Business Unit CEOs on sustainability risks and performance.

Principles Committee is a management committee that plays a central role in evaluating and ensuring proactive engagement by management with short, medium and long term risks to the sustainability and reputation of the De Beers Family of Companies. Chaired by the Head of Public Affairs, Principles Committee is responsible for monitoring performance against our Principles, providing strategic direction and assurance against key risks and ultimately reporting publicly through our Report to Society. A global Reputation and Sustainability Risk Log is compiled by Principles Committee twice annually and submitted to the Executive Committee, the Audit Committee and the ECOHS Committee as part of the annual risk review process. The risks in this log span the five issue areas of Economics, Ethics, Employees, Communities and Environment.

The Principles Committee enhances the overall effectiveness of risk evaluation and management across the Family of Companies, ensures strategic understanding of risks between business units and promotes joined up management of risks and corresponding opportunities. The Principles Management Committee is also responsible for obtaining assurance from internal and external experts in order to enhance our management of identified material risk issues.

Principles Committee met twice in 2010, coinciding with the risk review process, and plans to meet quarterly in 2011.

The **ECOHS functions** and associated peer groups provide strategic direction on ECOHS disciplines to the business units, and provides assurance on ECOHS performance. The ECOHS programme has three main functions:

- To provide the necessary technical skills, leadership and governance to align ECOHS performance with the group's core business strategy through delivering world class standards and talent;
- To ensure the integration of ECOHS practices and accountability into core business processes at every stage of the diamond pipeline; and
- To provide assurance on performance to the Boards of each family company and to the group ECOHS Committee.

Peer groups
The ECOHS disciplines share best practice, develop new management approaches, and provide an internal assurance function through their respective peer groups. In 2010 the ECOHS functions' peer groups met regularly, continuing to embed ECOHS policies within the Family of Companies and drive related programmes of work.

The ECOHS peer groups are one of two types of peer groups that operate within the Family of Companies:

- Mission-driven peer groups in which each participant has a defined mandate from their business unit to make recommendations on policies and standards (i.e. the Communities Peer Group);
- General peer groups made up of informal networks of internal experts who share knowledge and information on best practices, and who sometimes engage external participants.

Risk review process

Two sustainability risk review cycles are undertaken across the Family of Companies each year. The sustainability risk management process is built on a systematic 'bottom-up' reporting process through which individual risk reports are submitted by each of our operations, by local ECOHS functions and by regional External and Corporate Affairs offices, with material risks escalated up to Board level through the ECOHS Committee, Audit Committee, or the Executive Committee via Principles Committee (see Fig. 8). From 2011 the risk review process will be supported by a software platform, allowing for more frequent risk reporting.

Assurance

Both the ECOHS and Principles Committee play a role in providing internal assurance on the adequacy and efficacy of our sustainability performance systems. The ECOHS Committee provides oversight on our adherence to common ECOHS policies, guidelines and operational practices, as well as relevant standards and legislation (both local and international). Principles Committee provides assurance on the overall management of key reputation and sustainability risks across the Family of Companies. Both Committees seek internal and external guidance in their assurance role.

A rigorous assurance programme also supports the De Beers Best Practice Principles Assurance Programme (BPPs). Our ethical conduct is governed by the BPPs, which apply to the Family of Companies, all Diamond Trading Company (DTC) Sightholders and to certain third parties, e.g. Sightholder sub-contractors. Requiring compliance with law in all applicable areas, the BPPs include further requirements on anti-corruption and anti-money laundering, health and safety, labour standards and environment. Our Global Mining function coordinates self-assessment and internal assurance on BPP implementation for review by the ECOHS Committee, and compliance of the Family of Companies is third party verified each year by SGS (Société Générale de Surveillance) (see p98).

Fig. 8

The risk review process

A Full risk logs of Headline Risks, Strategic and Operational Risks and Reputation and Sustainability risks are completed at Operations level, and consolidated by Business unit and functional group risk champions.

B The Reputation and Sustainability Risk Log template is circulated to ECOHS discipline leads, External and Corporate Affairs (ECA) offices, and other issue owners by the Principles Committee's Risk Coordinator.

C The Risk Coordinator and Chair of Principles Committee select the most significant risks for discussion at Principles Committee from the returned Reputation and Sustainability Risk Log Templates.

D Principles Committee meets and amends/signs off the Risk Log, hears presentations from selected discipline heads on key risks, and agrees both an assurance strategy and corresponding budget.

E The Risk Coordinator then submits the Risk Log to the Group Finance function for incorporation into the overall Risk Management Report, which is submitted to the board-level Audit Committee, who present a summary to the Board.

F A Reputation and Sustainability Risk summary is also forwarded to the Executive Committee (DBsa)(ExCo) for referral to the Board if necessary.

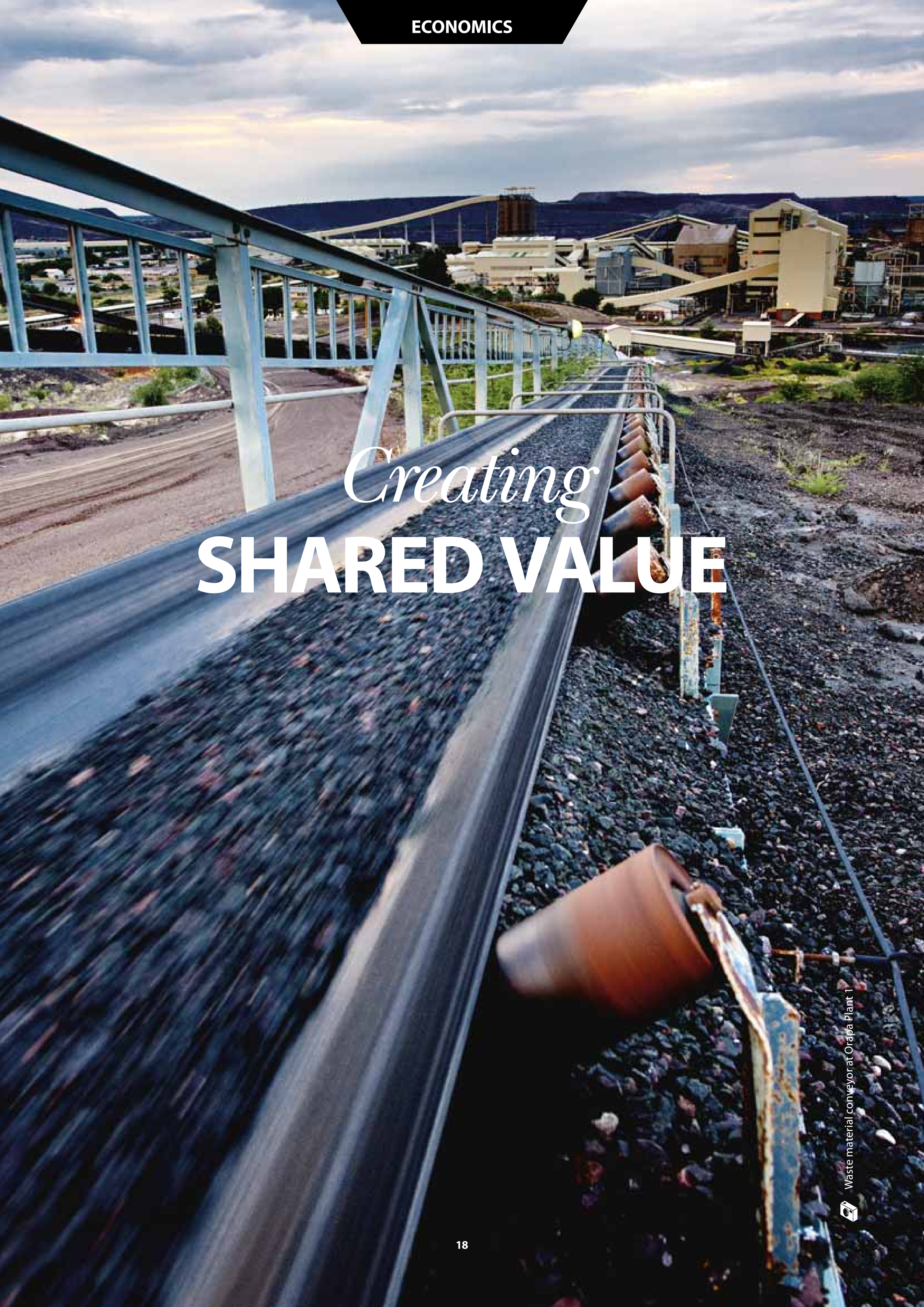
G External assurance providers are appointed, who submit their assurance reports to relevant discipline heads. Department heads and discipline principals put forward assurance recommendations and proposed mitigating actions to Principles Committee.

H When necessary, the Executive Committee mandates integrated management responses.

↑ Reporting upwards

Communication back to the business ↓

Creating SHARED VALUE



Waste material conveyor at Orapa Plant 1

DIAMONDS *have contributed* SIGNIFICANTLY TO THE DEVELOPMENT *of Botswana, Namibia and South Africa, but their* FINITE NATURE POSES A RISK *to long term* ECONOMIC DEVELOPMENT.

WITH DEMAND FOR DIAMONDS RISING AND EXISTING ASSETS PEAKING, the De Beers Family of Companies is increasingly focused on maximising both the life and value of its diamond resources. Doing so will help realise the full value of our diamond resources and help our producer partners build a stronger foundation for sustainable economic growth that will endure beyond the life of existing mines.

Economics

As diamonds are a finite resource, the sustainability of diamond mining is ultimately measured by its ability to catalyse economic and social development that endures beyond the life of a mine.

All too often the 'resource curse' has hindered the development of resource-rich nations. De Beers' approach to supporting development is to work in partnership with host governments to create shared value from diamonds. Our partnership approach extends to national and local communities in our producer countries. Working in this way maximises the economic value of our production, reduces our operating risk and helps support the creation of skills and capacities for a diversified post-mining economy.

We use various methods to support economic development in the countries where we operate. We source materials and services from local and indigenous suppliers. We support enterprise development through dedicated investment funds, and undertake traditional social investment projects (for example, supporting local infrastructure, education and health). In beneficiation, we work with host governments to ensure that more of the sustainable value-adding steps of diamond processing, beyond mining, take place within the producer country.

HIGHLIGHTS

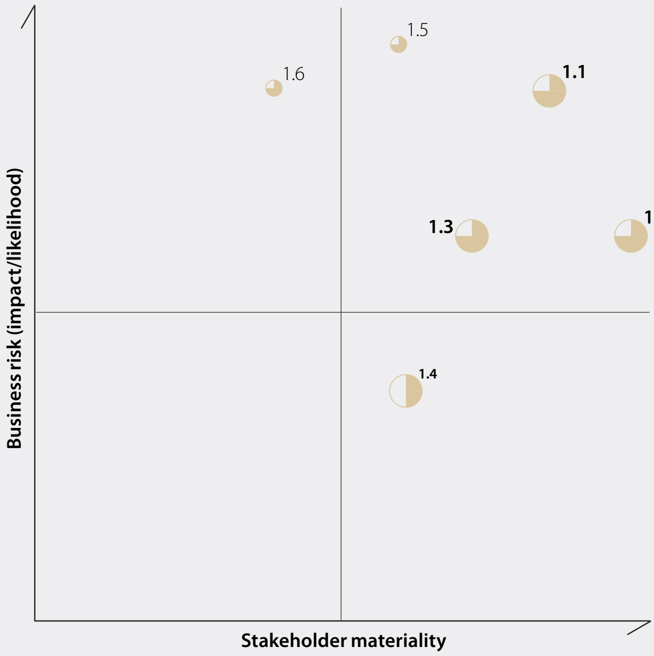
- With a 34% increase in overall production during 2010, the Family of Companies was able to increase payments to stakeholders around the world, including governments, suppliers, employees, shareholders and finance providers to US$5.0 billion (2009: US$3.4 billion) (p22)
- Payments to partners, joint ventures and suppliers amounted to US$4.1 billion (2009: US$2.6 billion). About US$2.9 billion of this was paid for diamonds and services in Africa (2009: US$1.9 billion). Payments to employees in Africa amounted to US$215 million (2009: US$204 million). De Beers paid US$1.2 billion in taxes and royalties to governments (2009: US$782 million). Of this, 93% (2009: 88%) was paid to governments in Africa (p25)
- A total of US$1.12 billion in rough diamonds was supplied to Sightholders for manufacture in southern Africa (2009: US$579 million) (p28)
- Approximately US$715 million was allocated to preferential procurement in southern Africa and Canada (2009: US$611 million) (p29)

"The long term public-private partnership between De Beers and the Botswana Government, in the form of Debswana, has stood the test of time. Debswana has played an important part in Botswana's emergence as a middle-income country, and the country's commendable achievements in economic growth, infrastructure development, education and health care are evident. The lessons relating to the benefits of cooperation continue to be applied by the Government in other fields."

Linah Mohohlo
Governor of the Central Bank of Botswana
and member of Debswana Board

Economics risks

In this chapter we report on Economics risks identified as most relevant to the De Beers Family of Companies and our stakeholders. We identify and categorise our sustainability risks through ongoing engagement with stakeholders and our internal management processes (see p11-17).



1.1 ***Maintaining value for producers****
Risk: Diamonds generate revenue for our producer partners for the life of our mining activities. Used productively, these revenues are a catalyst for sustainable development and longer term economic value creation. Ongoing economic uncertainty in global markets highlights the need for resources to be managed prudently. In producer countries the clear communication of De Beers' role in creating long term value from diamond revenues is essential to maintaining our reputation and licence to operate.

1.2 ***Governance and revenue transparency****
Risk: Strong governance and transparency underpin the reputation of diamonds, and ensure that diamonds help to drive local development. Weak governance systems undermine the maximisation of diamond resources and their equitable distribution. The significant role De Beers plays in host country economies means transparency is vital.

1.3 ***Success of beneficiation****
Risk: Ongoing economic uncertainty can significantly impact on the success of downstream diamond sorting, cutting and polishing, local procurement and enterprise development schemes in producer countries.

1.4 ***Driving local growth, diversification and capacity building****
Risk: Operations that are not managed to maximise their contribution to local growth and capacity building undermine the company's licence to operate and the diversification of the economy that will ensure long term economic stability and viable post-mining futures.

1.5 *Driving and maintaining demand*
Risk: As a key player within the diamond sector, the Family of Companies seeks to maintain consumer confidence and drive demand for diamonds in key markets around the world. This means ensuring consumers will continue to associate our diamonds with the highest standards of quality and integrity.

1.6 *Access to new reserves and sustainable relationships in new territories*
Risk: With no new major diamond discoveries in over a decade outside of Zimbabwe, and global demand predicted to outstrip supply, access to new reserves is crucial to the sustainability of the business. Likewise, our ability to build sustainable relationships with future business partners is critical to our security of supply.

KEY: Long term Medium term Short term

* Our management approach to the risks that are asterisked and marked in bold are reported on in this Report, and summarised in its counterpart Summary Review.

Maintaining value for producers

Risk: Diamonds generate revenue for our producer partners for the life of our mining activities. Used productively, these revenues are a catalyst for sustainable development and longer term economic value creation. Ongoing economic uncertainty in global markets highlights the need for resources to be managed prudently. In producer countries the clear communication of De Beers' role in creating long term value from diamond revenues is essential to maintaining our reputation and licence to operate.

Diamond revenues represent our single biggest economic impact, providing a catalyst for activity and investment in producer countries. They result in multiplier effects that maximise the economic value of the recovery and sale of diamonds, and support the development of infrastructure and capabilities that will continue to deliver value beyond the life of the resource.

A strong recovery in the market yielding greater payments to stakeholders

The strong recovery in the rough diamond market in 2010 saw an exceptional financial year for the Family of Companies (see p6-8), with an increase in total sales of rough diamonds of 53% (2010: US$5.9 billion, 2009: US$3.8 billion). With this improved financial performance, government revenues and other disbursements in our countries of operation increased.

In 2010, strong demand from DTC Sightholders saw the price for rough diamonds grow by 27% over the year, surpassing pre-recession highs of 2008. This growth was driven by increasing consumer demand for retail jewellery, particularly in the emerging economies of India and China.

In line with this growing demand, we increased total production levels by 34%, at the same time maintaining the lower cost base and leaner workforce we achieved in 2009 following the economic downturn.

In 2010, De Beers paid US$5.0 billion (2009: US$3.4 billion) to governments, suppliers, employees, shareholders and other finance providers (See Fig. 9). These disbursements represent 85% of our total sales of US$5.98 billion in 2010 (2009: 89%). A total of US$3.33 billion (67%) of this was paid to stakeholders in Africa (2009: 64.4%).

Our impact in producer countries in 2010

Our role in supporting economic development varies from country to country, depending on the nature of our operations and the scale of each country's economy (see Fig. 10, p23).

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

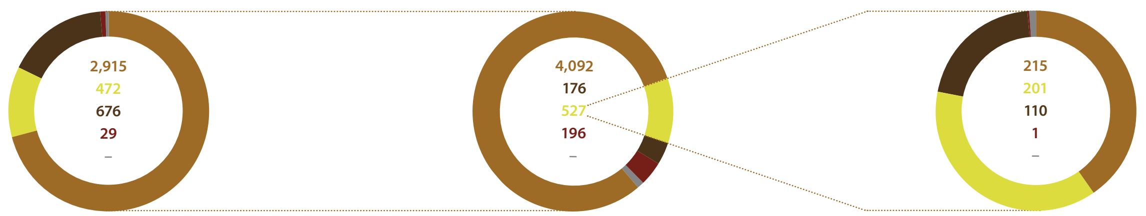
Hillary Clinton
Secretary of State of the United States of America at a press conference in Abuja, Nigeria, 12 August 2009

Hillary Clinton, US Secretary of State

Fig. 9

Payments to stakeholders, 2010 (US$ million)

Payments for diamonds and to suppliers | **Payments to stakeholders** | **Salaries and other employee costs**



- Africa
- Europe
- North America
- Asia/Australia
- Middle East and Other

- Partners, joint ventures and suppliers (payments for diamonds and to suppliers)
- Finance providers (payments on debt and preference shares)
- Employees (salaries and other employee costs)
- Governments (taxation)
- Dividend payments to minorities

- Africa
- Europe
- North America
- Asia/Australia
- Middle East and Other

Botswana

Diamond mining is the single largest industry in Botswana. Revenues from the industry transformed Botswana from one of Africa's poorest countries, when it achieved independence in 1966, to one of Africa's richest per capita by the 1990s and a widely admired example of progressive African development.

Over the last 10 years the diamond sector has contributed about 30% of total Gross Domestic Product (GDP) and 80% of total export earnings. It is also the primary source of government revenue. Botswana is the world's largest diamond producer by value, producing 21% of global output.

A joint venture between De Beers and the Government of the Republic of Botswana (GRB), Debswana is the largest producer of rough diamonds in the Family of Companies, as well as Botswana's largest taxpayer. The GRB also receives dividend income from its 15% shareholding in De Beers sa. Roughly four dollars out of every five generated by Debswana is accrued as government revenues for the benefit of the people of Botswana.

Our activities in 2010

In 2010, we began work on Cut-8, the US$3 billion extension to Debswana's Jwaneng Mine. The extension will provide access to approximately 100 million carats of mainly high quality diamonds, which could be worth in excess of US$15 billion over the life of the mine. Cut-8 will also extend the life of Jwaneng to at least 2025, and is expected to create approximately 1,400 new employment opportunities.

In 2010, Debswana mined 22.2 million carats (2009: 17.7 million carats) at its open pit operations.

Namibia

Diamond mining is a major industry in Namibia, contributing around 8% of GDP and 40% of export earnings over the past decade. Approximately 6% of the world's rough diamonds by value are mined in Namibia.

Our operations in Namibia are run by Namdeb, a 50/50 joint venture between De Beers and the Government of the Republic of Namibia (GRN). It is the country's largest taxpayer, and one of the largest private sector employers. Since its establishment in 1994, Namdeb has generated vital revenues that have been central to the Government's development efforts.

Diamond mining by the Family of Companies takes two forms in Namibia: land-based and marine. Marine mining is conducted by De Beers Marine Namibia, which is owned by De Beers and the GRN.

Our activities in 2010

In 2010, Namdeb's land-based operations liberated 0.5 million carats (2009: 0.3 million carats). De Beers Marine Namibia liberated 1.0 million carats over the same period (2009: 0.6 million carats).

Land-based diamond mining operations in Namibia are seeing a long term decline in output due to the relative maturity of operations there. As a result, our marine mining operations will account for an increasing proportion of production and revenues into the future.

Under the current operating model, Namdeb's land-based operations are due to cease by 2014, raising the prospect of potential closure. In 2010, Namdeb's management developed a proposal for extending the life of mine through mining the inner sea shelf. With the appropriate fiscal environment, this plan – called 'Vision 2050' – would enable a US$1 billion investment to potentially extend Namdeb's land-based operations to 2050.

www.debeersgroup.com
www.debswana.com
www.namdeb.com
www.debeerscanada.com

Canada and South Africa

Compared to Botswana and Namibia, the diamond sector plays a more modest role in the South African and Canadian economies. South Africa produces approximately 10% of the world's rough diamonds by value (representing about 1% of GDP).

Although Canada accounts for about 14% of global rough diamonds by value, the sector plays a relatively minor national economic role due to the scale and diversified nature of the economy.

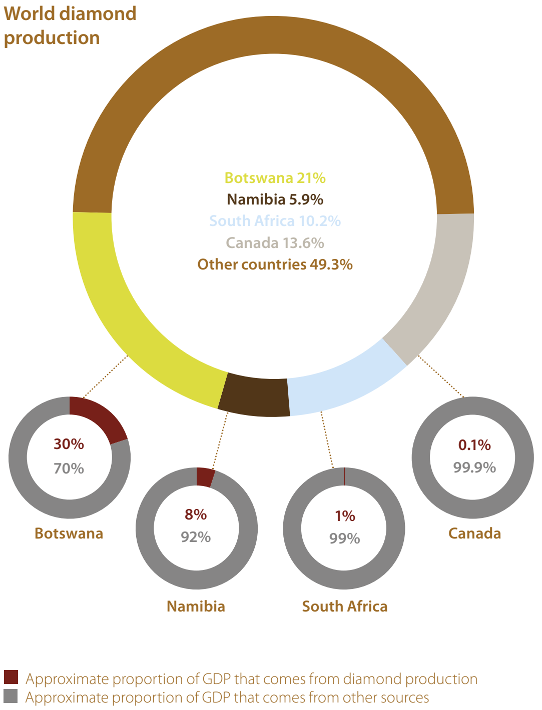
Our activities in 2010

In 2010 our South African mining operation, De Beers Consolidated Mines (DBCM), mined 7.6 million carats (2009: 4.8 million carats). De Beers Canada mined 1.8 million carats from its two mines, Victor and Snap Lake (2009: 1.1 million carats).

In South Africa, we have sold or are selling a number of mining assets. De Beers is specialised to optimise production from new, or mid-life mines. We seek to extend the value and life of these assets, towards the end of their lives, by selling them to operators specialised in generating value and therefore diamond revenues from late-life mines. In 2010, a sale for Jagersfontein Mine was agreed and completed with the Superkolong Consortium, a broad based Black Economic Empowerment (BEE) holding company.

Fig. 10

The role of diamond production in our countries of operation



Data note 3: World diamond production data is based on volume (carat) production and economic information available in the public domain. Non-De Beers carat production data is from publicly available sources only; production values for 'artisanal and illicit' are De Beers estimates, using in-house expertise and knowledge, and these figures are checked against Kimberley Process figures (when available). 2010 estimates for diamond value per carat, made by De Beers, have been applied to the volume (carat) production data to establish the annual production values in nominal USD.

Approximate proportion of GDP from diamond production data has been calculated from publicly available economic data provided by international financial institutions and respective governments, in-house world diamond production calculations (as above), and De Beers Group distributions to local governments and companies.

Case study:

Sale of Jagersfontein Mine

In 2010, almost 40 years after mining activities ceased, DBCM sold the Jagersfontein Mine in Free State province, South Africa. The sale consisted of the Jagersfontein Tailings Mineral Resource (Jagersfontein TMR) and the land the mine is situated on.

From the beginning of the process in March 2010, one of the most important aspects of the sale was to deliver sustainable benefit to the Jagersfontein community. DBCM felt that two critical elements were needed to achieve this:

- Technical and financial skills to successfully create value from the mine tailings; and
- Participation by the Jagersfontein community, not only with employment opportunities and community initiatives, but also through equity ownership of the mine.

The selection criteria for the consortium included:

- Operations – a track record of treating mine tailings in a way that balances value creation with job creation over the life of the mine;
- Environmental – a track record that would ensure the mine site was left in an acceptable condition at end of life;
- Finance – not only for the purchase but also capital expenditure for development and environmental rehabilitation expenses; and
- Community – the consortium had to include a community entity that represented the Jagersfontein community, had trustees appointed by the community, and a suitable governance structure in place to maintain itself.

In October 2010, Jagersfontein was sold to Superkolong Consortium, a broad based Black Economic Empowerment (BEE) holding company that has a number of mining operations. As part of the deal, Superkolong agreed to:

- Technical competence criteria;
- Providing adequate funding to develop the new processing operation;
- BEE equity participation;
- Local employment creation; and
- Significant community-based initiatives.

The Jagersfontein community will also benefit from the establishment of Jagersfontein Community Trust, that will hold 10 percent equity ownership in the new holding company and will receive R20 million (approximately US$3 million) funding to run community projects.

Jagersfontein Mine

Governance and revenue transparency

Risk: Strong governance and transparency underpin the reputation of diamonds, and ensure that diamonds help to drive local development. Weak governance systems undermine the maximisation of diamond resources and their equitable distribution. The significant role De Beers plays in host country economies means transparency is vital.

Through good governance and revenue transparency, our partner governments have been effective in translating the value realised by our mining operations into lasting benefit at both a local and national level.

In doing so they have created a relatively stable and predictable long term operating environment. This has, in turn, enabled our mining and downstream businesses to focus on the challenge of generating maximum value from existing diamond resources.

The clear correlation between good governance, local benefit and operational stability not only underwrites De Beers' approach to partnership, but also informs our direct engagement with relevant public policy issues.

Increasing resource revenues in 2010
In 2010, increasing market confidence led to increased rough diamond sales across the Family of Companies. Our focus on capturing maximum value from every carat we produce also helped drive greater revenues and profit. Increased sales correlate directly to increased revenues for producer countries.

Our investment strategy aims to secure future supply and revenues through capital investments in superior mining assets. We have commenced the Cut-8 extension to Jwaneng Mine (see p23), and are investing in potential future capital projects at Venetia Mine in South Africa and Gahcho Kué in Canada.

Payments to governments
In 2010, the Family of Companies paid US$1.2 billion in taxes and royalties to governments (2009: US$782 million). Of these royalty and tax payments, 93% (US$1.1 billion) were made to governments in Africa (2009: US$688 million). Further indirect tax benefits are generated through payments made by our shareholders, suppliers, contractors, Sightholders and business partners in the diamond value chain.

Extractive Industries Transparency Initiative
De Beers has been a supporter of the Extractive Industries Transparency Initiative (EITI) since it launched in 2003. The EITI supports improved governance in resource-rich countries or those countries predominantly reliant on natural resources.

According to Transparency International, almost all of the countries we operate in demonstrate high levels of transparency, scoring a rating above five in the annual Corruption Perceptions Index. De Beers implements and monitors robust anti-corruption measures across all operations, taking into account the specific risks that are prevalent in countries which score low.

www.eiti.org
www.transparency.org.uk

Stakeholder question:

How does De Beers contribute to public policy development?

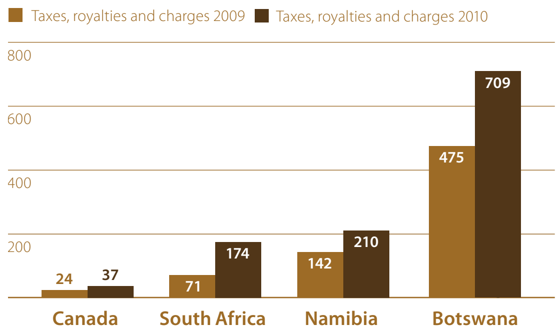
Through our risk-management approach (p16-17) we identify and prioritise public policy issues that are most material to our operations and our stakeholders. Public policy engagement is one part of our stakeholder engagement approach (p14-15). Our approach is multi-faceted, with continuous engagement at multiple levels of the business on a range of issues.

Business and industry bodies, and corporate citizenship initiatives such as the UN Global Compact, provide formal channels through which we engage in public policy discussions. On specific issues we may form partnerships with NGOs to influence the policy debate or public discussion.

We prioritise issues that could impact on the diamond industry, and focus our efforts on offering our technical and other expertise to inform policy development. Given our experience, we feel well placed to contribute to discussions on how responsible business can catalyse economic growth in developing economies, particularly in sub-Saharan Africa.

Fig. 11

Revenue contributions to host governments, 2009 and 2010 (US$ million)



Gahcho Kué exploration site

Success of beneficiation

Risk: Ongoing economic uncertainty can significantly impact on the success of downstream diamond sorting, cutting and polishing, local procurement and enterprise development schemes in producer countries.

Sustainable development through diversification
By their nature, mineral resources are finite. Developing sustainable economies has to involve planning and supporting the development of a broad based, diverse economy that will prosper beyond the finite wealth created by natural resources. For the diamond industry, one way to support this diverse economy is through the process of beneficiation.

How beneficiation works
Following extraction, a diamond passes through a number of processes before it is sold at a retail level. These include sorting, valuing, cutting, polishing and jewellery setting.

Traditionally, very few of these value-adding activities took place in diamond producing countries. Instead, diamonds were exported to established international trading and manufacturing centres such as Antwerp, Mumbai, Tel Aviv and New York for further processing.

Beneficiation is the process by which the Family of Companies works with government partners to ensure that, beyond mining, other value-adding activities take place in our producer countries in southern Africa and in Canada. In so doing, greater economic value is created 'at source', maximising the value derived from diamonds for local economies.

The role of beneficiation in our strategy
Beneficiation is central to our long term economic sustainability strategy and is a key part of our overall value proposition to host countries.

The Diamond Trading Company (DTC), (our rough diamond sales and distribution arm), and our government partners work together to establish successful beneficiation strategies that promote and develop diamond-related activities in producer countries.

Sustainable beneficiation is dependent on several factors (including robust governance, world-class skills and facilities, and the maintenance of a favourable and responsible business environment) and aims to maximise economic returns from diamond resources through:

- National capacity building;
- Increased employment;
- Enhanced revenues;
- Economic diversification;
- Fostering a favourable business environment; and
- Attracting additional economic activity in a sustainable manner.


A


B

A *DTC Botswana headquarters, opened in 2008, Gaborone*
B *Cutting and polishing facility, established by SAFDICO, Gaborone*

Supporting beneficiation

At Group level, De Beers supports beneficiation by offering an agreed proportion of the diamonds we mine for sale to Sightholders (the diamantaire clients of the Family of Companies) within our producer countries for the purposes of cutting and polishing within that country.

Our business units also engage in beneficiation activities at a local level. In 2010, the Diamond Trading Company Botswana (DTCB) donated 300,000 Pula (US$44,000) to the Oodi School of Applied Arts and Technology in Gaborone. The donation will pay for jewellery design and manufacturing equipment for students who will learn creative jewellery design techniques. By enabling skills and knowledge development through this donation, DTC is supporting the diversification of the economy in years to come.

www.diamondintelligence.com

Beneficiation post-recession

In 2009, the global economic crisis severely reduced consumer demand for diamond jewellery, leading to lower levels of diamond manufacturing activity and reducing revenues from diamond processing and manufacturing. In 2010, several factors aided the recovery of beneficiation activity in De Beers' producer countries.

Improved market confidence

The start of the economic recovery in 2010 improved confidence among Sightholders for holding larger diamond inventories at various stages of the supply chain. This has increased the opportunities for diamond manufacturers, including those in our diamond producing countries. Emerging markets, most notably India and China, saw increased consumer demand for diamond jewellery as their economies expanded.

Producer country improvements

Beyond the stimulus generated by improving demand for polished diamonds, beneficiation activity was also helped by operational improvements in De Beers' diamond producing countries in 2010. Improvements in skills, productivity and infrastructure delivered increased competitiveness with the more established diamond manufacturing centres in India and China.

Ongoing challenges

Significant challenges to beneficiation remain. Diamond manufacturing operations depend heavily on continued demand for polished diamonds. The relatively slow rate of economic recovery in the US – the world's largest market for diamond jewellery – and the likelihood of continued economic volatility therefore both represent significant risks.

www.dtc.com

Our beneficiation activities in 2010

Our sales through beneficiation activities, as well as the employment levels in the domestic diamond cutting and polishing industries, recovered strongly in 2010. In Southern Africa, DTC Botswana (DTCB), Namibia DTC (NDTC) and DTC South Africa all saw significantly increased sales levels during the year (see Fig. 12, p28). In Canada, diamonds worth US$60 million (2009: US$15.5 million) were supplied for local manufacture.

In spite of this, the lingering effects of the economic downturn in 2010 unfortunately led to the formal closure of operations for one Sightholder in Canada and one in southern Africa.

Overall winner of the DTC Shining Light Awards in South Africa, designed by Hunadi Tlomatsana and sponsored by Chow Tai Fook

Case study:

Shining Light Awards

Launched in 1996 in South Africa, the Shining Light Awards is one of the DTC's longest running and most successful beneficiation projects. The objective of the Awards is to strengthen the southern African jewellery industry by helping to develop the technical and design skills of southern African designers, and raising global understanding and appreciation of southern African jewellery design.

The benefits of the Shining Light Awards include:

- Finding and encouraging hidden talent in southern Africa;
- Creating opportunities for southern African designers through our design workshops;
- Offering our Sightholders the opportunity to support talent development by sponsoring designers' materials and manufacturing;
- Extending designers' skills by involving them in the manufacturing process, either with jewellery manufacturers locally, or internationally in large cutting and polishing countries like India; and
- Creating international PR opportunities for designers and their Sightholder sponsors.

Forevermark is also a partner of the Shining Light Awards. It contributes judges from Japan, China and the USA, helping to expose international designers to southern African jewellery design.

In 2010, we received 1,255 entries, making a total of over 7,000 entries since the Awards began in 1996. The 2010 Shining Light Awards collection consists of 30 jewellery pieces – 10 designs each from South African, Namibian, and Botswanan designers. The collection is being showcased through the *Forevermark* retail network in Beijing, Hong Kong, Japan and Singapore.

www.shininglightsawards.com

Case study:

DTC Botswana

Incorporated: May 2006. Prior to incorporation, sorting and valuations were undertaken by the Botswana Diamond Valuing Company (BDVC).

Ownership: 50% joint venture with the Government of the Republic of Botswana (GRB).

Purpose: To sort and value Debswana's production, and make economically cuttable assortments of diamonds available for sale in Botswana for domestic cutting, polishing and manufacturing.

Activities: Our objective was to supply US$550 million worth of rough diamonds via this channel by the end of 2010. Although this figure was not met, the US$482 million sales achieved in 2010 (compared with the US$193 million in 2009) represents a significant achievement given the lingering effects of the economic downturn. Discussions around the Debswana sales agreement commenced at the end of 2010.

Local Sightholders: 16

www.dtcbotswana.com

Case study:

Namibia DTC

Incorporated: January 2007. Prior to incorporation, sorting and valuations were conducted by DTC Valuations Namibia.

Ownership: 50% joint venture with the Government of the Republic of Namibia (GRN).

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

Activities: All of Namdeb's production is sorted and valued at NDTC. A total of 10% by value of unaggregated Namdeb production is directly made available for sale to NDTC Sightholders together with a proportion of aggregated DTC International mix. In 2010, the total supply through NDTC (including both aggregated and unaggregated supply) amounted to US$225 million, up from US$122 million in 2009.

Local Sightholders: 10

www.dtc.com

Case study:

DTC South Africa

Established: DTC Valuations in South Africa was established in 1974. In 2007, it was relaunched as DTC South Africa.

Ownership: 100% De Beers controlled.

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

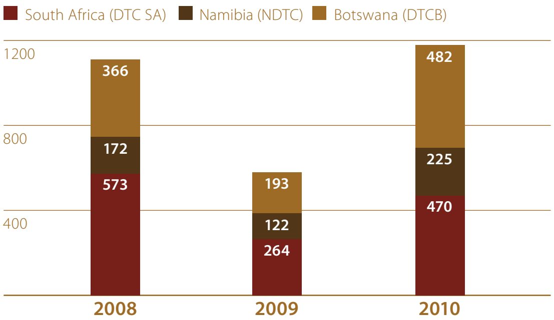
Activities: In 2010, sales of rough diamonds amounted to US$470 million (2009: US$264 million).

Local Sightholders: 13

www.dtc.com
www.statediamondtrader.gov.za

Fig. 12

Rough diamond sales in southern Africa, 2008-2010 (US$ million)



Case study:

Beneficiation in Canada

In Canada, beneficiation is managed directly by the DTC, which currently supplies rough diamonds for manufacture, and provides marketing support to two Sightholders.

Ontario, Canada

Our beneficiation activities in Ontario, Canada, began in February 2009 when locally-based Crossworks Manufacturing Ltd was awarded Sightholder status by the DTC. This followed the signing of a beneficiation agreement between De Beers Canada and the Government of Ontario in 2008.

Under the 2008 agreement, 10% of production by value from the Victor mine is offered for manufacture within the province. Crossworks is currently the only Sightholder in Ontario.

Northwest Territories, Canada

For our Snap Lake Mine, a similar agreement has been in place with the government of the Northwest Territories since 2007. Until the start of 2010 there were two Sightholders in the Northwest Territories. Unfortunately, the ongoing impact of the global downturn led to one of these operations formally closing.

Although Crossworks is now our only Sightholder operating in the Northwest Territories, there have been several expressions of interest from companies considering diamond manufacturing in the territory.

Maintaining momentum

Following the extreme economic challenges of the last two years, the gradual recovery in the global economy and in the diamond industry in particular enabled beneficiation activity to begin growing again in 2010. Employment numbers in diamond processing and jewellery manufacture are nearing pre-crisis levels, and currently total more than 4,000 permanent cutting and polishing jobs in southern Africa.

Following the restricted availability of finance in 2009, diamantaires have been able to access the necessary funding for their activities throughout 2010. The future also looks promising.

The post-downturn environment

In spite of the closure of two Sightholders during 2010, employment numbers in beneficiation activities increased by 22% during the year. This trend was replicated in diamond manufacturing centres around the world, although employment numbers have not yet fully returned to pre-downturn levels.

In 2010, some important developments in diamond producing countries were made in terms of skills, infrastructure and publicity. In February, a US$6 million secure transfer facility for diamonds was completed at the Sir Seretse Khama International Airport in Botswana. This high security facility is extremely important for the efficient import and export of diamonds.

In Namibia, representatives of the Government Diamond Office underwent a programme of training at the NDTC Diamond Academy to improve their diamond skills and thus the operation of the import/export function which is integral to the success of beneficiation.

In Ontario, Canada, DTC Sightholder Crossworks Manufacturing partnered with the jewellery retail firm Birks & Mayors Inc. to generate positive PR for Ontario's beneficiation sector when, at the Toronto International Film Festival, leading Canadian actress Allie McDonald wore a diamond necklace containing 75 carats of rough diamonds from the Victor mine. The jewellery piece was designed and produced by Crossworks.

www.corporates.abnamro.com
www.gia.edu

Future developments affecting beneficiation

Our diamond producing country government partners continue to consider their beneficiation strategies now that the nascent local industries have had time to develop and have experienced an extreme pressure test in the form of the global economic downturn. We will continue to work with our partners to provide sustainable support to these evolving strategies and build on the positive developments thus far.

www.dtc.com

In spite of the closure of two Sightholders during 2010, employment numbers in beneficiation activities increased by 22% during the year.

Driving local growth, diversification and capacity building

Risk: Operations that are not managed to maximise their contribution to local growth and capacity building undermine the company's licence to operate and the diversification of the economy that will ensure long term economic stability and viable post-mining futures.

De Beers works in partnership with producer countries to secure a robust and broad based economic future. In addition to beneficiation we aim to support the development of local economies where we operate through:

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

These activities present a compelling value proposition to governments in the face of a decreasing supply of diamonds nationally and globally. The sustainability of our operations is therefore not only measured by revenues, but by the contributions of our operations such as generating employment and developing infrastructure that extend beyond the life of mine.

Employment and empowerment

The Family of Companies makes a major economic contribution to our producer countries through the direct employment of local people and the utilisation of local contractors. This includes direct payments in the form of wages and other benefits, as well as a long term contribution through the development of local skills and capacity.

At the end of 2010, the Family of Companies (with the exception of E6 and DBDJ) employed 13,477 permanent and non-permanent personnel worldwide (2009: 13,320). Almost 12,000 (88.9%) of these employees were based in Africa.

Employee salaries and other costs, including social security, health care and pension contributions, grew to US$527 million in 2010, from US$456 million in 2009.

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.

Table 1: Preferential procurement spend, 2008-2010 (US$ million)

Country	Preferential procurement group	2008	2009	2010
Botswana	Citizen-owned and local companies	US$478 million	US$328 million	US$348 million
Canada	First Nations suppliers	US$218 million	US$86 million	US$94 million
Namibia	Historically Disadvantaged Namibian owned, empowered and influenced businesses	US$9 million	US$14 million*	US$3 million
South Africa	Historically Disadvantaged South African owned, empowered and influenced companies	US$271 million	US$182 million	US$272 million

Data note 4: 2009 procurement figure for Namibia* includes procurement spend by De Beers Marine Namibia, which is not included in other years.

Case study:

De Beers Zimele Hub, Kimberley

In 2009, De Beers established the Enterprise Development Hub in Kimberley, South Africa. The objectives of the Hub are to:

- Develop and nurture commercially viable and economically sustainable businesses;
- Bring about sustainable Black Economic Empowerment through the creation of SMEs; and
- Capacity building and funding SMEs with extensive support, mentoring and guidance.

In 2010, the Kimberley Hub won the best 'turn-around' award for their efforts in increasing the recovery rate and number of successful deals creating small and medium sized enterprises.

Khehla's Radiator Repairs, a De Beers Zimele beneficiary, Kimberley

In 2010, approximately US$715 million was allocated to preferential procurement in southern Africa and Canada (2009: US$611 million). This reflects a significant reduction in overall preferential procurement spend from the pre-downturn levels of 2008.

Enterprise development

We operate investment funds to promote enterprise development in Botswana, Namibia and South Africa, through Peo Venture Capital, Namdeb Foundation, and the De Beers Fund/De Beers Zimele, respectively. These contribute to projects and organisations that aim to support employment, economic diversification and the creation of alternative post-mining livelihoods. They also provide valuable professional advice and mentoring.

Peo Venture Capital

Peo ('seed') is a 50/50 joint venture between Debswana and De Beers Holdings Botswana. It is managed by De Beers Holdings Botswana with guidance from the Debswana supply chain function.

Since it launched in 1997, Peo has helped to establish 60 businesses and invested a total of US$5.2 million (US$4 million in loans and US$1.2 million in equity), creating employment for over 1,300 in Botswana. Having halted all new investments in 2009, Peo divested from two companies in 2010, and reduced the amount under investment to P4.0 million (US$589,000) from P6.0 million (US$884,000) at the end of 2009. In line with this reduction in assets under management, the number of staff employed by Peo was reduced from five to three. During the year, Peo focused on developing a new business model for consideration by the directors and shareholders in 2011.

Namdeb Foundation

In 2010, the Oshipe Development Fund was reconstituted as part of the Namdeb Foundation, along with the Namdeb Social Fund. Formerly a wholly-owned subsidiary of Namdeb, Oshipe promoted the development and growth of small and medium-sized enterprises (SMEs), with preference given to SMEs partly or wholly-owned by Historically Disadvantaged Namibians or those that operate close to our mines.

Last year, the Namdeb Foundation's portfolio consisted of 10 SMEs, of which nine are active and one is in liquidation. In 2011 the funding model was reviewed with the aim of reducing such losses. These SMEs operate in the manufacturing, service and mining sectors of the Namibian economy and experienced growth in the areas of turnover, market coverage and penetration, and employment coverage. SME development continues under the Foundation with a focus on entrepreneurship development as part of a suite of services.

De Beers Zimele

De Beers Zimele is an investment fund that helps to develop Black Economic Empowerment and fight poverty through the creation of sustainable SMEs in South Africa. It provides loan funding, business skills transfer, mentoring and support.

De Beers Zimele focuses on assisting mining communities and impoverished labour-sending areas. Its target is to create 25,000 employment opportunities (both preserved and new jobs) and 1,500 companies in seven years (2008–2015).

In 2010, DBCM invested a total of US$0.5 million in De Beers Zimele which is funding 45 projects in Kimberley (up from six projects in 2009, when the project was established).

Expansion

We are planning a significant expansion of the De Beers Zimele portfolio. A new Hub started operating at Voorspoed in December 2010 and we have a target to create new Hubs in Namaqualand, Venetia, and Element 6 in the first quarter of 2011. Each hub will aim to support at least 30 SMEs per annum.

Jwaneng Cut-8

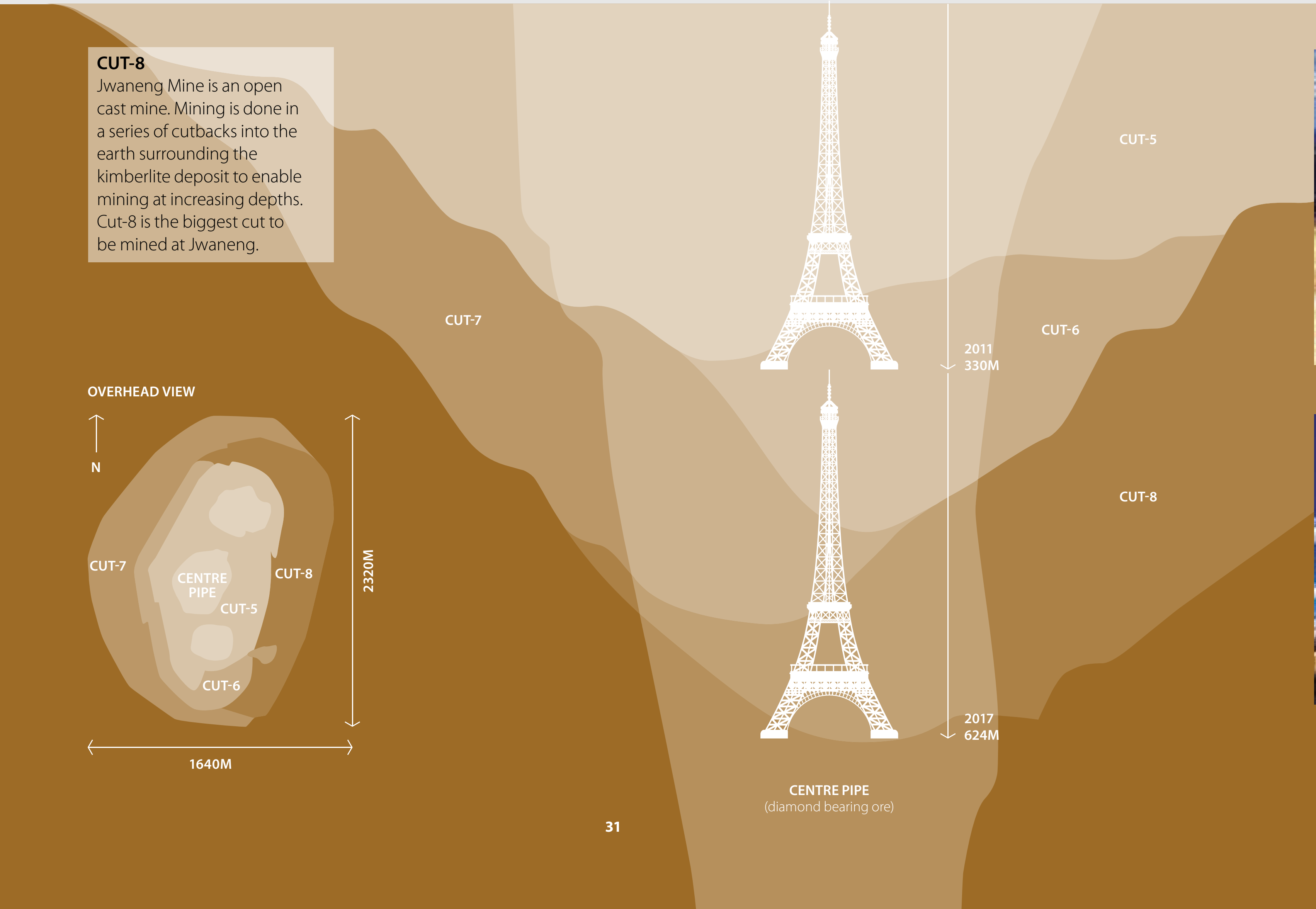
The Cut-8 extension to Debswana's Jwaneng Mine represents an historic landmark in the 41-year partnership between De Beers and the people of Botswana. Diamond mining has played a fundamental role in transforming Botswana to the successful middle-income nation it is today. Diamonds currently contribute around one-third of GDP, and over 80% of foreign earnings. Roughly four out of every five dollars generated by the partnership contributes to government revenues.

Jwaneng is the most valuable of Debswana's mines, contributing 60-70% of Debswana's total earnings. The Cut-8 project will extend the life of the mine to at least 2025. As well as contributing value to the economy it will bring local benefits to the Jwaneng community in the form of jobs, increased business for local and citizen-owned enterprises, and investment in social infrastructure such as housing, schools and hospitals.

Cut-8 will transform Jwaneng into a 'super-pit' – one of the largest open cast mines in the world. It is a huge and technically challenging undertaking. It demonstrates both Debswana's commitment to maximising the life of Jwaneng, and Botswana's ongoing leadership, in turning natural resources into shared national wealth.

CROSS SECTION OF THE JWANENG MINE, BOTSWANA

W ← → E



86% citizens

Jwaneng Mine employs over 2,500 people in normal operations. An additional 1,400 jobs were created by Cut-8 in 2010, 86% of which have gone to Botswana citizens. In addition to providing direct employment, Cut-8 will enable the growth of new businesses and create opportunities for local suppliers through preferential procurement. To date, 51% of contracts awarded in relation to Cut-8 have been to citizen-owned or Botswana-based companies.


A


B

"This, indeed, is a momentous occasion that will go down in the annals of history as one of the major milestones in the continuing development of our country."

HE President Khama,
speaking at the launch of the Cut-8 project, December 2010.

2,000 people

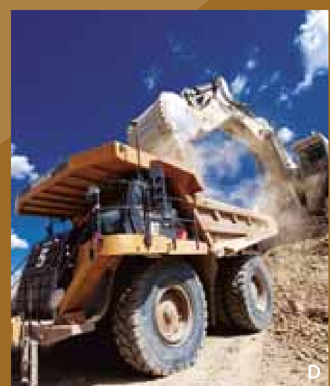
Cut-8 is expected to bring an influx of 2,000 additional people to Jwaneng town and the surrounding villages. To help support a thriving local community Debswana continues to engage in extensive community consultation, and to invest in the upgrade and development of local infrastructure and facilities. The Cut-8 Legacy Project, which encourages contractor companies to fund social investment projects, has already seen several local schools benefit from new classrooms, computers and other equipment. In addition, Debswana is funding a BWP2.2 million (US$324,000) project to extend the pharmacy and out-patient department of the Jwaneng Mine Hospital, built by local contractor, Majoboge Construction. The new facilities will allow better control of health care issues, patient flow, and infection control.


C

US$3 billion in, US$15 billion out

Debswana will invest an estimated US$3 billion in the project over a fifteen-year period. This represents the single largest private investment in the history of Botswana. It includes all project stages – feasibility, design, implementation, and mining operations – as well as the cost of plant and equipment.

In enabling Cut-8 to continue production at current levels, the project will liberate diamonds worth an estimated US$15 billion.


D

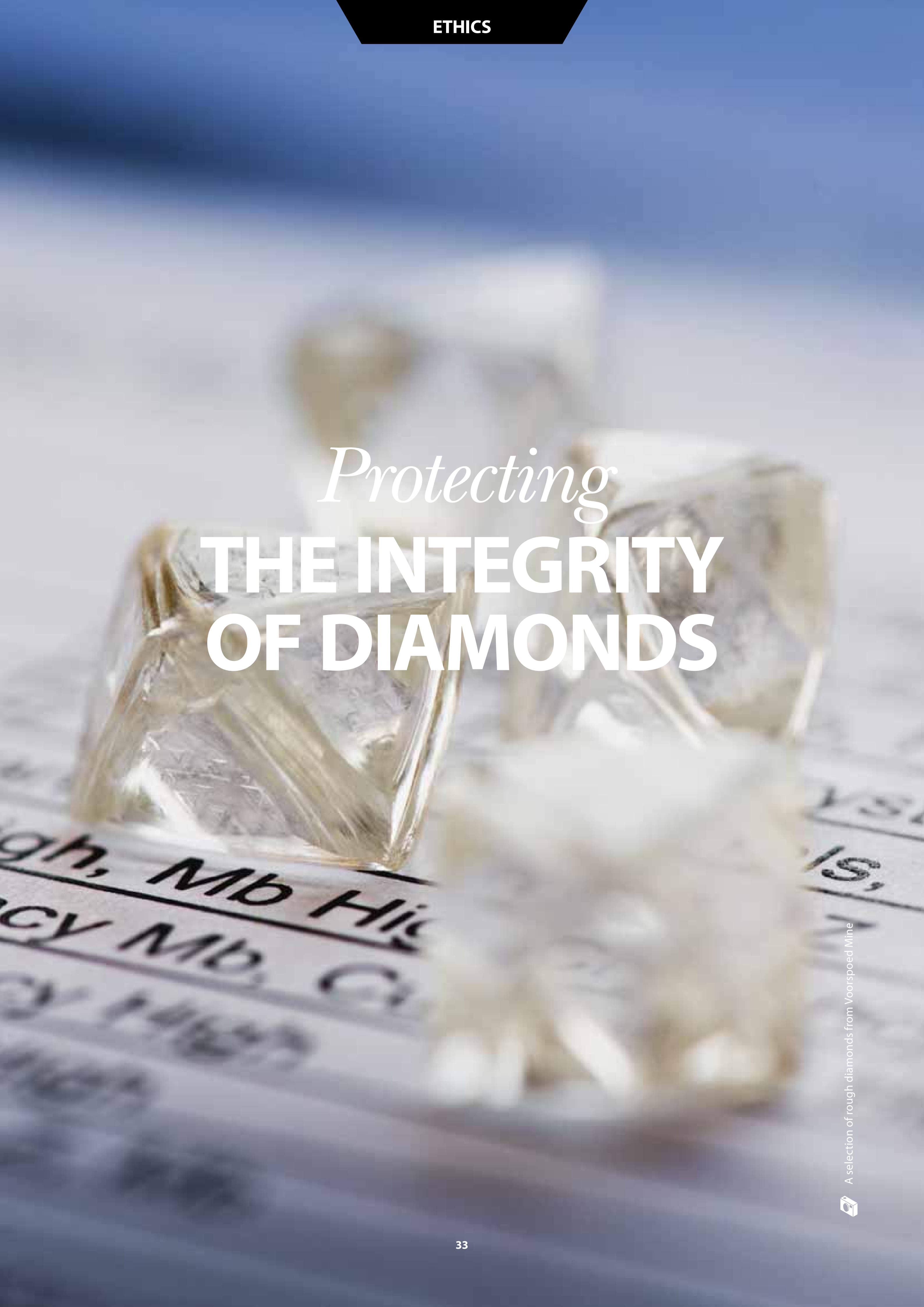
700 million tonnes

The scale of the mining operation for Cut-8 catapults Jwaneng to 'super-pit' status. Currently, Jwaneng is mining to a depth of 330 metres. This will increase to 624 metres by 2017. As mining happens at increasing depths it gets more technically challenging, more costly, and requires the removal of ever-greater quantities of waste to reach the kimberlite deposit. Cut-8 will see the removal of three times the amount of waste that is currently being moved, to continue to access the same volume of ore. In total almost 700 million tonnes of waste earth will be moved.

Operating a mine of this size in a cost-effective and efficient way requires a different kind of operating culture and a new set of skills. To meet these challenges, Debswana is investing heavily in cutting edge technology and in the skills and expertise of its people.

A *Employees at Jwaneng Mine.*
B *Pharmacist at Jwaneng Hospital.*
C *Aerial view of Jwaneng Mine.*
D *Waste material being transported.*

Protecting THE INTEGRITY OF DIAMONDS



A selection of rough diamonds from Voorspoed Mine

OUR COMMITMENT TO MEETING THE *highest ethical standards* IS FOUNDED ON OUR *aspiration* TO LIVE UP TO THE *unique qualities* OF DIAMONDS.

THE BEHAVIOUR OF OUR EMPLOYEES, THE ROBUSTNESS OF OUR COMPLIANCE SYSTEMS and our commitment to transparency maintain stakeholder confidence in our business and play a key role in upholding 'diamond equity'. De Beers aims to meet or exceed all applicable statutory requirements, as well as international standards on ethical issues ranging from conflict diamonds to anti-corruption. We also work with our business partners to embed ethical standards throughout the diamond value chain.

Ethics

The ethical provenance of diamonds is an important element of both their financial and emotional value – what we call 'diamond equity'.

To ensure that the journey from mine to finger meets the highest ethical standards, we have a mandatory, third party assured, code of ethical business conduct – the Best Practice Principles Assurance Programme (BPPs) – that applies not only to our own operations, but also to our Sightholders, contractors and suppliers.

To support ethical standards more broadly we work with sectoral initiatives such as the Responsible Jewellery Council, and comply with and promote the Kimberley Process and the Extractive Industries Transparency Initiative protocols. Together, these initiatives assure the provenance of our diamonds and facilitate the responsible distribution of the revenues our business generates in producer countries.

HIGHLIGHTS

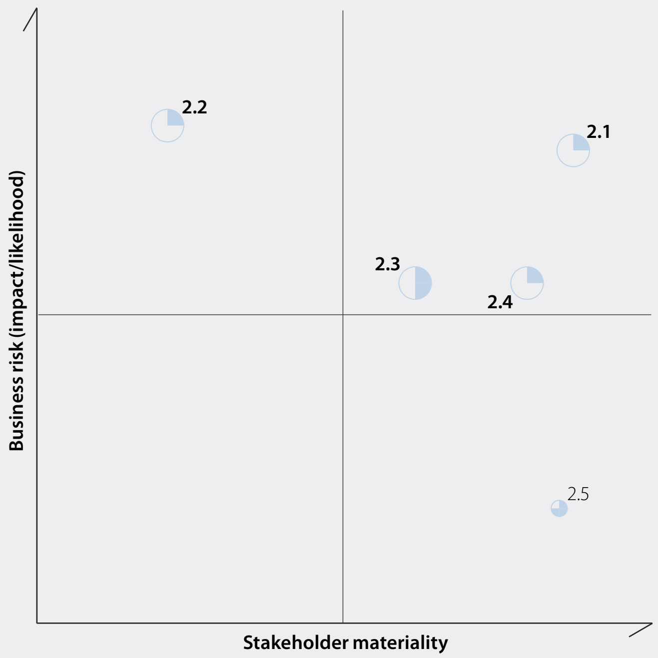
- All diamonds sold by De Beers are 100% conflict free. Compliance with the Kimberley Process and System of Warranties for 2010 was verified by Société Générale de Surveillance (p38)
- No significant incidents of corruption were identified during 2010 and no significant fines or non-monetary sanctions were imposed on the Family of Companies in relation to non-compliance with anti-corruption legislation and regulations (p42)
- Over 480 individuals were nominated to participate in online competition law compliance training in 2010. The average completion and pass rates for initial and refresher training programmes were 95% and 90%, respectively (p42)

"Driving continuous improvement of social and environmental standards across the diamond pipeline is a challenge, but one which is exceptionally rewarding when we see positive movements towards best practice from both our own business units and our Sightholders."

Purvi Shah
Responsible Business
Initiatives Executive, De Beers

Ethics risks

In this chapter we report on Ethics risks identified as most relevant to the De Beers Family of Companies and our stakeholders. We identify and categorise our sustainability risks through ongoing engagement with stakeholders and our internal management processes (see p11-17).



2.1 ***Kimberley Process and System of Warranties credibility****
Risk: Threats to the credibility of the Kimberley Process – a certification scheme to eliminate conflict diamonds from the legitimate diamond supply chain – present a risk to the reputation and sustainability of the industry through calling into question assurances provided to consumers, governments and regulators in key markets that diamonds are from conflict-free sources.

2.2 ***Product security****
Risk: Product theft at our operations is a multi-faceted risk. The involvement of criminal syndicates exposes our employees to coercion and facilitates the entry of diamonds into the illicit economy, including for potential use in money-laundering activities. Beyond its impact on our reputation and diamond equity more broadly, product theft impairs our financial performance, so reducing the revenues available to our producer governments to maximise the resource for sustainable development.

2.3 ***Anti-corruption****
Risk: Corruption poses serious legal, commercial and reputational risks to our business, while the corrosive social, political and economic effects of corruption pose a potential threat to the sustainable development and enduring stability of the environments in which we operate.

2.4 ***Maintaining pipeline and sector standards****
Risk: Unethical, illegal or harmful practices in the diamond pipeline have the potential to undermine the distinct allure of diamonds. However, the consolidation of ethical codes of conduct across the jewellery industry presents both a risk and opportunity for the company. De Beers, our joint venture partners, contractors and Sightholders subscribe to the Best Practice Principles Assurance Programme (BPPs) – a mandatory code of ethical business conduct – and a foundational element in the pipeline integrity promise of *Forevermark*, De Beers' proprietary brand.

2.5 *Legal compliance, e.g. competition law, tax law etc.*
Risk: De Beers is committed to ensuring compliance with competition and anti-trust laws and regulations in all of the jurisdictions in which we operate. We maintain a 'zero-tolerance' stance towards any non-compliance.

KEY: Long term Medium term Short term

* Our management approach to the risks that are asterisked and marked in bold are reported on in this Report, and summarised in its counterpart Summary Review.

Kimberley Process and System of Warranties credibility

Risk: Threats to the credibility of the Kimberley Process – a certification scheme to eliminate conflict diamonds from the legitimate diamond supply chain – present a risk to the reputation and sustainability of the industry through calling into question assurances provided to consumers, governments and regulators in key markets that diamonds are from conflict-free sources.

The Kimberley Process

Established in 2000 and implemented in 2003, the Kimberley Process Certification Scheme (KP) aims 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'.[8]

The KP requires rough diamonds to be sealed in tamper-resistant containers and accompanied by forgery-resistant certificates with unique serial numbers each time they cross an international border. The scheme is enshrined in the legislation of the 75 participating countries (including the 27 member states of the European Union, represented by the European Commission). As a result of the KP, the World Diamond Council estimates that less than 1% of the global supply of rough diamonds originates from areas of conflict.

System of Warranties

To support implementation of the KP, 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.

The Kimberley Process in 2010

Despite Zimbabwe dominating proceedings the KP made progress in some key areas, including:

- A broad agreement to look at necessary reforms within the KP, including more effective methods of decision-making;
- The establishment of an ad-hoc committee to assess the need for permanent 'administrative support' for the KP and Chair;
- Closer collaboration with other branches of government and international organisations, such as the World Customs Organisation, to enhance security and enforcement of KP requirements;
- All but two of the 40 member states submitted annual reports successfully and on time;
- Recognition of the need to clarify the relationship between human rights and the implementation of the KP; and
- The Working Group of Experts made further progress working with the scientific sub-group on the characterisation and identification of rough diamonds from the Ivory Coast.

Côte d'Ivoire

The Jerusalem Plenary discussed the situation in Côte d'Ivoire in light of UNSCR 1946 (2010), and of a report by Côte d'Ivoire. There was concern regarding indications of growing diamond mining activity in northern Côte d'Ivoire, in violation of UN sanctions and KP decisions. The Plenary supported further satellite monitoring and collaboration with the UN Group of Experts. It also requested the Working Group on Monitoring to pursue dialogue with representatives of Côte d'Ivoire regarding technical preparations for a future Ivorian certification scheme – Côte d'Ivoire is currently suspended from the KP. The Plenary called on participants to continue implementing the vigilance requirements and report any shipment of suspected Ivorian origin.

Guinea

The Plenary reviewed efforts to strengthen KP implementation in West Africa. Participants supported steps to strengthen Guinea's certification system and welcomed the geological assessment visit organised in that country, and the efforts to ensure effective regulation and control of artisanal mining, as positive developments.

Venezuela

Concern was expressed that Venezuela had not complied with the terms of the Delhi Decision and had not taken the necessary steps towards its full reintegration into the KP. The KP Chair will approach Venezuela, with the assistance of Brazil, notifying Venezuela of the Plenary's decision to accept the extension of Venezuela's self-suspension from the KP for an additional one year period, conditional upon Venezuela's submission of its annual report for 2009, and subject to written procedure.

> *"Once again, discussions on Zimbabwe overshadowed positive progress on other issues. At the Jerusalem Plenary meeting, decisions were taken to establish a committee mandated to improve the future efficiency of the Kimberley Process; in-depth discussions were held on enforcement in West Africa; and a decision was taken to formalise cooperation with the World Customs Organisation."*
>
> **Global Witness and Partnership Africa**
> 5 November 2010

[8] UN Resolution 55/66, 2000, http://daccess-dds-ny.un.org

The Kimberley Process and Zimbabwe

A challenging year

In 2010, KP participants failed to reach a consensus on the export of diamonds from Zimbabwe's Marange Region. Following a deadlock in the first half of 2010, an interim agreement was reached in July allowing Zimbabwe to export two tranches of production in August and September. However, talks broke down again in November and, as a result, no further exports from Marange were permitted by the end of the year.

Since its inception, the KP has been effective in preventing 'conflict diamonds' from being used to fund rebellions against legitimate governments. In recent years, however, the KP has come under increasing pressure to address in-country human rights abuses such as those alleged to have taken place in Zimbabwe.

This has not enjoyed the universal support of KP members, some of whom argue that it opens the door for the politicisation of the KP. They argue that Zimbabwe's treatment by the KP demonstrates this.

The Zimbabwe issue is the sternest challenge yet encountered by the KP. Its eventual resolution will clearly have considerable influence in shaping the future of the KP itself.

The KP helps diamond producers to access important consumer markets and to this extent plays an important role in ensuring that diamonds are able to generate revenues to support social and economic development in African producer countries. Thus, while De Beers does not operate in Zimbabwe, we continue to work with stakeholders to resolve the Zimbabwean issue within the framework of the KP.

Kimberley Process negotiations on Zimbabwe in 2010

Although negotiations between Zimbabwe and other KP participants were challenging and occasionally tense, progress was made towards bringing Zimbabwe into compliance with KP requirements although there remain many outstanding issues to address.

In 2010, the two operating concessions in the Marange fields – Canadile and Mbada – were declared KP compliant. However, the KP resolved that not enough progress was made towards securing the rest of the 70,000 ha deposit and developing a strategy to halt illegal smuggling impeding the permitted export of production from the two concessions. An agreement to break the deadlock at the June Intersessional proved elusive, and a subsequent meeting in St. Petersburg was convened the following month. Finally, an interim arrangement was agreed upon, allowing Zimbabwe to export two tranches of production in August and September, under the supervision of the KP-appointed monitor.

In spite of this apparent progress, talks broke down once more at the KP Plenary in Jerusalem, and no further exports were permitted. Once again, it took an extraordinary meeting, this time in Brussels, comprising members of the KP's Working Group on Monitoring, industry and civil society, to make amendments to the proposals presented at Plenary. Boaz Hirsch, the outgoing Chair of the KP, presented the amended text to participants through 'written procedure'. The required number of positive responses was received to allow the amended agreement to pass and, at the end of 2010, the matter was left under the direction of Mathieu Yamba Lapfa Lambang, the new Chair of the KP, on behalf of the Democratic Republic of the Congo.

Performance in 2010

All De Beers diamonds are certified to be conflict-free, and are produced in full compliance with national and international law, the Kimberley Process and our Best Practice Principles Assurance Programme (BPPs).

Our worldwide compliance with the KP and the industry System of Warranties was verified by a third party. This engagement excluded Element Six, Hindustan Diamond Company and De Beers Diamond Jewellers (DBDJ), which were independently reviewed. It related to the period commencing 1 January 2010 and ending 31 December 2010.

This Report to Society includes a statement by Société Générale de Surveillance (SGS) as part of its verification of the BPP Assurance Programme that supports our compliance and commitment to the KP and the industry System of Warranties (see p98). There were also no material breaches relating to the KP identified for the Family of Companies or Sightholders in the 2010 BPP assurance cycle.

www.e6.com
www.debeers.com
www.debeersgroup.com

The Kimberley Process in the future

While accepting that the KP faces significant challenges, De Beers remains deeply committed to the initiative and its positive development. Possible changes to the KP that will be discussed in 2011 include:

- Support for a permanent KP 'secretariat';
- The introduction of voting for a number of operational decisions within the KP;
- The improvement of statistical capabilities across KP participants; and
- The inclusion of human rights language within the KP framework.

"In southern Africa, diamonds are an engine for growth, employment and prosperity. The World Diamond Council believes that, in addition to combating the scourge of conflict diamonds, the Kimberley Process has helped to safeguard these benefits that are shared and enjoyed by thousands of people in communities across the region."

Eli Izhakoff
Chairman of the World Diamond Council

Product security

Risk: Product theft at our operations is a multi-faceted risk. The involvement of criminal syndicates exposes our employees to coercion and facilitates the entry of diamonds into the illicit economy, including for potential use in money-laundering activities. Beyond its impact on our reputation and diamond equity more broadly, product theft impairs our financial performance, so reducing the revenues available to our producer governments to maximise the resource for sustainable development.

Assessing the risk

Product security and loss prevention were heightened risk areas for De Beers in 2010. To assess this risk, we conducted a review of the impact of the illicit diamond trade on our business in 2010 through direct activities to identify and trace illegal trading lines around our mines, and working in partnership with security forces (see case study).

The review revealed weaknesses in our security systems and the involvement of criminal syndicates in sophisticated theft from our operations. Having determined the scale and nature of the challenges, we conducted an audit study to assess the efficacy of internal diamond control measures across the Family of Companies.

Taking concerted action

To combat these threats to the security of our diamonds, we launched an integrated Global Security Strategy. This involved an organisational restructuring, which led to the recruitment of a Global Head of Security and a broader base of security specialists, based both in central management and at our operations. In addition, we continue to develop our work with security forces, and have implemented more stringent screening processes when recruiting to ensure the integrity of our employees.

Product security objectives for 2011

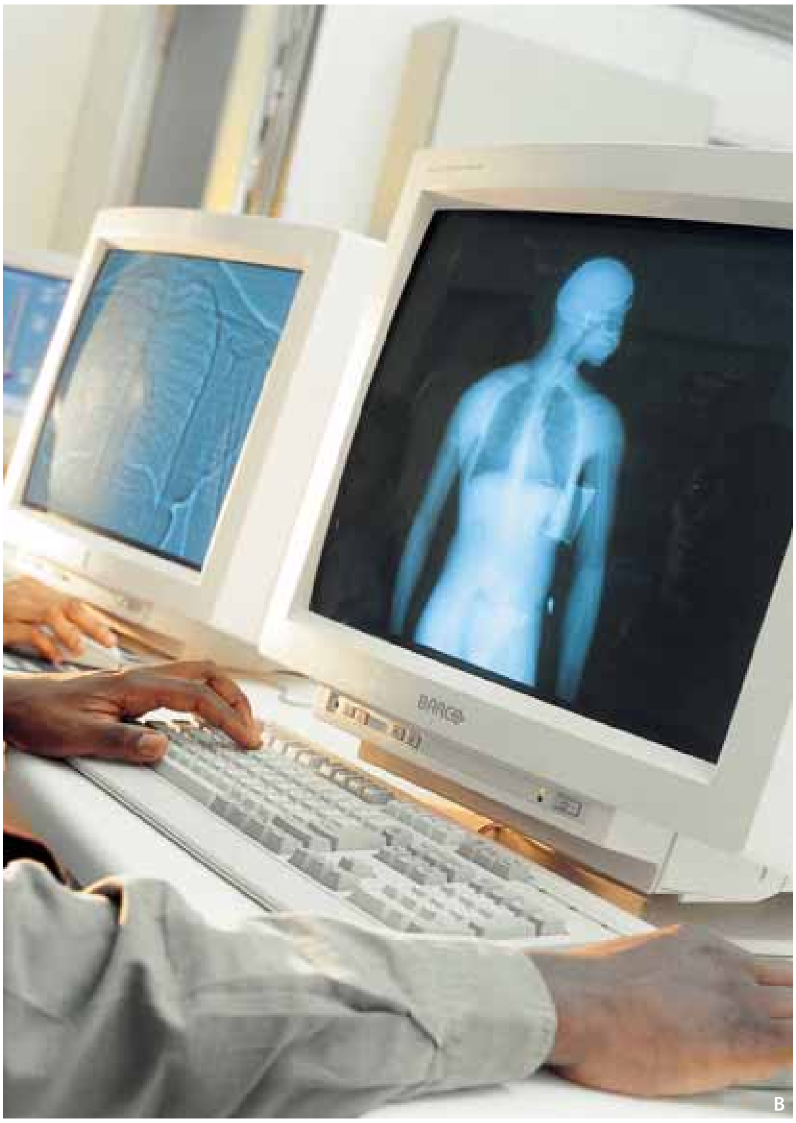
Moving into 2011, De Beers will be driving a Loss Prevention Programme, up-skilling management and empowering individuals, as 'Loss Prevention Leaders', to be agents for change at each site. De Beers believes operational failure may create opportunities for theft or other losses to occur. The Loss Prevention Programme seeks to reduce opportunities for theft through a systematic approach for addressing operational failures.

Case study:

Working in partnership

Through our drive to combat the illicit trade of diamonds, we work with national intelligence agencies across southern Africa. To date, we have established communications with law enforcement agencies including the World Customs Organisations and Interpol, and have set up joint operations with both national and provincial offices of the South African Police Service. Together with these agencies, De Beers is taking steps not only to impact the availability of rough diamonds to the illicit market, but also to tackle the existence of these illegal trading channels.

A *Diamond shipment at the DTC, London*
B *Scannex monitoring, security technology used at some operations*



Anti-corruption

Risk: Corruption poses serious legal, commercial and reputational risks to our business, while the corrosive social, political and economic effects of corruption pose a potential threat to the sustainable development and enduring stability of the environments in which we operate.

We explore for, mine and market diamonds in a number of countries that are independently recognised as having a high risk of corruption (see Fig. 13). As such, it is imperative that staff most at risk of exposure receive appropriate training and have access to relevant channels through which they can learn how to combat corruption and, where necessary, confidentially disclose the activity.

Defining corruption

Corruption is recognised to be one of the world's greatest business challenges. Transparency International defines corruption as 'the abuse of entrusted power for private gain'. This covers both financial gain as well as non-financial advantages.

Corruption can take many forms ranging from small 'facilitation payments' to institutionalised and large-scale bribery. It can take place with or without the knowledge of the payer or payee of bribes. Common forms of corruption include:

- Extortion;
- Fraud;
- Deception;
- Collusion; and
- Money laundering.

All of these constitute criminal offences in most jurisdictions.

www.transparency.org

Tackling corruption

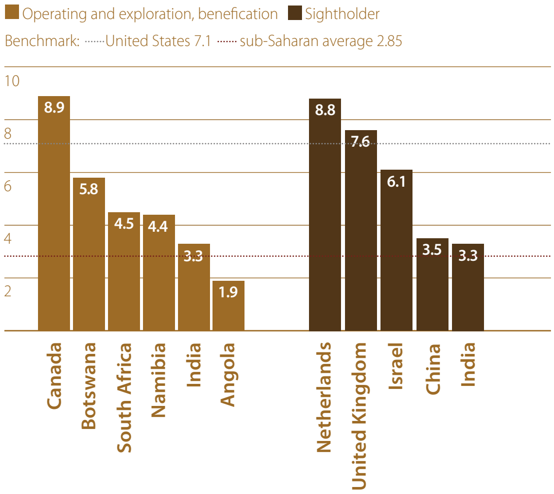
We are committed to fighting corruption and ensuring that we have in place rigorous procedures to help identify and manage corruption risk throughout our operations. We strive to meet the highest ethical standards in our relationships with governments, business partners, competitors, suppliers and communities. Accepting or giving bribes in all forms is prohibited in business transactions undertaken by the Family of Companies or through third parties. This includes subsidiaries, joint ventures and agents. This requirement is clearly stated in our Business Principles, the Best Practice Principles and our Code of Business Conduct.

We also engage with a broad range of stakeholders on the risk of corruption (see case study, p41). Except in exceptional circumstances where they may support the democratic process, we do not make political donations (see Stakeholder question p41).

www.idma.net
www.weforum.org
www.unglobalcompact.org
www.eitransparency.org

Fig. 13

2010 Transparency International (TI) Corruption Perceptions Index (CPI) for selected De Beers and Sighthoder operating countries



Data note 5: The TI CPI measures the perceived level of corruption in 180 countries. A score of 10 indicates lowest risk and a score of 0 represents highest risk.

We are committed to fighting corruption and ensuring that we have in place rigorous procedures to help identify and manage corruption risk throughout our operations. We strive to meet the highest ethical standards in our relationships with governments, business partners, competitors, suppliers and communities.

A selection of rough diamonds

Political Donations in Botswana

In the first quarter of 2010 concerns were raised in the Botswana media about donations made by De Beers to the Botswana Democratic Party prior to 2003, as well as the support given by the company to the former President, Dr Khetumile Masire, in the early 1990s.

While these donations and the support offered to the former President were made in full compliance with the law, concerns raised about their non-disclosure were a clear reminder of the importance of De Beers' decision in 2007 to require complete transparency in respect of any future political donations made by the company.

It is a normal practice in democracies the world over for companies and other organisations to provide financial support for political parties. De Beers holds the view that it is in our commercial interests to assist in developing a stable and prosperous Africa and that encouraging the development of accountable and transparent democracy is the best way of achieving this. Thus, while we will not rule out making political donations in support of the democratic process, any such donations will be fully disclosed to the public.

All political donations made by entities within the De Beers Group since 2007 have been disclosed in our annual Report to Society.

No political donations were made in 2010.

De Beers Anti-Corruption Programme

Launched in 2009, the De Beers Anti-Corruption Programme clearly articulates policies and procedures to combat corruption across the business. It aims to maintain our long term strategic commitment to business ethics through developing anti-corruption mechanisms and educating employees. The Anti-Corruption Policy at its heart requires full compliance with national and international legislation and the disclosure of transactions and relationships that might give rise to illegalities. De Beers is committed to ensuring that the policy is communicated to, and understood by, every employee at every level of the business.

Improving the Anti-Corruption Programme

We benchmarked the Anti-Corruption Programme against the World Economic Forum's Partnering Against Corruption Initiative (PACI) Principles for Countering Bribery, and identified a number of improvements. Given the increasingly far-reaching legislation in the area of bribery and corruption, and the potential reputational impact of being implicated in corrupt activity, in 2010 we commenced a process of improving our Anti-Corruption Programme. This included:

- Establishing an anti-corruption steering committee and working group;
- Reviewing our zero tolerance Anti-Corruption Policy;
- Upgrading internal anti-corruption controls and monitoring systems; and
- Upgrading procedures to deal with incidents of corruption.

Stakeholder question

What is De Beers' policy on political donations?

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

No political donations were made by the Family of Companies in 2010.

Case study:

Stakeholder Engagement to tackle corruption, 2010

Internal

Commenced process of improving Anti-Corruption Programme

Industry

Support for the Extractive Industries Transparency Initiative (EITI)

Anti-money laundering requirements within the BPP Assurance Programme

Regional/National

Participated in the formal consultation to the UK Bribery Act 2010

Participated in the development of the Common Code of Ethics for the Private Sector in the Democratic Republic of Congo

Global

Membership of the World Economic Forum's Partnering Against Corruption Initiative (PACI)

Commitment to the 10 principles of the UN Global Compact

Ongoing support for the UN Convention Against Corruption

Reporting corruption

Employees within the Family of Companies are encouraged to report any activity that they believe is, or may be, unsafe, unethical, unlawful or otherwise contrary to our Values and Principles. We have a number of channels through which concerns can be raised:

- Reporting concerns to line management or a local member of the Human Resources team;
- Contacting the group General Legal Counsel; and
- Reporting concerns via our independent and confidential 'whistleblowing' hotline (p101).

In 2010, we started work on revising our Reporting ('whistleblowing') Policy and consolidated the provision of the reporting facility under a single service provider to facilitate better monitoring and management.

Whistleblowing hotlines

Whistleblowing hotlines are safe and secure channels through which employees can confidentially report instances related to fraud, corruption, theft, diamond control, intellectual property or deviations from good corporate governance practice without fear of recrimination. The hotlines are independently managed and all contacts received are reviewed and investigated. Operators respond to the call in a number of languages 24 hours a day, 7 days a week, 365 days a year. Information reported is passed to a designated senior executive who decides how it should be followed up. The identity of the caller remains confidential at all times.

Anti-corruption training

In 2010, De Beers postponed the roll-out of its training programme in order to ensure its content was in line with the UK Bribery Act, the enactment of which was delayed. Our training programme will now begin in 2011. It is anticipated that the training will use a mix of face-to-face workshops and web-based learning to enhance employees' understanding of corruption and give them the confidence to report corrupt practices either through conventional channels or the whistleblowing hotlines.

Anti-corruption assurance

The BPP Assurance Programme verifies compliance with national and, where appropriate, international legislation with respect to corruption. The Assurance Programme checks for the development and application of relevant policies, programmes and practices, including the recording of all transactions over US$10,000. Most importantly, it requires evidence of due diligence and exceptional record keeping.

Performance in 2010

No significant incidents of corruption were identified during 2010. No significant fines or non-monetary sanctions were imposed on the Family of Companies in relation to non-compliance with anti-corruption legislation and regulations. The Family of Companies does not tolerate unethical or illegal behaviour and will dismiss individuals that breach our anti-corruption requirements.

In 2010, there were 710 internal investigations into alleged illegalities and/or breaches of the current Code of Business Conduct and Ethics at our operations (2009: 634).[9] This figure includes all allegations irrespective of severity, though they mainly relate to dishonesty including diamond theft.

As a result, 132 employees (0.98% of our total workforce) were dismissed (2009: 165, 1.23%).[9] Of these, 83 employees (0.62% of our total workforce) were referred to the appropriate law enforcement agencies (2009: 126, 0.95%). Not all of these cases were as a result of whistleblowing. A number were identified independently by the investigation departments of the various business units through a variety of means, including security controls, audits and investigations.

Anti-money laundering and terrorist financing

The Family of Companies is committed to the prevention of money laundering and to combating the financing of terrorism. Our policy applies to all our operations and it has been communicated to both joint ventures and partner companies.

In 2010, no fines or non-monetary sanctions were imposed on the Family of Companies in relation to money laundering. No material breaches relating to anti-money laundering were identified for the Family of Companies or Sightholders through the BPP cycle in 2010.

Compliance with competition law

The Family of Companies works hard to ensure continued compliance with competition and anti-trust laws and regulations in all jurisdictions in which we operate.

Employees are requested to report any breaches of this policy through our whistleblowing hotlines. De Beers will not tolerate violations of competition law, or mistakes resulting from carelessness or inattention to legal compliance by its employees.

In 2010, over 480 individuals were nominated to take part in online competition compliance training. Two training programmes were used: a 45 minute programme and a refresher session for those nominees who successfully completed the 45 minute programme in 2009. The average completion and pass rates across the group were 95% and 90% respectively.

Anti-corruption objectives for 2011

In 2011, ongoing activities will include:

- Completion of a formal corruption risk assessment;
- Explicit communication and awareness-raising, including with third parties; and
- Comprehensive training of staff.

Maintaining pipeline and sector standards

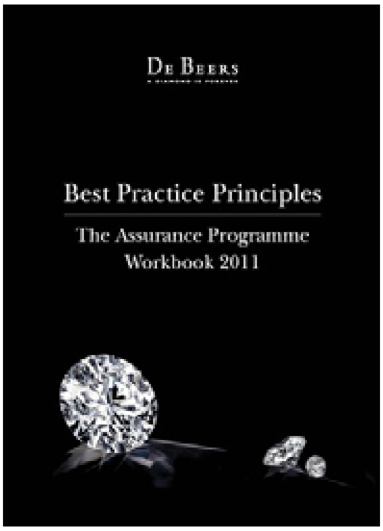
Risk: **Unethical, illegal or harmful practices in the diamond pipeline have the potential to undermine the distinct allure of diamonds. However, the consolidation of ethical codes of conduct across the jewellery industry presents both a risk and opportunity for the company. De Beers, our joint venture partners, contractors and Sightholders subscribe to the Best Practice Principles Assurance Programme (BPPs) – a mandatory code of ethical business conduct – and a foundational element in the pipeline integrity promise of Forevermark, De Beers' proprietary brand.**

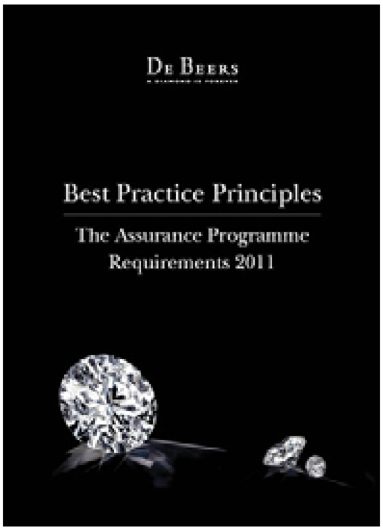
It is in the long term interest of the diamond industry to meet consumer and stakeholder expectations relating to business ethics, economic contribution to diamond producing countries, health and safety, labour standards and the environment. We work towards meeting these expectations through the application of our business principles, policies and standards, as well as the BPPs.

Best Practice Principles

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

[9] 2009 figures differ from those previously reported. Three additional investigations were conducted in 2009 resulting in three additional dismissals.

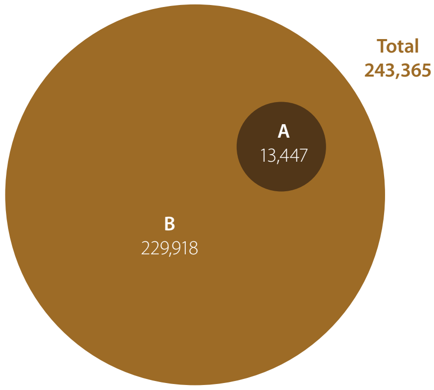




Best Practice Principles Assurance Programme workbook and requirements guidelines

Fig. 14

Best Practice Principles coverage, 2010



A Employees of the De Beers Family of Companies (excluding E6 and DBDJ) covered by the BPPs
B Employees of Sightholders and their contractors, Family of Companies contractors and DTC accredited businesses covered by the BPPs

Coverage
The BPPs apply to all De Beers' operations and, since 2005, have applied to those of our customers – the Diamond Trading Company (DTC) Sightholders. The BPPs also apply to De Beers' and Sightholder contractors.

Contractors that derive 75% or more of their revenue from a Sightholder or a Family of Companies' entity have participated in the BPP Assurance Programme since 2008. Contractors that fall below the 75% mark are required to sign a declaration of integrity stating that they are free of any material breaches of the BPP standards.

As a result, the BPPs cover almost a quarter of a million people globally who work in the diamond industry (see Fig. 14).

BPP requirements
The BPP Programme Requirements are based on local and international legislation and conventions, including the International Labour Organization (ILO) standards and United Nations conventions, and incorporate best practice measuring and reporting standards such as the Social Accountability International (SA8000) standard and the Global Reporting Initiative (GRI).

The BPPs also require the disclosure of all use of synthetic diamonds, diamond treatments and simulant diamonds, and for participants to adhere to strict social and environmental requirements, including those relating to health and safety, child labour and forced labour.

The BPP Assurance Programme
All De Beers companies, Sightholders and contractors that participate in the BPP process must complete and submit annual self-assessment workbooks outlining their conformance with the requirements of the BPPs. Our internal audit team also assesses all De Beers' companies each year.

An independent third party verifier – Société Générale de Surveillance (SGS) – undertakes desktop verification of a randomly selected sample of these workbooks (one-third of total workbooks submitted on a yearly basis). SGS also conducts annual onsite verification audits of a sample of all De Beers companies, Sightholders and DTC Accredited Businesses. The number of verification visits allocated to each Sightholder Group is dependent on the total number of assessable entities within their Group, and selection is made in consideration of certain risk parameters and audit history.

Entities participating in the BPP Programme are required to submit Corrective Action Plans (CAPs) to address any areas where certain Minor Infringements and all Major Infringements are found. Evidence is submitted on the bespoke in-house SMART System or the third party auditor will revisit the site to ensure that CAPs have been successfully and continuously implemented.

In 2010, we continued to use the 'SMART' approach to the BPP Assurance Programme launched in early 2009. The BPP SMART System has dramatically increased the efficiency of the BPP process by generating customised self-assessment workbooks for each entity that are based on their risk profile regarding the BPPs.

The SMART system also acts as an online database for the legal, commercial, sales and distribution functions of the DTC, providing considerable efficiencies for both the DTC and Sightholders. It is also used as a screening tool by *Forevermark* and Diamdel and has become a key due diligence tool for assessing all parts of the supply chain.

BPPs and our Sightholders
As the rough diamond distribution arm of De Beers, the DTC is responsible for implementing our sales strategy. Our strategy seeks to balance working with Sightholders that will drive demand for rough diamonds, and the promotion of appropriate business practice.

We select Sightholders based on a pre-defined set of performance criteria relating to core business strengths and their ability to meet BPP requirements (see Stakeholder question, p44). Compliance with the BPPs, and the maintenance of a good business reputation and financial standing, are mandatory requirements.

Each Sightholder operation employs a BPP manager, who is responsible for maintaining BPP systems and processes, data accuracy, and for submitting BPP workbooks each year, which detail Sightholder performance against the BPPs.

Stakeholder question:

What happens if a Sightholder does not adhere to the BPPs? What systems of accountability are in place?

The BPP Assurance Programme is designed to be a continually evolving standard that promotes ongoing improvement in ethical practices along the De Beers diamond pipeline. As such, while acting in a manner inconsistent with the BPPs and the requirements set out in the BPP Assurance Programme Documents can constitute a breach of contract entitling the DTC to terminate a Sightholder's appointment (i.e. cease to supply rough diamonds), the aim of the programme is to identify and rectify poor performance.

Annually, one-third of all self-assessment workbooks submitted by Sightholders are randomly selected for independent desk-based verification by a third party assurer – Société Générale de Surveillance (SGS). Each Sightholder Group is also visited on a yearly basis by SGS, with the number of verification visits allocated to each Sightholder Group dependent on the total number of entities within their Group. In 2010, 10% of these entities were assessed on average, equating to around 114 visits.

Non-compliances fall into the following broad categories:

Cutting and polishing a diamond on a scaife

- An Improvement Opportunity: Not a compliance issue if a satisfactory solution is found and implemented during the course of an annual Assessment. These are usually listed for the record to assist the participating entity towards continuous improvement.
- A Minor or Major Infringement: Any compliance issue that can be rectified within a short period and that, if managed responsibly, is not deemed by the Assessors or Independent Verifiers to result in any adverse impact.
- A Material Breach is any serious non-compliance issue that contravenes the core BPPs. For the avoidance of doubt, material breaches may include, but are not limited to:
  - the use of child labour or forced labour;
  - trade in conflict diamonds;
  - non-disclosure of synthetics, treated diamonds or simulants;
  - money laundering or the financing of terrorism;
  - wilful or negligent acts or omissions resulting in serious injury or death;
  - abuse of human rights;
  - non-payment of minimum wages;
  - causing a significant adverse effect to the environment; or
  - otherwise bringing the industry into disrepute.

Corrective Actions Plans (CAPs) are required for minor and major infringements, and for material breaches, detailing how the non-compliance will be addressed. For major infringements the CAP must include milestones/timelines. If CAP milestones are not achieved to the Independent Verifier's satisfaction, the infringement may be escalated to the next level.

All major breaches found in 2009 were closed during 2010. The 2010 audit cycle showed 12 Sightholders to have at least one major case of non-compliance (2009: 14), from a total of 135 infringements across all Sightholder groups (2009: 136) (see Table 2).

Sanctions for non-compliance will vary according to the seriousness and frequency of the breach, and the accuracy of the self-assessment workbook. They may ultimately result in the DTC suspending supply to the Sightholder concerned, or terminating the Sightholder's Supplier of Choice contract.

Table 2: BPP infringements by Sightholders, 2008-2010

	2008	2009	2010
Business	54	17	17
Social	186	119	118
Environment	21	0	0
TOTAL	261	136	135

BPPs and our operations

A full review of conformance by the Family of Companies to the BPPs can be found in our first and third party assurance statements completed by De Beers Group Services Internal Audit and SGS, respectively (see p96-99). No material breaches of the BPPs were identified in the 2010 audit cycle for the Family of Companies. However, four major and two minor infringements of the BPPs were noted at Victor Mine and corrective action plans developed (see p56).

Table 3: SGS review and findings from the 2010 BPP cycle for De Beers Family of Companies

	Workbooks			
Business unit	**Submitted**	**Reviewed**	**Site visits**	**Status**
De Beers Canada	13	3	1	Under Observation
DBCM	9	3	2	Compliant
De Beers Global Mining	6	1	0	Compliant
De Beers Group Services	4	1	1	Compliant
Forevermark	5	1	1	Compliant
De Beers SA	2	1	0	Compliant
Debswana	4	1	0	Compliant
Diamdel	3	1	0	Compliant
De Beers UK Ltd	6	2	0	Compliant
Exploration	13	2	0	Compliant
Namdeb	15	4	0	Compliant
TOTAL	**80**	**20**	**5**	

Data note 6: Namdeb's Compliant status includes the verification of eight contractors.

Over the last three years, the Family of Companies has been involved in developing the RJC certification system. The system, which was launched in December 2009, certifies RJC members for responsible ethical, social and environmental practices throughout the jewellery supply chain through promoting responsible ethical, human rights, and environmental practices.

The BPPs and the Responsible Jewellery Council

De Beers is a founding member of the Responsible Jewellery Council (RJC). The RJC is a not-for-profit membership organisation that aims to reinforce confidence in the diamond and gold jewellery supply chain through promoting responsible ethical, human rights, and environmental practices. De Beers is represented on the RJC Board of Directors and Executive Committee.

The RJC certification system

Over the last three years, the Family of Companies has been involved in developing the RJC certification system. The system, which was launched in December 2009, certifies RJC members for responsible ethical, social and environmental practices throughout the jewellery supply chain.

RJC Code of Practices

The RJC Code of Practices is the standard against which members' compliance is assessed. It covers four key areas:

- Business ethics – including bribery, the Kimberley Process and synthetic diamonds;
- Human rights – including child labour, health and safety, security and artisanal mining;
- Environmental performance – including hazardous substances, energy use and biodiversity; and
- Management practices – including impact assessment, closure planning and reporting.

All members are required to receive third party verification to ensure compliance with the Code of Practices. In 2010, a number of organisations were appointed as certifiers by the RJC, including Société Générale de Surveillance (SGS).

www.responsiblejewellery.com

The BPP/RJC hybrid system

As a mining entity, the Family of Companies aims to be RJC certified in 2012. To reduce duplication of effort for Sightholders in having to comply with similar codes of conduct, in 2010 we integrated the requirements of the new RJC certification scheme into the BPP Assurance Programme in 2010 and provided all Sightholders with an option to facilitate the RJC certification process through our bespoke in-house systems.

The hybrid approach enables Sightholders that are already members of the RJC the option to become RJC certified by participating in the BPP process in 2011. Sightholders that are not aiming for RJC certification can continue to use the established BPP system, although in 2011 it will include updated elements that have been added to align the BPP with the RJC system.

The hybrid system is in place for the 2011 BPP cycle and has been developed by:

- Integrating any RJC certification requirements into the BPP Programme that were previously not included. The similarity of the two systems means that the changes are minor, but include new sections on anti-bribery and product security and sections specific to mining entities; and
- RJC certification includes standards that are applicable to the gold jewellery supply chain. These requirements have been integrated into the BPP programme to cover Sightholders that have gold-related activities and wish to become RJC certified through the BPP process.

Diamond integrity

Diamonds are a unique luxury product. They hold a special place in people's hearts and minds. Maintaining consumer confidence in diamonds and protecting their ethical integrity is essential to ensuring diamonds live up to the emotional promise they embody.

Different social, ethical and environmental issues arise along the diamond pipeline. These range from conflict diamonds, to corruption, to environmental degradation. We work across our operations, and with our partners and industry peers, to address these issues at multiple levels.

Consumers want to know that when they purchase a diamond it is natural and untreated. As part of our work to maintain consumer confidence we invest in developing cutting-edge detection technologies, which are used by leading diamond grading labs and major diamond companies worldwide. We also work with governments to ensure that the right regulatory frameworks are in place so that synthetics, simulants and treated diamonds are disclosed.

Diamond Integrity

1. Consumer confidence

Detection and disclosure
The non-disclosure of the treatment of natural diamonds, and the misrepresentation of simulants and synthetics as natural diamonds, undermines consumer confidence in the integrity of our product. In addition to our Best Practice Principles Assurance Programme, we actively support international standards around disclosure, and our Research and Development Division produces innovative detection technology to support the identification of treated diamonds, simulants and synthetics.

2. Transparency and accountability

Anti-corruption
De Beers operates in a number of countries that are independently recognised as having a high risk of corruption. We work to ensure that employees who are most exposed to this risk receive appropriate training and have access to relevant channels to learn how to combat corruption and, where necessary, confidentially disclose the activity.

Extractive Industries Transparency Initiative (EITI)
De Beers has supported the EITI since its inception. The international initiative aims to improve governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

3. Conflict free diamonds

Kimberley Process
The issue of conflict diamonds has been the greatest single threat to consumer confidence in diamonds in western markets over the past decade. The Kimberley Process has been highly successful in stemming the flow of conflict diamonds with over 99% of the global supply of rough diamonds estimated to be conflict free by the World Diamond Council. De Beers' diamonds are 100% conflict free and we require all of our business units and partners across the pipeline to be fully compliant with the Kimberley Process Certification Scheme and the System of Warranties.

4. Ethical Standards

Best Practice Principles Assurance Programme (BPPs)
The BPPs apply to all De Beers' operations and to those of our customers – the Diamond Trading Company Sightholders – and Significant Contractors. A third party verified programme, the BPPs require disclosure of all use of synthetic diamonds, diamond treatments and simulant diamonds, as well as adherence to strict social and environmental standards. They cover issues such as health and safety, human rights, child labour, corruption, and environmental management. Since the implementation of the BPPs in 2003, they have transformed the international cutting and polishing industry. In 2010 over 243,000 diamond industry workers in 57 countries were covered by the BPPs.

Forevermark

Launched in 2008, *Forevermark* is De Beers' proprietary diamond brand. *Forevermark* diamonds come with a promise of quality and integrity. Each one is inscribed with the *Forevermark* icon and a unique identification number that provides quality assurance and enables traceability. The inscription is made using highly advanced technology. Invisible to the naked eye, it can only be seen using a special viewer, in authorised *Forevermark* Jewellers.

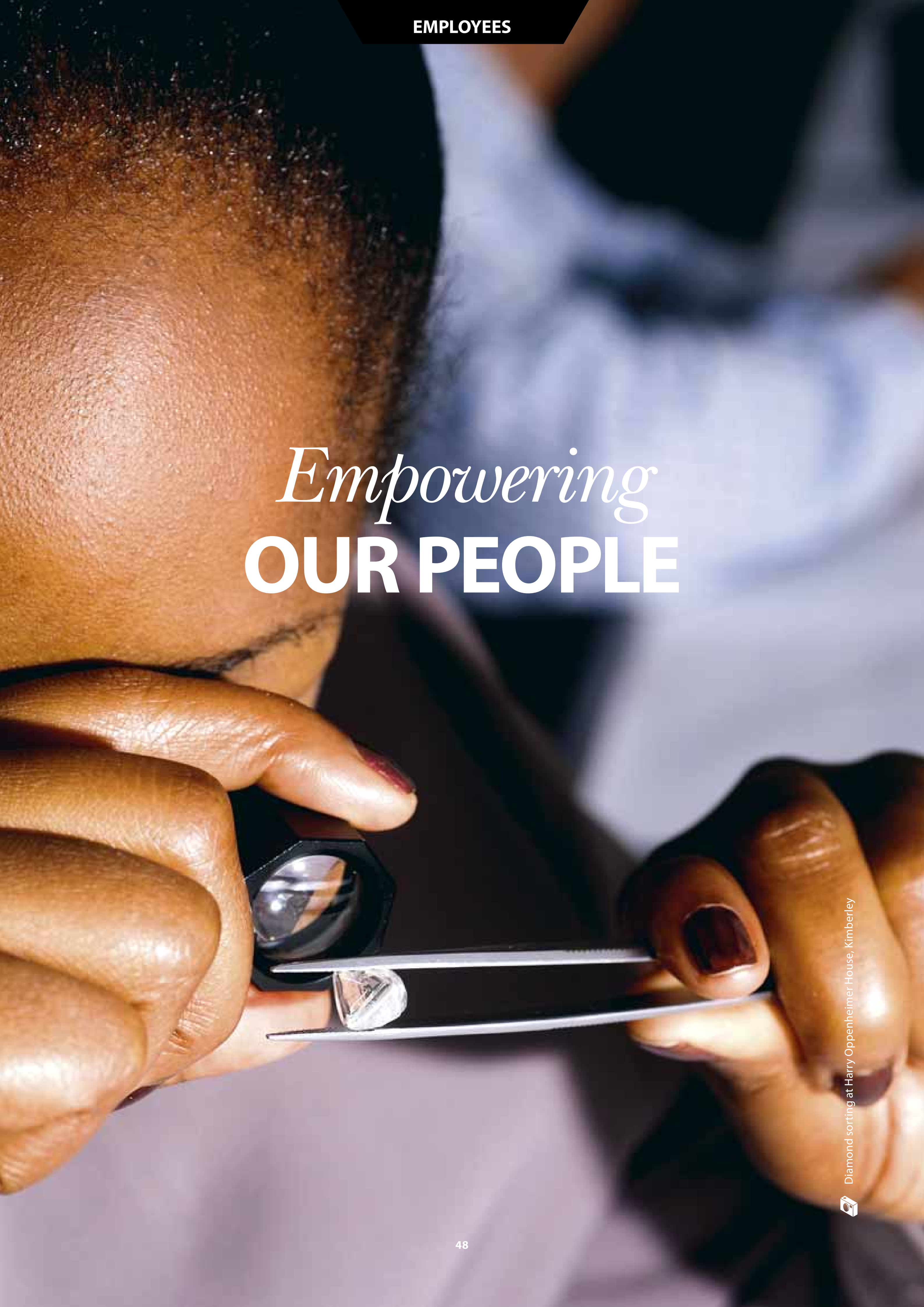
Every *Forevermark* Diamond partner must meet the *Forevermark* Pipeline Integrity Standard – a groundbreaking set of rigorous responsible sourcing standards for the diamond industry. Written in conjunction with the British Standards Institution, it incorporates the Kimberley Process Certification Scheme and compliance to the De Beers Best Practice Principles Assurance Programme as well as additional *Forevermark* requirements. It is currently the world's largest Track & Trace system for diamonds and is independently verified. Only the highest quality diamonds are selected as *Forevermark* diamonds.

Forevermark diamonds are now available in over 300 authorised Jewellers in Hong Kong, Japan, China, Singapore, the Caribbean, and Mexico.

For further information please visit

www.forevermark.com

Empowering OUR PEOPLE



Diamond sorting at Harry Oppenheimer House, Kimberley

ENSURING THE HEALTH, *safety and wellbeing* OF OUR EMPLOYEES IS A SHARED COMMITMENT *throughout the Family* OF COMPANIES.

WE STRIVE TO ENSURE THAT EVERYONE WHO COMES TO WORK acquires skills and resources to contribute positively to their communities. By employing and developing local talent at all levels of the business, engaging proactively with priority concerns of our producer countries such as HIV/Aids, and meeting or exceeding all relevant global labour standards, we aim to create a working culture where all employees take a shared responsibility for the delivery of our business goals.

Employees

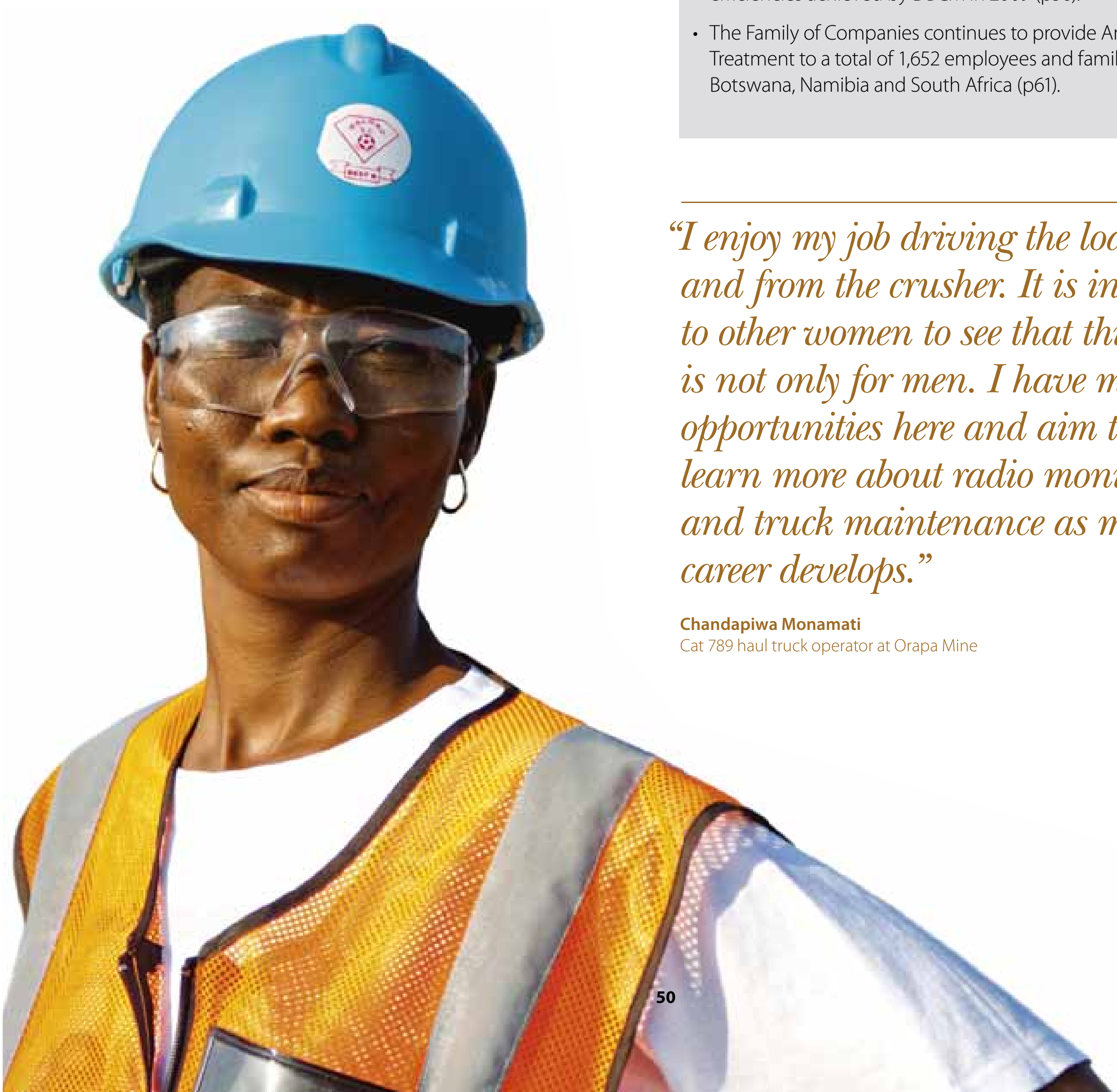
Our business model is built on creating a working culture where all our employees share responsibility for the delivery of our business goals.

This includes ensuring the health, safety and wellbeing of our employees through effective safety management systems, respecting their right to associate freely and bargain collectively, and meeting or exceeding all relevant global labour standards.

Through our employment activities we also contribute to national development goals by building local capacity in employing, retaining and developing local talent at all levels of the business, and engaging proactively with priority concerns such as HIV/Aids, Black Economic Empowerment (BEE), and gender equity. This reflects our long term commitment to the countries in which we operate. Local employment helps build a wider skill base, and our proactive engagement on priority concerns, whilst the right thing to do, encourages our employees to make a more substantial emotional investment in the business.

HIGHLIGHTS

- The size of the workforce increased by 1.88% in 2010. This reflects a commitment by the Family of Companies to maintain approximately the headcount from 2009, when the workforce reduced in size by 23% (p52).
- Having operated for two consecutive years without a fatality, a contractor was fatally injured at Orapa mine in December. The Lost Time Injury Frequency Rate (LTIFR) increased to 0.24 per 200,000 hours from 0.21 in 2009 (p55).
- The Health discipline focused on the appropriate consolidation and integration of different components of health services and surveillance across the Family of Companies, to extend the cost efficiencies achieved by DBCM in 2009 (p56).
- The Family of Companies continues to provide Anti-Retroviral Treatment to a total of 1,652 employees and family members in Botswana, Namibia and South Africa (p61).

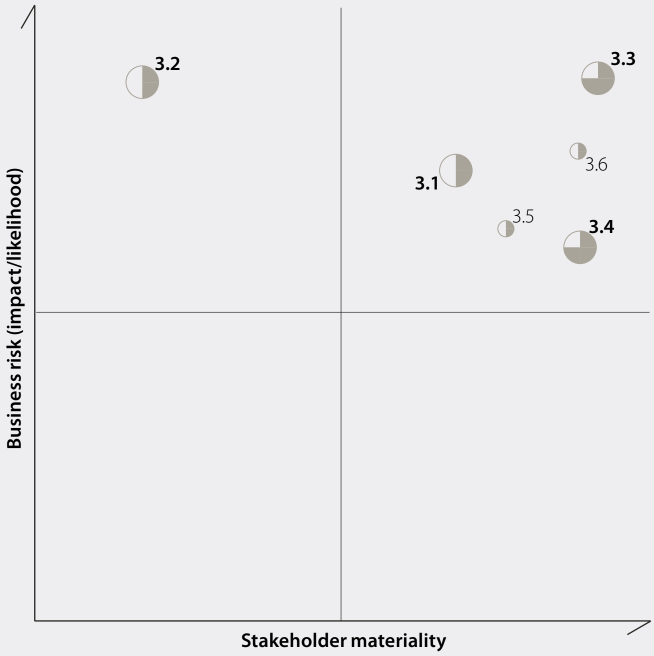


"I enjoy my job driving the loads to and from the crusher. It is inspiring to other women to see that this job is not only for men. I have many opportunities here and aim to learn more about radio monitoring and truck maintenance as my career develops."

Chandapiwa Monamati
Cat 789 haul truck operator at Orapa Mine

Employees risks

In this chapter we report on Employees risks identified as most relevant to the De Beers Family of Companies and our stakeholders. We identify and categorise our sustainability risks through ongoing engagement with stakeholders and our internal management processes (see p11-17).



3.1 ***Managing changes to the size of the workforce****
Risk: The downturn and recovery over 2009 and 2010 had a profound impact on employees in terms of staffing levels, use of contractors and remuneration. We remain committed to responsibly and effectively managing the size of our workforce to mitigate a range of risks in terms of employee recruitment, retention, motivation and skills.

3.2 ***Attracting and retaining talent****
Risk: Our ability to remain agile and responsive to changing market conditions is dependent on our ability to attract and retain talented professionals in an increasingly competitive global employment market. Retaining and supporting the development of all our employees is core to delivering on our goals as a business, and those of our producer partner countries.

3.3 ***Maintenance of health, safety and occupational hygiene standards****
Risk: The health and safety of our employees and contractors remains one of our top priorities. The effective management of health and safety hazards protects our people from harm, and ensures our business complies with regulatory and legal standards.

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

3.5 *Diversity and inclusion*
Risk: We are committed, and in some jurisdictions required, to ensure our workforce is reflective of the diverse societies in which we operate. Our continued support of government efforts in southern Africa for the provision of opportunities to previously disadvantaged groups strengthens our workforce and the communities in which we operate.

3.6 *Compliance with international labour standards*
Risk: Ensuring a safe, respectful and fair workplace is a priority across all business units. We aim to meet or exceed all relevant global labour standards in addition to respecting the right of employees to associate freely and bargain collectively. Compliance serves as a foundation for employee engagement, and to protect diamond equity.

KEY: Long term, Medium term, Short term

* Our management approach to the risks that are asterisked and marked in bold are reported on in this Report, and summarised in its counterpart Summary Review.

Managing changes to the size of the workforce

Risk: The downturn and recovery over 2009 and 2010 had a profound impact on employees in terms of staffing levels, use of contractors and remuneration. We remain committed to responsibly and effectively managing the size of our workforce to mitigate a range of risks in terms of employee recruitment, retention, motivation and skills.

Maintaining a leaner workforce

2010 was a year of consolidation across the business as we adapted to a leaner workforce. The downturn in the rough diamond market of 2008 and 2009 transformed the structure of our business (see Fig. 15), with a 23% reduction in the size of our workforce in 2009, primarily through retrenchment. The restructuring process continued into 2010 at DBCM and Debswana. At Debswana this was due to a longer consultation process, and time-bound agreements with employees and unions. At DBCM it reflected operational efficiency requirements at Finsch Mine and preparation for the closure of Namaqualand Mines.

The Family of Companies (with the exception of E6 and DBDJ) employed a total of 13,447 people in 2010, (2009: 13,198) almost 12,000 (around 90%) of whom were based in Africa (see Fig. 16). The business has committed to maintaining roughly this level of headcount relative to the needs of the business and overall our workforce grew by less than 2% (1.88%) in 2010.

By the end of the year non-permanent employees made up a larger proportion of the workforce (see Fig. 15), in part due to the large number of contractors employed for the Cut-8 project in Botswana.

There are perennial risks around the need for our business to responsibly and effectively manage changes to the size of the workforce in response to market volatility and exceptional circumstances, as seen in 2008 and 2009. Staffing levels also fluctuate during the lifecycle of our mining operations and with the needs of our business enterprises. This requires us to engage proactively with our employees, unions, government partners, contractors and communities to collectively maximise the benefits and minimise the negative impacts of these changes.

Engaging with employees

In 2010, we focused on maintaining open channels of communication within the organisation, with the development of an internal networking platform called 'Pipeline'. Through Pipeline, people are able to share information with colleagues across business units, functions, areas of interests and countries. We also undertook an employee engagement survey (see p54), which we plan to repeat in 2012.

A key component of our business model is to create a working culture where all employees take a shared responsibility for the delivery of our business goals. In 2010 our people demonstrated outstanding commitment and perseverance, as a result delivering exceptional financial results for the business which was recognised accordingly.

Engaging with unions

Engagement with unions in 2010 was essential in order to explain the broader economic and commercial challenges facing the Family of Companies. Union membership within the traditional unionised job categories in our mining operations remained high in 2010, at 96% in Debswana, 89% at Namdeb, and 90% at DBCM (see Fig. 17).

Union negotiations took place in Botswana, Namibia and South Africa. In addition to agreements on wages and employment conditions, we focused on building company-union relationships post-recession.

Fig. 15

Workforce composition (permanent and non-permanent), 2008-2010

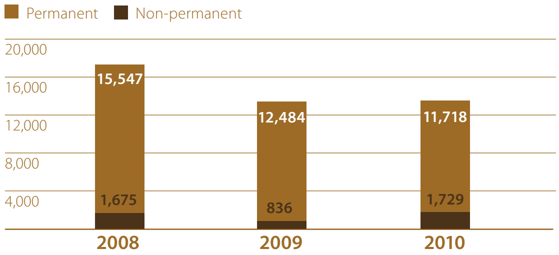
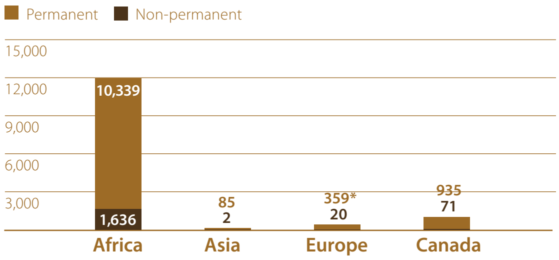


Fig. 16

Total workforce at year-end by region, 2010

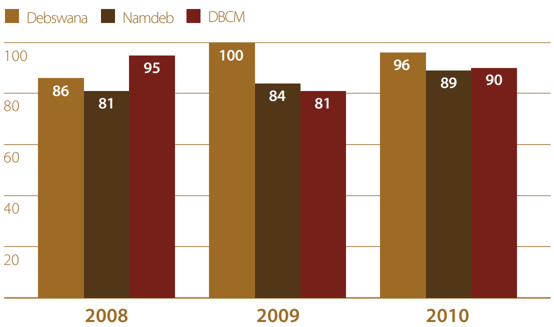


Data note 7: Figures 15 and 16 include employees from our joint ventures. They do not include contractors or employees at E6 or DBDJ.

Data note 8: A number of employees at our operations in Europe* declined to offer ethnic definitions of themselves, meaning their data has been presented separately from our standard templates. This means we are unable to accurately categorise such employees into permanent and non-permanent categories. As the large majority are likely to be permanent employees, we have categorised them as such.

Fig. 17

Union membership of skilled and semi-skilled workers at major operations, 2010 (%)



Botswana
Negotiations with the unions were particularly challenging at Debswana in 2010 given the implementation of an operational review, which resulted in some job losses. Launched in 2008, the operational review is focused on the strategic restructuring of Debswana. The annual wage increase negotiations were also settled amicably. Debswana's focus going forward will be on building relations post-restructuring.

At DTCB, strike action by the Botswana Diamond Sorters & Valuators' Union (BDSVU) lasted for two weeks following a wage dispute. Resolution was achieved through a process of arbitration in November 2010. The DTC network mitigated the impact of the lost man hours during the strike, and continued to meet Sightholder demand throughout the period in question.

South Africa
DBCM's engagement with the National Union of Mineworkers (NUM) took place at both national and operational (i.e. regional) levels and annual wage negotiations with the NUM were concluded amicably. The industrial climate across DBCM remained positive despite high levels of industrial action across South African industries.

Namibia
During 2010, a two-year negotiated agreement between Namdeb and the Mineworkers Union of Namibia was reached regarding substantive conditions of employment. These conditions related to wages and pensions, allowances, and administrative structures (including the creation of a number of Joint Sub-Committees). The agreement was followed by a workshop aimed at enhancing trust within the Namdeb-Union relationship.

Workforce changes in 2010
The 2% growth in the size of our total workforce in 2010 reflects the commitment of the business to maintain the approximate level of headcount achieved through the delayering and down-sizing process of 2008 and 2009. Over the year 644 permanent employees left the Family of Companies and 893 non-permanent staff were hired (see Fig. 19). The small overall increase in non-permanent employees (see Fig. 15, p52), enabled the Family of Companies to meet increased diamond demand in 2010, and to manage the risk of potential ongoing volatility.

Fig. 18

Labour turnover, 2008-2010 (%)

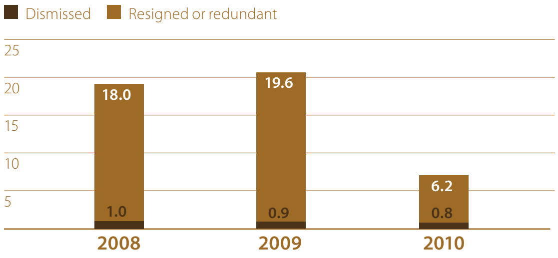
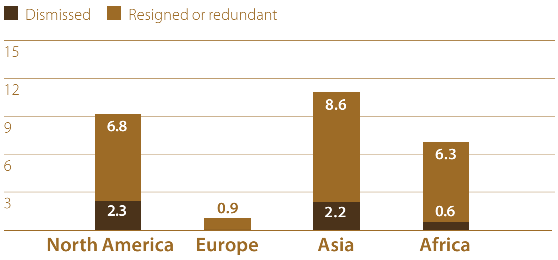
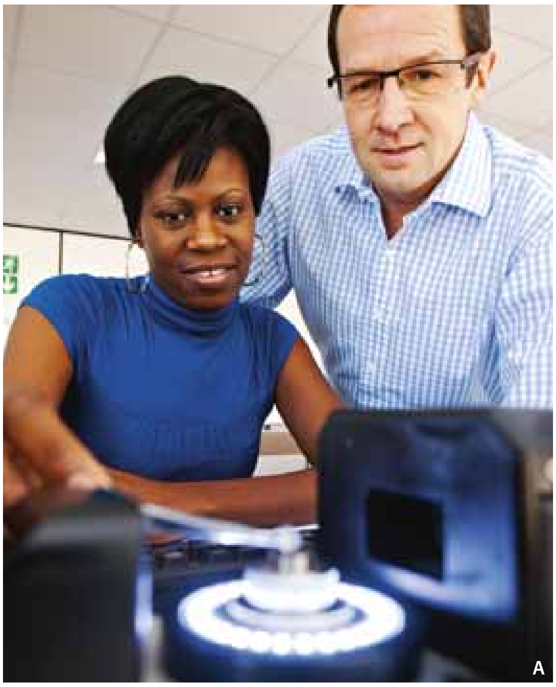


Fig. 19

Labour turnover by region, 2010 (%)



Data note 9: Figures 18 and 19 present labour turnover for permanent employees only.



A *3D diamond scanner training, Kimberley*
B *Plant operators, Voorspoed*

Variations in this trend across the Family of Companies reflected employment creation associated with mining projects and downstream business expansion.

Jwaneng Mine Cut-8 extension

Over 800 non-permanent positions were created at Debswana in 2010, the majority of which were associated with the Jwaneng Cut-8 project (see p31-32). However, the total number of Debswana employees remained relatively constant from 2009 to 2010, reflecting a decrease in the number of permanent employees as a result of the ongoing operational review.

Jwaneng Cut-8 commenced in 2010, employing 1,928 staff by year-end. Of these staff, most of whom were employed by a contractor, 84% were Botswana nationals. In addition to the job-creation associated with the project, Cut-8 will extend the life of Jwaneng Mine to at least 2025, providing continued employment for operational staff.

Snap Lake, Canada

As production at Snap Lake returned to pre-recession levels, 30 of the 99 employees retrenched in 2009 were re-employed in 2010.

Forevermark

Forevermark employed 50 additional people over 2010 to keep pace with its expansion, and plans to make 70 additional hires in 2011. By the end of 2010 *Forevermark*, De Beers' proprietary diamond brand, was available in 348 stores globally. This represents a 40% increase on the beginning of 2009.

Attracting and retaining talent

Risk: Our ability to remain agile and responsive to changing market conditions is dependent on our ability to attract and retain talented professionals in an increasingly competitive global employment market. Retaining and supporting the development of all our employees is core to delivering on our goals as a business, and those of our producer partner countries.

The strong recovery in the diamond market in 2010 placed particular demands on our people to increase productivity and take on new and challenging roles, whilst maintaining the lower cost base. The exceptional financial results for the year were evidence of their commitment and effort. As the global economy showed signs of extended recovery, we reconsidered the risks presented by attracting, retaining and developing talent.

Ensuring we have the right talent in the right places within our organisation is essential for achieving our short and longer term business goals. We are committed to retaining talented employees through offering a clear and competitive employee value proposition, whether through competitive salaries, supportive workplace environments, valuable professional experience or otherwise.

We continue to be a sought after employer, particularly in our producer countries. By employing and developing local talent at all levels of our business we build local capacity, which in turn helps to build a wider skills-base wherever we operate.

Our talent management strategy

In our talent management strategy we seek to:

- Identify talent across the Family of Companies to deliver our current goals and to build a capability pipeline to support the future vision of De Beers;
- Enable our employees to create purposeful and motivating career development plans that will improve their skills while helping to deliver greater benefit within the Family of Companies;
- Regularly review and map succession planning for all key management and specialist roles across the Family of Companies; and
- Use these activities to inform our human resources policies and procedures.

The appointment in 2010 of a Group HR Director and a Group Head of Talent Management will help to deliver our employee strategy to support and sustain the growth of the business.

Skills development

In 2010, the Family of Companies spent a total of US$9.99 million (2009: US$5.8 million) on professional development, including formal training and qualifications.

This increase in spending was accounted for primarily by the roll-out of the Safety Risk Management Programme (SRMP) across the Family of Companies, in pursuit of our goal of achieving a zero-harm workplace. The fatality that occurred at Orapa Mine in December of 2010 reaffirms our continued commitment to invest in safety-related training and development.

We also continued to provide all other mandatory training and a lean employee development programme through:

- Broadening of employment roles; and
- Internal training.

Employee engagement survey

In 2010, we focused on engaging with employees and rebuilding our employee value proposition to ensure we retain skills within our business.

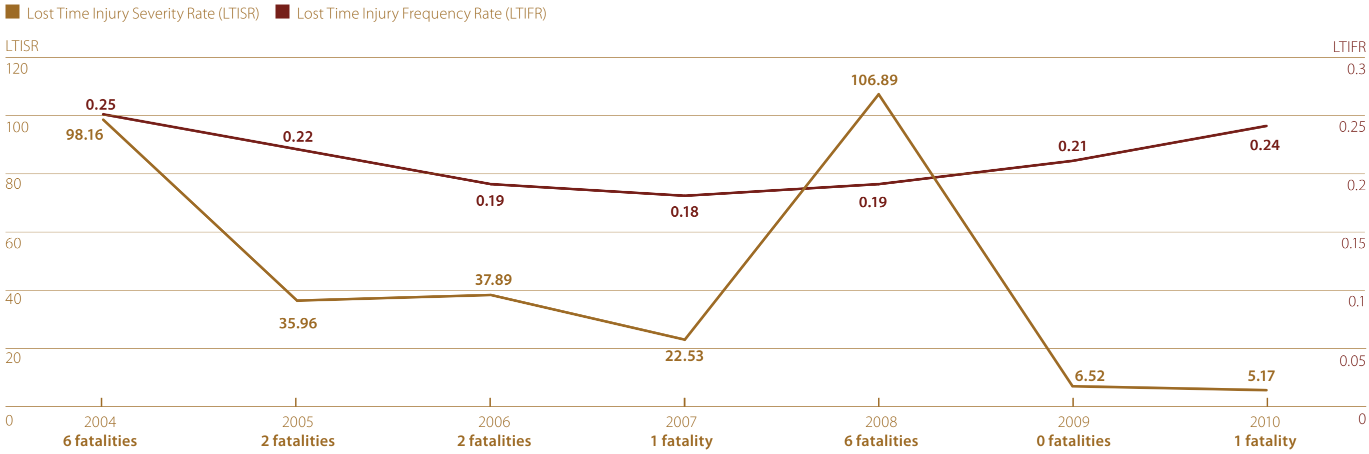
We conducted an employee engagement survey[10] during 2010 with the aim of understanding what needs to be considered and improved to develop the culture of engagement, passion and commitment we believe is attractive, stimulating and sought after by our employees. In the survey, the widespread recognition of our product and brand, our environmental responsibility and health benefits received the highest rates of employee satisfaction across the Family of Companies. However, future career and development opportunities, recognition, and people management were among the attributes with the lowest reported rates of satisfaction.

We recognise this ranking reflects the demands placed on our people through the market volatility of 2008 onwards. The results will inform activities to improve the employee experience in 2011 at the business unit level.

[10] Of the 6,752 employees asked to participate in the survey across the Family of Companies 59% responded. Debswana and E6 chose not to take part in the survey.

Fig. 18

Safety performance, 2004-2010 (LTIFR and LTISR)



Data note 10: Lost Time Injury Frequency Rate (LTIFR) = No. of Lost Time Injuries multiplied by 200,000, divided by hours worked.
Lost Time Injury Severity Rate (LTISR) = Days lost due to Lost Time Injuries multiplied by 200,000, divided by hours worked.

A Lost Time Injury (LTI) is a work-related injury resulting in the employee/contractor being unable to attend work on the next calendar day after the day of the injury with the ability to perform all of the tasks for which he/she was appointed. Fatalities are not recorded as LTIs.

Data note 11: The significant change in LTISR from 2008 to 2009 reflects a change in the measurement standard used to calculate LTISR. The LTISR reported for 2008 (106.89) was calculated using a measurement standard that quantifies each loss of life as 6,000 working shifts. The LTISR reported for 2009 (6.52) reflects the adoption of a measurement standard in 2009 that brought the Family of Companies into alignment with international practice.

Maintenance of health, safety and occupational hygiene standards

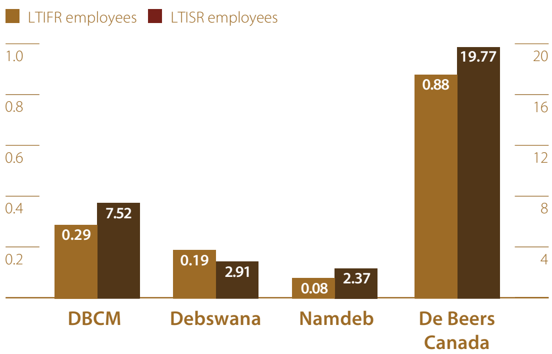
Risk: The health and safety of our employees and contractors remains one of our top priorities. The effective management of health and safety hazards protects our people from harm, and ensures our business complies with regulatory and legal standards.

Occupational Hygiene, Health and Safety form three of the five disciplines in the ECOHS programme, along with Community and Environment. The ECOHS programme provides the technical skills, leadership and governance required to align ECOHS performance with our core business strategy, and drives the integration of ECOHS practices and accountability into core business processes.

2010 was a year of consolidation for the ECOHS disciplines, as production rates at operations increased in response to the recovery of market demand. The appointment of discipline principals for Safety and for Occupational Hygiene strengthened senior leadership across the disciplines. Staffing levels overall remained constant, requiring an approach of 'doing more with less'.

Fig. 21

LTIFR and LTISR by business, 2010



Safety

Having operated for two years consecutively without a fatality, Mr. Rodney Becorney, a thirty-year old contractor, was fatally injured at Orapa Mine in December. Our Lost Time Injury Frequency Rate (LTIFR) increased to 0.24 per 200,000 hours from 0.21 in 2009, with a total of 58 lost time injuries recorded over the year, compared with 36 in 2009 (see Figs. 20 and 21).

De Beers is uncompromising when it comes to safety and we consider the fatality of 2010, which was followed by two further fatalities in early 2011, unacceptable. We continue to roll out the Safety Risk Management Programme (SRMP), to further reduce the possibility of such occurrences in future. Training and adoption of the risk assessment process is currently being rolled out at all business units and management plans have been committed for action in 2011. This action is intended to progress our business units from a majority sitting at 'compliance' maturity level, to 'proactive' maturity level.

Safety Risk Management Programme and safety performance in 2010

The Safety Risk Management Programme was developed by Anglo American and the University of Queensland to educate employees and contractors at all levels to better identify hazards and to assess and manage risks using a standard set of tools and methods. Mining operations across the Family of Companies currently operate at different application levels of the SRMP (Basic, Reactive, Compliant, Proactive and Resilient).

The SRMP is based on the concept of a complete leadership-led intellectual shift. We introduced SRMP in 2009, and the training and adoption of the programme across all business units continued in 2010 in the areas of:

- Classification: A new safety incident classification system was developed, aligned with the Health and Safety Performance Indicator definitions and other mining companies;
- Measurement: A focus on capturing and reporting more leading indicators, including non-Lost Time Injuries, first aid cases and near-hits, and on reporting, investigation and addressing high potential incidents;
- Guidance: A review of our Fatal Risk Control Guidelines, and setting a Global Contractor Management Guideline to ensure effective (safe) contractor management; and
- Culture: Ongoing development of 'Visible Felt Leadership' to maintain and promote a culture of safety awareness.

The Safety Peer Group continued to support this process through effective and comprehensive information sharing between all business units. These steps will enable us to improve the quality of our trend analysis, reporting and overall safety performance tracking, moving forward.

Engaging employees and contractors

All new employees, contractors and site visitors are required to attend a health and safety induction before being allowed on-site at our operations. Contractors are legally required to adhere to the same standards and monitoring practices as our own employees.

Employees and contractors are represented in joint committees and daily briefings with managers to monitor and advise on health and safety programmes. In South Africa, for example, the law requires that joint safety committees have 50% employee representation. At Debswana, a Safety and Health Agreement is in place with relevant unions covering health and safety committee meetings, as well as the roles and responsibilities of safety representatives.

OHSAS 18001

With the exception of the Canadian operations, all of our diamond mining operations are third party certified to the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard. We expect to achieve full certification across the Family of Companies in 2011, with OHSAS 18001 in effect becoming the minimum standard for every one of our mines.

For the Canadian operations, in 2010 our Best Practice Principles Assurance Programme (BPPs) provided additional third party verification of our 'system' integrity (see p43). While no material breaches of the BPPs were identified in the 2010 audit cycle, four major and two minor infringements of the BPPs were noted at Victor Mine. The major findings were concerned with lodging/accommodation conditions, changing facilities in the mine 'dry' areas, difficulties in transporting employees to and from site where there are delays because of weather or mechanical problems with aircraft, inconsistency in application of some policies, and issues with the effectiveness of employee committees to address concerns. Corrective action plans to address these issues were promptly developed. No other significant health and safety infringements were noted at any of our other operations. More broadly, no statutory fines for safety performance were imposed on the Family of Companies in 2010.

Safety strategy

In 2011, we are planning to finalise our Risk Assessment Guidance document, which is based on the Anglo American Risk Assessment Matrix and the SRMP four-layer risk-approach.

www.angloamerican.co.za

Health and wellbeing

Health risks vary depending on geographical location and type of operation. In exploration and mining operations, inherent occupational health risks include exposure to noise, airborne pollutants and infectious diseases. In addition, ergonomic and psycho-social factors are risks in all workplaces.

We have an holistic approach to the health and wellbeing of our employees. This approach is articulated in a set of Health, Occupational Hygiene and HIV Policies, and managed through a suite of standards and guidelines. The Health discipline focuses on the prevention, identification and treatment of illness associated with work (occupational medicine), as well as non-occupational conditions including chronic diseases such as HIV, and promotion of health and wellbeing. Occupational Hygiene focuses on ensuring that the systems and programmes are in place to anticipate, recognise, evaluate and control exposures that may cause occupational disease.

Integrated health care in the workplace

In 2009, our approach to employee health was one of 'doing more with less' and hence to streamline, yet maintain, health services during the economic crisis. In 2010, we focused on consolidating and integrating different components of health services and surveillance across the diamond pipeline and ultimately moving towards resilient, cost-beneficial health services.

During the year we achieved significant site-appropriate integration of aspects of primary health care, including HIV management in hyper-endemic countries, into the occupational medical services. In Canada, progress has also been made on the integration of occupational medical surveillance into existing on-site medical services for comprehensive care (see case study, p57). This integration facilitates the Family of Companies achieving its outcome standards, which are:

- All employees being fit for the work they perform;
- Undertaking risk-rated medical surveillance of employees; and
- An annual absenteeism rate for illness of less than 2%.

Radiography facilities at Orapa Hospital

Ongoing restructuring of employee health services in 2010 included fully integrating Namdeb's HIV and wellness team into the Occupational Health Department, with the aim of creating a one-stop-shop approach to delivering health promotion and access to health care (see p62-63).

Risk-based surveillance

During 2010, the occupational hygiene discipline was repositioned through establishing central leadership and creating a formal Family of Companies' Occupational Hygiene Peer Group.

These developments initiated a review of global risk-based surveillance and operations' baseline hazard assessments with the aim of achieving the 'outcome standard' that all employees are protected from exposure to hazards and, where reasonably practicable and where measurable, that exposure does not exceed 50% of any occupational exposure limit.

Focus in 2010

The Family of Companies' Health Peer Group responded to safety-related concerns by developing guidelines for the medical surveillance of people working at heights. Psychological assessment tools were also piloted by medical personnel across the Family of Companies for employees in 'at risk' occupations. Stress-related disorders that interfere with fitness to work prompted the development of screening tools and sourcing best practice guidance for stress management.

Health outside the workplace

To prioritise health issues beyond the workplace, DBCM reviewed the causes of non-work related deaths of employees between 2004 and 2010. The cause of almost half (46.7%) of the 137 deaths was 'undefined', being unobtainable from employee health, human resources, or medical scheme records. Of the remaining deaths, HIV-related causes accounted for the largest proportion of identified non-work related employee deaths (see Fig. 22).

Despite DBCM providing what is regarded as one of the foremost HIV treatment programmes in the private sector, it is clear that a lack of uptake by employees is leading to a large number of unnecessary deaths in service. The review also highlighted the need to introduce a system to identify the cause of death for every employee who dies in service and to extend the activities addressing the preventable causes through a collaborative medical, wellbeing, safety and employee assistance programme.

Health performance

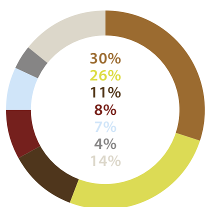
OHSAS 18001: 2007 certification was retained or obtained by all our southern African mining operations and some of the global non-mining operations during the year. The overall quality of our occupational medical services at diamond mining operations that conducted the Family of Companies' integrated audit was maintained or improved in 2010 in the face of a growing workload with operations running at higher capacities through the year, even though resource levels remained at 2009 levels.

Fig. 22

Known causes of non-work related employee deaths, DBCM, 2010

DBCM 2004-2010 (73 deaths)

- HIV-related
- Road accidents and trauma
- Cancer
- Respiratory
- Cardiac
- Suicide
- Other (stroke, epilepsy, post-operative complications)



Case study:

Snap Lake: Integrating occupational health into emergency and primary care

Snap Lake's remote, fly-in fly-out location in extreme environmental conditions presents unique challenges for health and wellbeing. Initial health services involved providing adequate on-site emergency care and medical evacuation by air to Yellowknife.

Ongoing evaluation of health needs and health service delivery at Snap Lake led to the integration of occupational medicine and occupational hygiene programmes into existing emergency and primary care services, the delivery of wellbeing initiatives, and a streamlining of primary care provision to complement that provided by the Northwest Territory provincial government health services.

Because of the remote situation, on-site personnel are trained to conduct tests such as respirator-fit-testing, audiology and spirometry, the results of which are interpreted remotely so providing a cost-effective use of resources. Educational updates are provided for mine personnel in person and online.

Raising employee awareness about the different roles of health providers has resulted in more seamless health care for the fly-in fly-out population. This is particularly important in managing prevalent conditions such as hypertension and diabetes. Obesity and general wellbeing are also being prioritised through a revised catering contract providing healthier food choices, weight loss challenges, exercise, and lifestyle education.

Both of our Canadian mines are in remote fly-in fly-out locations

All underground and surface mining operations with existing OHSAS 18001: 2007 certification maintained a Family of Companies' occupational medical service audit rating of more than 85%.

Emergency medical care

All underground and surface diamond mining operations that participated in the emergency medical care audit maintained their pre-recession standard. The reduction in our emergency medical care capacity in 2009 continues to be mitigated by ongoing emergency training and innovative surgical skills retention (see p62-63).

Performance against targets

The Family of Companies outcome standards for occupational illness are:

- An occupational illness fatality rate of zero; and
- An occupational illness frequency rate (OIFR) of less than five cases per million hours worked.

Definitions of occupational diseases and statutory reporting requirements differ between business units. Across the Family of Companies, 18 cases of occupational disease were diagnosed and reported in employees; seven cases of occupational malaria; five cases of noise-induced hearing loss; three cases of occupationally aggravated asthma and chronic obstructive airways disease; and three cases of occupational dermatitis or sensitivity.

DBCM's OIFR continued to improve in 2010 reaching 0.15 cases per million person hours worked (2009: 0.44). The Group Exploration Division of De Beers Group Services reported eight cases of occupational disease, seven of which were malaria, and thus established a baseline OIFR at 9.36 cases per million person hours worked. During 2010, the health and occupational hygiene peer groups collaborated to develop an occupational medical incident reporting standard which will form a uniform basis for diagnosing and recording cases of occupational disease and determining a composite OIFR for the Family of Companies.

Tuberculosis is an important endemic disease and health indicator in southern African countries that are hyper-endemic for HIV infection. The estimated national incidence rate of tuberculosis in South Africa is 970 cases per 100,000 population.[11] This compares to an incidence rate among DBCM permanent employees in 2010 of 188 per 100,000 (2009: 137 per 100,000).[12]

Although malaria remains a significant occupational health challenge for people working at exploration sites in Angola, implementing the Group Exploration Five-Point Plan was very successful in reducing cases of malaria in both expatriates and local workers (see case study).

[11] Latest figures: Global Tuberculosis Control 2010, World Health Organization http://www.who.int/tb/publications/global_report/2010/en/

[12] This is a higher and more reliable rate than that including contractors since contractors are more likely to receive primary care off-site and with the link between HIV infection and tuberculosis, there may be under-diagnosis by our at-mine health services.

Case study:

Exploration malaria and HIV interventions – in the workplace and the community

Our Group Exploration has identified malaria infection and resulting absenteeism as a health priority at the Lucapa site in Angola. Studies in 2008 and 2009 resulted in implementing a Malaria Five-Point Plan in 2010, which included mosquito larvae control and spraying. This has succeeded in reducing cases of occupational malaria in expatriate employees from 185 reported cases per hundred person years (phpy) in 2009 to 25 confirmed cases phpy in 2010.

Phase one of the plan was implemented in the tented exploration camp and complemented existing anti-mosquito measures. Phase two involved providing mosquito nets to local employees and families not living in the camp, as well as indoor spraying of employees' homes. As a results, the number of reported malaria cases in local employees dropped from 96 in 2009 to 19 in 2010.

A partnership with the local government and Consaúde Ltd, an NGO, has meant preventive measures have expanded into the surrounding malaria-endemic community in 2010. This partnership has also extended to another global health priority – HIV and Aids. Along with the local government and Consaúde Ltd, the Exploration team has embarked on an awareness campaign, HCT (HIV Counselling and Testing) and prevention and health care for those testing positive.

Exploration site, Angola

Orapa Hospital pharmacy

Integration initiatives and challenges for 2011

Stress and mental health

Integrating general medical care for employees within our occupational medical services has highlighted the need for managing not only stress but also mental disorders affecting health and safety in the workplace.

Chronic disorders

We will also target other common chronic disorders such as hypertension, diabetes and obesity through the wellbeing component of our occupational health services. Monitoring of illness absenteeism, and the effects of wellbeing initiatives, will become integral to our ongoing health surveillance.

Women's health

The increasing number of women in the workforce remains an important focus with respect to specific physiological characteristics and work-life balance.

Contractor health

Contractors who change jobs frequently present a challenge to optimal medical surveillance and the Health Peer Group will explore options for better management of this group.

Data collection

The lifetime exposure history for both permanent employees and contractors poses an extreme challenge to the prevention and identification of occupational disease. This will be addressed through additional data collection during routine medical surveillance (see case study).

Case study:

Asbestos risk and surveillance in diamond mining

The nature and location of kimberlite pipes in relation to asbestos deposits can be associated with potential occupational and environmental exposure to asbestos. Autopsy research in 2007 from the South African National Institute for Occupational Health (NIOH) on deceased diamond miners indicated that the work and non-work related asbestos exposure information – and thus the determination of risk – were inadequate.

Subsequently, NIOH investigated job histories of deceased South African mine workers with asbestos-related diseases and measured the asbestos fibre content in lungs of non-diseased workers. DBCM collaborated with NIOH in a subsequent study to analyse a limited number of workplace and environmental samples to assess potential sources of exposure.

Of 559 deceased workers who had, according to the autopsy records, apparently worked exclusively on diamond mines, 24 had asbestos-related diseases. However, only six workers had no evidence of having worked elsewhere, since nine had worked in asbestos mines or were boilermakers and 11 had incomplete working histories, and even in these six, macro-environmental exposure could not be excluded. In the 11 lung specimens analysed from non-diseased workers, five had significant quantities of tremolite-actinolite fibres. In the workplace samples, tremolite-actinolite and/or chrysotile asbestos fibres were found in the tailings from the underground and surface mines, and from the country-rock surrounding the kimberlite.

These findings[13] indicate that ongoing exposure monitoring and medical surveillance remain essential, particularly where asbestos is found in the bedrock or kimberlite pipes, and also in non-mining workplaces, such as workshops.

In addition, we have identified the need for cross-functional collaboration between geologists, occupational hygienists and medical experts to recognise and mitigate the potential for asbestos exposure on all new mining operations.

[13] Nelson G, Murray J, and Phillips JI. The risk of asbestos exposure in South African diamond miners (accepted for publication in Annals of Occupational Hygiene)

HIV and Aids management

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

Sub-Saharan Africa accounts for 67% of all global HIV infections. In Botswana, for example, UNAIDS estimates that the 2009 national infection rate for HIV amongst adults (15-49 years) is 24.8%. By contrast, the rate in Canada is 0.2%.

Managing HIV and Aids

HIV and Aids management is a complex matter as it has social and developmental challenges that require an integrated and systems-based approach. Although integration of HIV and Aids management into our broader health services is underway as part of our comprehensive health and wellbeing approach, HIV remains a priority issue in our southern African business units, where the majority of our employees are based, and we report on it as a specific risk.

Our holistic strategy for managing the HIV risk includes prevention, treatment, care and support. Our ultimate goal is the integration of our HIV and Aids programmes with the public health systems of each of our countries of operation.

Awareness-raising

Our approach to preventing HIV infection, both within our workforce and more broadly, is built on awareness-raising, testing and research. Awareness and training interventions are oriented towards preventing and managing HIV and Aids, as well as related risks such as tuberculosis.

Debswana and DTC Botswana focus on behaviour change and communication to help ensure that relatively high levels of awareness are translated into the 'right' behaviour and practices. In 2010, a successful new HIV and Aids initiative 'My campaign, My health, My wealth' emphasised ownership of health outcomes by all employees.

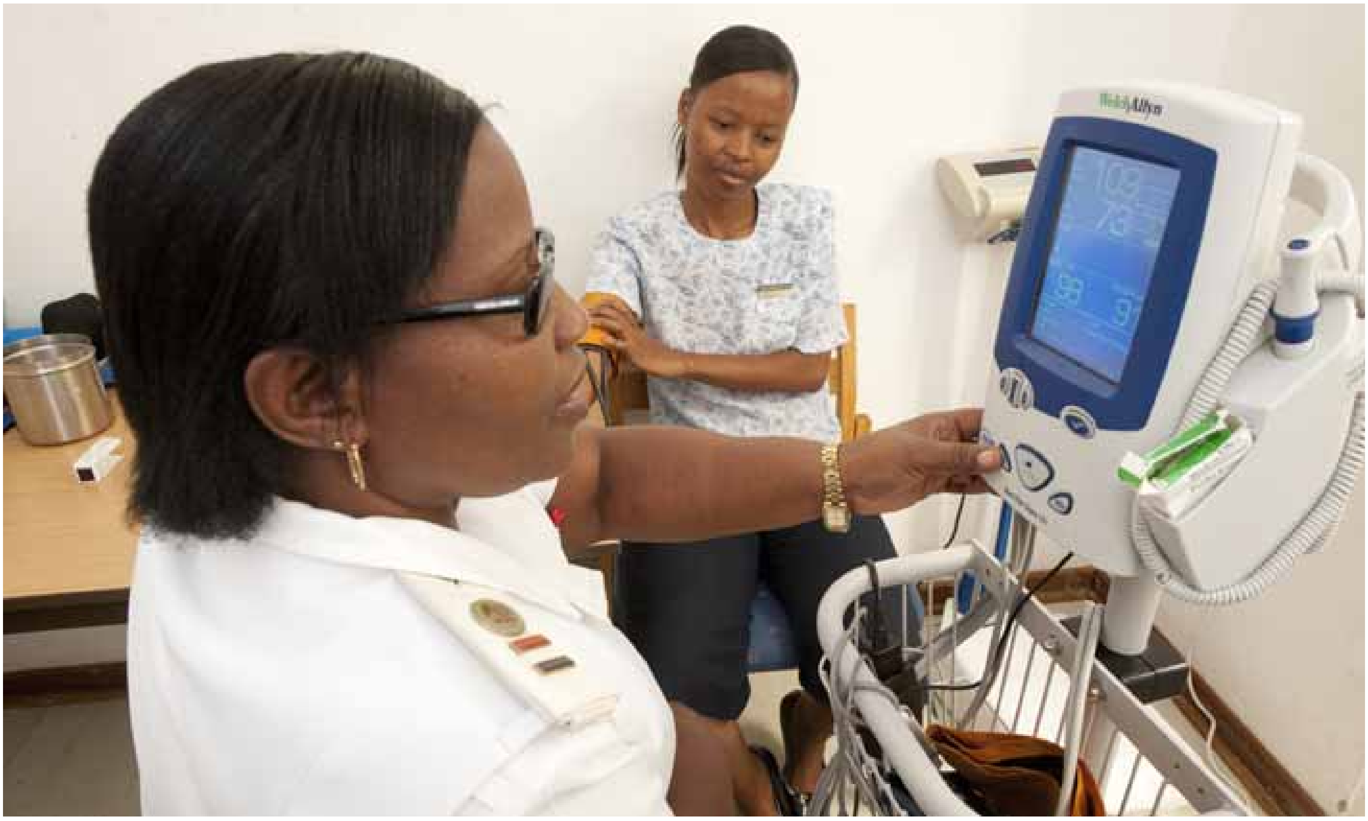
Fact Box

According to UNAIDS,[14] almost 60 million people have been infected with HIV and 25 million have died since the beginning of the epidemic. There are 33.3 million people living with HIV. Taken from their latest country prevalence report, the 2009 national infection rate estimates for HIV amongst adults (15-49 years) in our countries of operation are as follows:

- Angola: 2%
- Canada: 0.2%
- China: 0.1%
- Belgium: 0.2%
- Botswana: 24.8 %
- DRC: no estimate
- India: 0.3%
- Israel: 0.2%
- Japan: <0.1%
- Luxembourg: 0.3%
- Namibia: 13.1%
- South Africa: 17.8%
- United Kingdom: 0.2%
- United States of America: 0.6%

[14] www.unaids.org/documents/20101123_GlobalReport_Annexes1_em.pdf

A nurse at Orapa Hospital taking the blood pressure of an employee



Furthermore, our HIV and Aids principals continue to engage actively with external organisations at local, regional and international levels (see p15).

Testing

Routine HIV Counselling and Testing (HCT) through Provider Initiated Counselling and Testing (PICT) facilitates HIV testing of employees during medical consultations at mine clinics, either during occupational medical examinations or 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.

Despite our maintaining a strong HIV and Aids risk management programme, some aspects have been affected by the recession. For example, we have lost our dedicated HIV and Aids coordinator roles in South Africa and this has reduced our ability to carry out proactive testing and to analyse data.

Research

The Family of Companies conducts operational and 'in-field' research projects to improve the effectiveness of our existing HIV and Aids risk management (see case study).

Treatment

Anti-Retroviral Treatment (ART) is available free to HIV-infected employees and their spouses or life partners where it can be provided in a responsible and sustainable manner. In 2010, our ART programmes in Botswana, Namibia and South Africa continued to be coordinated externally by Aid for AIDS as our principal Disease Management Service Provider. Our goal is to encourage all HIV positive employees and spouses or life partners to join a disease management programme as early as possible and to maintain 100% accessibility of treatment in the countries affected by HIV and Aids.

There have been a number of national developments in South Africa since our HIV programme began in 2003. Free ART has become available at public health centres and medical schemes have introduced HIV treatment as a prescribed minimum benefit. As a result, company programmes supplement these offerings, typically during the tenure of employment.

All employees in our South African operations (since July 2010) are covered by medical insurance and their medical schemes provide cover for HIV and Aids. In South Africa, fewer people are continuing on the company programme, which is available to employees upon retirement or retrenchment, as they can now access the government programme. This differs in Botswana and Namibia where, when employment ends, the retired or retrenched employee is seamlessly migrated from company to government programmes.

In addition to ART, our Disease Management Programme provides employees with access to programmes that address physical and psycho-social wellbeing related to HIV infection and treatment. This includes:

- Post-exposure prophylaxis;
- Medication to prevent opportunistic infections;
- Pathology;
- Counselling and support;
- Wellness advice; and
- Nutritional supplements.

Almost 63% of all employees who have ever registered with one of our HIV programmes since they began in 2001 are still members at the end of 2010 (see Table 4).

Case study:

Research partnership with HEARD

In a longitudinal study, our research partners in the Health Economics and HIV/AIDS Research Division (HEARD) at the University of KwaZulu Natal, have examined factors that challenge adherence to HIV treatment services.

Early results have identified a number of issues including logistics, a perceived lack of confidentiality, fear of being seen to take medication in the workplace, and other related factors which affect the uptake and delivery of Anti Retroviral Treatment (ART) and voluntary counselling and testing (VCT).

Stage one of the operational research (May 2007 to February 2008) provided baseline data for the VCT and ART services offered at our Finsch Mine in the Northern Cape and helped us to reposition our testing practice from VCT towards provider initiated counselling and testing (PICT) during 2008.

Stage two (March – October 2008) comprised ethnographic research methods to elicit the perceptions and experiences of VCT and ART at the site. The findings were published in 2008.

Other research projects have followed in 2009 and 2010:

- Behavioural and quality of life study;
- Patient usage and a couples support and disclosure study; and
- Adherence study conducted on those receiving ART.

Initial findings were presented[15] in November 2010 and a final report will be completed in 2011.[16]

Table 4: Registration and outcomes on Family of Companies' HIV programmes

Country, start date	Current registrations	Deceased from all causes*	Left programme	Ever registered
Botswana, May 2001	1,110	137	426	1,673
South Africa, July 2003	290	112	202	604
Namibia, May 2004	252	17	83	352
Total	1,652	266	711	2,629

Data note 12: The deceased indicator* is a 'crude' measure that ideally needs to be adjusted for the duration of enrolment and the cause of death. Source Aid for AIDS, December 2010.

[15] Presented at the 3rd SABCOHA/WITS/HEARD Prevention Conference November 2010

[16] Bhagwanjee, A., Petersen,I., Akintola, O., and George, G. 2008 Bridging the gap between VCT and HIV/AIDS treatment uptake: Perspectives from a mining sector workplace in South Africa. African Journal of AIDS research, 7, 271-279.

Health and wellbeing

We take an holistic approach to the health and wellbeing of our employees in and beyond the workplace.

Our aim is to identify possible causes of, prevent and manage ill health, while promoting health and wellbeing for the workforce, their families and our communities. Forging partnerships to improve community health care in the countries where we operate is one way we work towards leaving a positive post-mine legacy.

In 2010, our goal was to achieve appropriate, comprehensive health service delivery while mining activity returned to pre-recession levels. To achieve this goal we focused on the integration of different components of health services, from exposure identification and occupational medical surveillance to primary and emergency medical care.

Holistic care of our employees
Holistic care of our employees, their families and the community in partnership with health care stakeholders.

COMPREHENSIVE HEALTH CARE DELIVERY

Management systems: Health audits, Peer groups, Employee engagement

JOINING DE BEERS

Environment and personal risk assessment
Case history collection, Health and safety induction

CASE STUDY:
Understanding the root causes of ill health
It is well-known that kimberlite pipes may be associated with exposure to asbestos. We collaborated with the South African National Institute for Occupational Health (NIOH) researchers in an attempt to quantify the risk of potential workplace and macro-environmental asbestos exposure for diamond mine workers.
A limited number of workplace and environmental samples were taken from selected mines and analysed to augment an autopsy data review. The research indicates the difficulty in identifying the timing and sources of exposure and our need to gather better data on lifetime exposure history. In addition, we identified the need for cross-functional collaboration between geologists, occupational hygiene and medical experts to understand and mitigate the potential for asbestos exposure on all new mining operations.

WORKING AT DE BEERS

Emergency medical care
Emergency preparedness

Comprehensive primary health care

Continued occasional health surveillance
Noise, Dust, Endemic diseases

CASE STUDY:
A smart partnership for health care
At Oranjemund in Namibia, health care is delivered through a state-run primary health care clinic and the Namdeb-owned Private Hospital in a 'smart partnership', which alleviates the need to send non-insured community members to the nearest District Hospital over 400 km away. Namdeb provides medical services, occupational health and comprehensive care for employees, secondary medical care for the community and also emergency medical care for the crew of vessels operated by De Beers Marine Namibia.

Their innovative model of maintaining expertise is to second medical practitioners on rotation to the academic hospital in Windhoek to update their emergency and operative skills so they can provide better health care services.

There has also been complete integration of the HIV and wellness teams into the occupational health service in 'a one-stop approach' for employees which has enhanced the uptake of HIV counselling and testing and reduced the stigma associated with a disease-specific programme.

100% eligibility of employees, spouses or life partners for free Anti-Retroviral Treatment where it can be provided responsibly and sustainably.

BEYOND EMPLOYMENT

Seamless transfer to public health care programmes for chronic conditions
HIV/Aids prevention and treatment

CASE STUDY:
Providing long term care and support
Sub-Saharan Africa accounts for 67% of all global HIV infections and most of our workforce is in the hyper-endemic countries where exposure to HIV is a real threat to our employees' health, their families and the continuity of our business.

Our holistic strategy for managing the HIV risk includes prevention, treatment, care and support. We run awareness-raising sessions and we provide confidential HIV counselling and testing to all employees, spouses, life partners and contractors. Anti-Retroviral Treatment (ART) is available free to HIV-infected employees and their spouses or life partners where it can be provided in a responsible and sustainable manner. Where it is not available through public health systems, we continue to provide lifelong ART upon retirement or retrenchment.

A *Radiography facilities at Orapa Hospital.*
B *Oranjemund Hospital Pharmacy.*
C *A nurse conducting a health check-up.*

Supporting
SUSTAINABLE LOCAL COMMUNITIES

Tawana Pre-school at Debswana's Orapa Mine.

INVESTMENT IN THE *future of communities* BEYOND THE LIFE OF *our operations is* CORE TO RECEIVING *our social licence* TO OPERATE.

WITH A POSITIVE TRACK RECORD IN COMMUNITY ENGAGEMENT AND INVESTMENT we're more readily granted our local licence to operate. That's true whether we're seeking to open, maintain, change or close a site. We pursue constructive, frank and stable relationships with communities. Strong relationships help reduce the risk of operational disruption or reputational damage but also help maximise the social and economic benefits we generate from our operations for the long term future of communities.

Communities

Our community engagement and social investment are shaped not only by stakeholders and policy requirements, but also by our belief that our mining operations should help in the generation of both economic and social capital for all affected communities.

A social licence to operate is crucial at all stages of the mining lifecycle. We depend on it to gain access to new ground, to develop existing mines and to close operations with a positive post-mining legacy.

Without a social licence, individual mines are at risk of operational disruption, and reputational damage could spread across the Family of Companies, threatening the success of existing and future operations. In managing these risks we seek to protect the long term sustainability of our business.

Building sustainable social and economic benefits for local communities beyond the life of a mine is the driving strategy of all our community social investment. The principles that underpin our community work are informed consent and mutual benefit. We aim to know and work in partnership with communities, to understand our impacts and responsibilities, and to manage both short and long term community risks.

HIGHLIGHTS

- The Family of Companies disbursed a total of US$29.8 million (2009: US$29.3 million) in community social investment, including contractually mandated initiatives and in-kind contributions. This amounts to 3.3% of pre-tax profits of US$894 million and is significantly in excess of the international benchmark of 1% (p73)
- DBCM invested a total of US$1.5 million in Local Economic Development in 2010 under our Social and Labour Plans in South Africa (p74)
- A total of US$5.1 million (2009: US$4.2 million) was spent by De Beers Canada on a range of programmes under seven Impact Benefit Agreements (IBA) with First Nations communities (p74)

"Our vision is to create prosperity for the Yellowknives Dene First Nation. De Beers is committed to developing aboriginal business and is doing exactly that, awarding us two new contracts in 2010 to provide expediting and logistics as well as camp catering for the Snap Lake Mine."

Roy Erasmus Jr.
President and CEO,
Det'on Cho Corporation

Communities risks

In this chapter we report on Communities risks identified as most relevant to the De Beers Family of Companies and our stakeholders. We identify and categorise our sustainability risks through ongoing engagement with stakeholders and our internal management processes (see p11-17).

4.1 ***Local licence to operate****
Risk: Constructive, frank and stable relationships with local communities and other interested parties are key to maximising the potential local, social and economic benefits of our operations and reducing the risk of operational disruption or reputational damage as a result of conflict with a community. Stable relationships with local communities also underwrite our efforts to generate lasting socio-economic benefits at a local level and to maintain our social licence to operate.

4.2 ***Social impact of closures and transfer of assets****
Risk: Mine closure and the transfer of assets such as hospitals or company settlements to public administration have multiple socio-economic impacts and risks. The effective management and mitigation of these depends to a large extent on a mining operation's ability to create consistent local value over the life of the mine and to adapt to changing economic conditions. The responsible transfer of assets is an important step in the development of a sustainable post-mining economy.

4.3 ***Sustainable community social investment****
Risk: Sustainable social investment can help to create a diversified local post-mining economy. Ensuring that this investment benefits the community beyond the life of our operations and is in line with broader regional and national development goals maintains our social licence to operate, supports a positive legacy from mining, and protects against future risks to reputation.

4.4 *Managing land claims*
Risk: We are committed to ensuring that the legal rights of all mining-affected communities are upheld at all times, in order to meet international best practice and to minimise our legal and operational exposure. A number of communities in South Africa have made formal land claims to areas in which we operate under the Restitution of Lands Act. Our Community Policy recognises that peoples' interests in land and property may derive from traditional and spiritual association in addition to legal title.

KEY: Long term Medium term Short term

* Our management approach to the risks that are asterisked and marked in bold are reported on in this Report, and summarised in its counterpart Summary Review.

Local farmers in Oranjemund, Namibia

We engage with local communities at all stages of the mining cycle to ensure they understand the impacts of our activities and participate in the development of impact mitigation strategies, as well as programmes to maximise local benefit.

Our approach in 2010

2010 was a year of consolidation for the community discipline as we focused on formalising our approach in line with a leaner workforce and lower cost-base. We maintained the risk-based approach to managing community issues that the Family of Companies adopted in 2009 due to resource constraints. This approach aims to ensure that we focus on those issues that are of greatest concern to our local communities and that are most material to the sustainability of our operations.

The deferral of a number of key projects during 2009 due to the impact of the recession continued in 2010 in line with ongoing expenditure restrictions and the reduced size of our community team. Deferred projects included a Social and Economic Scenario Planning exercise to support exploration activities in Angola, and the roll-out of the Anglo American Socio-Economic Assessment Toolbox (SEAT). We will reconsider these projects in 2011, and conduct a capacity review across the discipline to ensure we are able to deliver a fit-for-purpose community discipline.

Local licence to operate

Risk: Constructive, frank and stable relationships with local communities and other interested parties are key to maximising the potential local, social and economic benefits of our operations, and reducing the risk of operational disruption or reputational damage as a result of conflict with a community. Stable relationships with local communities also underwrite our efforts to generate lasting socio-economic benefits at a local level and to maintain our social licence to operate.

Community impacts and benefits

The development, operation and closure of mines can have significant socio-economic effects on local communities. These vary depending on the lifecycle stage of a mine. Examples include:

- The influx of workers from outside of the community during construction and initial operation;
- Reduced availability of natural resources, such as water and grazing land due to mine operations;
- Restrictions on community access to land and freedom of movement due to mine safety and security measures; and
- The loss of local economic opportunities, employment and other benefits due to mine closure.

The effective management of these impacts is particularly important when operating in areas of socio-economic vulnerability or cultural sensitivity.

Securing a local licence to operate relies on our ability to mitigate the negative aspects of these impacts, and to harness the positive socio-economic effects of our operations to support sustainable local economies long after the mine has closed.

Along with social investment (see p73), enterprise development (see p30), and preferential procurement (see p29), our mines make an important contribution to local communities in a number of ways. These include:

- Generating employment and capacity building opportunities;
- Employee spending with third parties; and
- Using local products and services at our operations, from food suppliers to contractors.

We engage with local communities at all stages of the mining cycle to ensure they understand the impacts of our activities and participate in the development of impact mitigation strategies, as well as programmes to maximise local benefit. The creation and maintenance of mutually beneficial partnerships with local communities sits at the heart of our approach to community engagement.

In addition to engaging with local communities, we also engage with government and non-government agencies that can bring vital skills, perspectives and resources into our decision-making. Through sustained, broad and inclusive engagement we aim to ensure:

- The continued operational efficiency of our mines;
- Our continued access to diamond resources;
- Our status as a miner of choice for host governments; and
- The maintenance of 'diamond equity' amongst consumers and other stakeholders.

Our Community strategy

We employ a number of formal, structured techniques to help us identify, assess and mitigate community impacts.

Managing constructive community relations

The Family of Companies seeks to build and maintain its community relationships by:

- Ensuring we understand the issues that affect local communities, including our own impact;
- Establishing effective consultative structures at all operations to ensure full and constructive engagement with appropriate community stakeholders; and
- Implementing strong lifecycle planning to ensure our actions are appropriate for the social impacts of each lifecycle stage.

We conduct impact assessments for all new mining projects and whenever significant changes are made at existing operations. All of our operations have conducted Environmental Impact Assessments (EIA) and many have undertaken Social Impact Assessments (SIA).

We also enter into formal agreements with local communities. These have included Impact Benefit Agreements (IBA) in Canada and Social and Labour Plans (SLP) in South Africa.

We rely on a number of tools to ensure the effective engagement of community members, including:

- Our Community Policy;
- Anglo American's Socio-Economic Assessment Toolbox (SEAT);
- Our 2008 Social Impact Assessment Guidelines;
- Our Projects Environmental and Social Guidelines;
- The International Council on Mining & Metals (ICMM) and Anglo American Closure Toolbox;
- DBCM's Social and Labour Plan Guidelines; and
- Relevant local requirements.

Our group Community Policy meets and exceeds international law and industry protocols relating to the rights of local communities and indigenous peoples, resettlement and compensation. We recognise that operating contexts and communities themselves can vary widely, and our mining companies adapt the group Community Policy to better address the concerns or requirements associated with their operations. In 2010, Debswana developed new Community Relations and Social Investment Policies, and the implementation of De Beers Canada's Community Policy continued, receiving positive reactions from Aboriginal communities.

Strengthening practice across the community discipline

From an emphasis on maintaining the continuity of our community programmes over the course of 2009, in 2010 we focused on consolidating practice across the community discipline through working towards the following goals:

- The development of an adequate baseline understanding of community dynamics at all operations through the roll-out of SEAT or a suitable equivalent;
- Formalising consultative structures at all operations, including grievance mechanisms; and
- Ensuring the social components of our mine closure plans meet baseline benchmarks.

Omusati Regional Council visiting Namdeb mining operations

While the Community Peer Group continued to meet three times during 2010, the performance of our business units in progressing towards these milestones in 2010 has been mixed. This is largely due to ongoing capacity and organisational issues following the major business and employee restructuring of 2009. An additional capacity review for community affairs will be conducted in the first half of 2011.

Social and Economic Assessment Toolbox (SEAT)

SEAT was developed by Anglo American to assist mining operations to identify key local stakeholders and understand and manage their impacts on local communities. It includes tools to map and engage local stakeholders in remote and underdeveloped areas, as well as under-represented groups such as women and indigenous people. SEAT also contains tools to help operations manage their socio-economic impacts on local communities.

In 2007, Anglo American licenced De Beers to use SEAT at all its operations. Following a successful pilot of the toolkit at Venetia Mine in 2007, plans to roll SEAT out at all mining operations were deferred in 2009 as a result of the economic downturn. DBCM continues to use SEAT to engage local communities in Namaqualand, but due to ongoing capacity challenges, no other SEAT exercises were conducted across the Family of Companies in 2010.

In 2010, a gap analysis undertaken in Canada showed a 90% overlap between SEAT and statutory Canadian reporting requirements. Rather than implementing SEAT, De Beers Canada has begun a separate initiative that will address this gap. De Beers Canada is also implementing the Mining Association of Canada's Towards Sustainable Mining (TSM) initiative, which is mandatory for all members of the Mining Association of Canada. In 2011, we will revisit the question of a universal roll-out of SEAT, or a suitable equivalent such as exists in Canada.

www.mining.ca/www/towards_sustaining_mining/index.php

Responsible Jewellery Council certification

The consolidation of the community discipline was supported by the first phase in a mine-by-mine gap analysis against the social and community requirements of the Responsible Jewellery Council's (RJC) certification scheme in 2010. Conducted as part of our broader RJC pilot process in 2010 and integrated with our internal BPP process (see p42-45), the gap analysis will be completed in 2011 with a view to ensuring full RJC certification in 2012.

www.angloamerican.com
www.responsiblejewellery.com
www.icmm.com

Community activity in 2010

Botswana

In 2010, we continued to monitor and manage the socio-economic impacts of the Cut-8 project at Jwaneng Mine against the 2009 Social Impact Assessment (SIA).

Debswana and the Engineering, Procurement, Construction Management contractor Fluor, also launched the Cut-8 Legacy Project which facilitates the support of Cut-8 contractors for community development initiatives around the Jwaneng Mine until the end of 2011.

As a result of local discontent regarding contractor and employment-related issues in Botswana we launched a Reputation Forum with a focus on community relations.

South Africa

Each of our South African mines continued community investment in line with their Social and Labour Plans.

There were three ongoing land claims in 2010. These included claims made on company properties in the Venetia Limpopo Nature Reserve, a validated claim involving company properties in the Hondeklip Bay area, and in relation to Griqualand and Rooiport. The temporary occupation of mining dumps at Jagersfontein, prior to DBCM's sale of the mine in October (see p24), was successfully resolved through a series of consultations with public officials and the community.

Namibia

In Namibia, work to enable the proclamation of Oranjemund town into a self-governing municipality continued, and is expected to be completed in 2011 (see p72). Community engagement by Namdeb and the Oshipe Enterprise Development Trust (see p30) were consolidated in 2010, with the establishment of the Namdeb Foundation. After extensive stakeholder engagement, the Foundation launched a new charter and strategic focus (see p76).

Canada

Community engagement and investment continued in 2010 in line with the seven Impact Benefit Agreements in place between De Beers Canada and First Nations communities. First Nations communities have strong cultural, social and economic relationships with the land on which we operate in Canada. De Beers Canada are in ongoing discussions with these communities of interest over how best to collaborate to reduce poverty and build community capacity.

Angola

The principles contained in our group Community Policy will guide the resettlement of a small community in the Lunda Norte district of Angola, planned for 2011 (see case study). The resettlement of a semi-migratory village community of less than 90 people is necessary in order to safely conduct exploratory sampling of three kimberlites discovered near Mulepe village.

Case study:

Planning for the resettlement of Mulepe village, Angola

De Beers has been exploring for primary diamond mines in Angola since 2005 in a joint venture with Endiama, the state-owned mining company. We are active in one concession area of 3,000km^2 in the province of Lunda Norte, near the town of Lucapa. To date, we have discovered over 110 kimberlites, which makes Angola one of the most prospective regions in the world.

We are drilling bulk samples in several of these kimberlites. To conduct exploratory sampling on three kimberlites which were identified in the Mulepe area, it is necessary to relocate the Mulepe community.

Mulepe village is a small community of seasonal subsistence farmers, whose livelihood and safety will be affected by the increased activity in prospecting operations. The community consists of 72 people (31 adults and 41 children), living in 16 mud-grass huts.

The children living at the settlement are currently not attending school, the nearest of which is in Lucapa, eight kilometres away. The villagers depend primarily on subsistence agriculture. Their main crop is cassava, and they trade any surplus production in the local market for other essential goods.

In 2010, we initiated discussions with the Mulepe community about the possibility of resettling them to another location. The community has expressed its willingness to move, and a desire to move to an area closer to the town of Lucapa in order to get improved access to schools, hospitals, further business opportunities and electricity.

A specialist organisation has been contracted to help with the resettlement, planned for 2011, and to ensure that the process complies with the De Beers Community Policy and meets all international benchmarks for best practice, including the IFC Performance Standards.

www.endiama.co.ao

Social impact of closures and transfer of assets

Risk: Mine closure and the transfer of assets such as hospitals or company settlements to public administration have multiple socio-economic impacts and risks. The effective management and mitigation of these depends to a large extent on a mining operation's ability to create consistent local value over the life of the mine and to adapt to changing economic conditions. The responsible transfer of assets is an important step in the development of a sustainable post-mining economy.

As mine closure is predictable we are able to plan early in order to mitigate any negative community impacts and maximise positive ones. This helps ensure our operations act as a catalyst for sustained community development once mining ends, and to facilitate the smooth transition to a post-mining economy.

At a minimum, closure plans must ensure legal compliance and the remediation of environmental impacts. All of our mines currently have closure plans covering the physical and environmental aspects of closure, and some incorporate well-developed social components (see Table 5). Over the course of 2011 we intend to review the extent to which the social components of these plans meet baseline benchmarks.

Table 5: Status of social elements of closure planning at business unit level, 2010

Name	Status	Description
DBCM	In place	Social elements are addressed at all mining operations as part of their SLPs. Formal integrated closure plans are expected to be in place in 2011.
De Beers Canada	In place	Social closure planning is addressed through original licence commitments. These plans are subject to one or three-year review depending on activities.
Debswana	Pending	Social elements have not yet been included in existing closure plans.
Namdeb	In place	Social closure planning for land operations developed in 2007 and now underway.

Maximising value from late-lifecycle mines

Three of our operations in 2010 were considered to be at the latest stage of their lifecycle. These included Namdeb's land operations, Debswana's Letlhakane Mine and DBCM's Finsch Mine. This does not necessarily mean, however, that these mines will be closed in the near future. In 2010, Namdeb's management developed Vision 2050, a plan which, with the appropriate fiscal environment, would enable a US$1 billion investment to potentially extend Namdeb land operations to 2050.

Where possible, the Family of Companies has sold late-lifecycle mines to operators optimised to generate value from late-lifecycle mines. In October 2010, we sold the mine site and tailings mineral resource at Jagersfontein Mine in South Africa. Closed as a mine for almost 40 years, the mine was sold to Superkolong Consortium, a broad based Black Economic Empowerment (BEE) holding company under terms which will deliver sustainable benefit to the Jagersfontein community (see p24).

Ensuring mine sales include closure responsibilities

When we sell a mine, we seek to implement formal agreements that ensure purchasers fulfil relevant closure requirements. In some cases, our monitoring of impacts on stakeholders will continue after sale or closure, as demonstrated in the case of the Cullinan Mine in South Africa.

Where the Family of Companies sells a mine, we jointly prepare a status report with the purchaser. This is done in order to identify potential liabilities relating to closure planning requirements and legislation. Particular focus is placed on physical and environmental criteria. The cost of addressing these liabilities is integrated into the price of sale of the relevant operation.

Planning for closure

Our Community Policy requires us to understand the social impacts of an operation at each stage of the mining lifecycle including closure. This includes:

- Stakeholder engagement;
- Development of robust socio-economic closure plans; and
- Regular review of closure plans as mining projects evolve.

Stakeholder engagement plays a vital role in developing mine closure plans (see case study, p72). We identify and address the socio-economic impacts of mine closure using the ICMM and Anglo American Closure Toolbox and SEAT.

The Family of Companies develops provisional closure plans at the evaluation stage of all new operations. These are reviewed throughout the lifetime of the mine in close cooperation with our employees and other stakeholders, such as government, unions, local communities and relevant civil society organisations. Where possible, we also carry out rehabilitation work as we operate. This helps limit post-closure environmental and social liabilities from the start.

To support socio-economic mitigation measures we also use our community social investment vehicles, including strategic social investment programmes (see p73) and enterprise development initiatives (see p29).

Integrated closure planning

All of our mines currently have closure plans covering the physical and environmental aspects of closure. Integrated environmental and social closure plans that also include employee and socio-economic community impacts have been established at many of our operations. Integrated plans cover a range of issues including labour transition, employee skills training, enterprise development, social investment and rehabilitation.

Improving our closure planning

In 2010, we planned to conduct a gap analysis of all of our closure plans against the Responsible Jewellery Council Mining Standard requirements, as well as the Anglo American Standard. Analysis from the integration of the RJC mining standard into the BPPs in 2010, to be completed in early 2011, will provide direction on how to improve the social aspects of closure planning in 2011.

www.responsiblejewellery.com

Oryx grazing in the mining town of Oranjemund

Case study:

Oranjemund town proclamation, Namibia

As part of its 'Positive Legacy Project', Namdeb continued to work towards the proclamation of Oranjemund town in 2010. Oranjemund was established in 1936 to support diamond mining activities. It is a closed mining town of around 9,000 people and is owned by Namdeb.

With land-based mining operations potentially approaching the end of their life under the current operating model in 2014, the proclamation process aims to open up the town by turning Oranjemund into a self-governing municipality. The process is complex because Oranjemund sits within Namdeb's mining licence area, which is located in Namibia's restricted Diamond Area. It is also connected to the rest of the country by a private road.

Proclamation process

The proclamation process is at an advanced stage, and in April 2010 the Ministry of Mines and Energy approved the application to excise the Oranjemund townlands. The proclamation of the private road is all that remains before municipal management of Oranjemund becomes a reality.

Community engagement

During 2010, four community meetings were held to discuss progress and issues related to the town's proclamation, municipal management and property transfers. The community is supportive of the process but has expressed impatience over delays with the proclamation.

By the end of November local and regional elections were concluded. The new councillors will take office once the proclamation is complete.

Oranjemund sustainability

As an independent municipality the long term sustainability of Oranjemund requires a well-developed and diverse local economy, and an environment that will attract business activities and investors. To support this, Namdeb continues to support business development in the areas of:

- Tourism;
- Agriculture, particularly olive, grape and lucerne (alfalfa); and
- Mariculture, including abalone and oyster farming.

www.oranjemundonline.com

Sustainable community social investment

Risk: Sustainable social investment can help to create a diversified local post-mining economy. Ensuring that this investment benefits the community beyond the life of our operations and is in line with broader regional and national development goals maintains our social licence to operate, supports a positive legacy from mining, and protects against future risks to reputation.

The Family of Companies' community investment strategy looks beyond narrow philanthropic spending to focus on delivering long term socio-economic benefits for local communities. We aim to consider the full range of our contribution to local communities and how we maximise the value we bring to the areas where we operate, both in the short term through exploration and mining, and the longer term when mining has ceased.

Where relevant, we try to align our community investment activities with national development programmes in order to maximise the benefit of our community social investment in line with long term national development. Such national development plans include:

- Botswana's National Development Plan 10;
- Namibia's Vision 2030 National Development Plan; and
- Accelerated and Shared Growth Initiative for South Africa.

Our community investment approach supports our social licence to operate by helping to maintain positive and constructive relations with local communities, governments and other relevant stakeholders.

www.gov.bw
www.npc.gov.na
www.info.gov.za

Social investment through the downturn

The economic slowdown in late 2008 and 2009 dramatically reduced diamond sales and, consequently, our short term philanthropic spend, which fell from US$13.6 million in 2008 to US$7.5 million in 2009. Our core investment in local communities was maintained in 2009 in many cases as a result of long term programmes such as our Social and Labour Plans (SLP) in South Africa, Impact Benefit Agreements (IBA) in Canada, and important educational and medical contributions in Botswana.

Our total investment in 2010

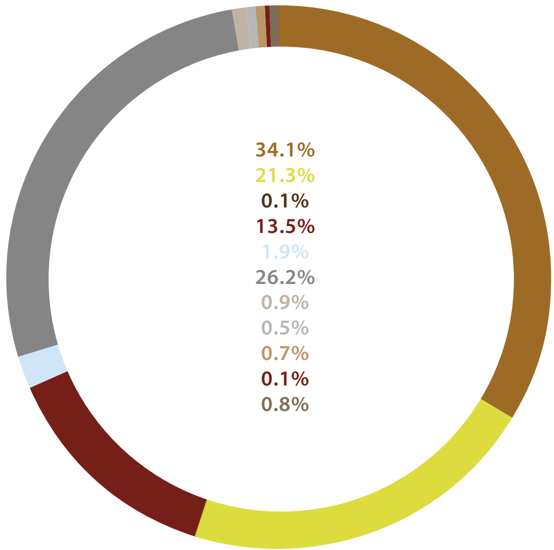
Since 2009, we have reported our social investment using a broader measure that more accurately reflects our actual impact on the societies in which we operate. This includes social investment we are required to make under applicable legislation or contractual agreements, e.g. SLP in South Africa and IBA in Canada (see p74), and in-kind social investment includes activities such as the running of mine hospitals shared by local communities in both Botswana and Namibia.

Under this broader measure we made social investments totalling US$29.8 million in 2010 (2009: US$29.3 million) (see Figs. 23 and 24). This represents 3.3 % of pre-tax profits of US$894 million (2009: 9.2%, US$318 million), and is significantly in excess of the international benchmark of 1%.

Fig. 23

Social investment spend by project type, 2010 (%)

- Health initiatives
- Education initiatives
- Environment initiatives
- Community development projects
- Arts, culture and heritage projects
- Housing initiatives
- Other initiatives
- HIV initiatives
- Policy and procedure initiatives
- Small business development initiatives
- Sports initiatives

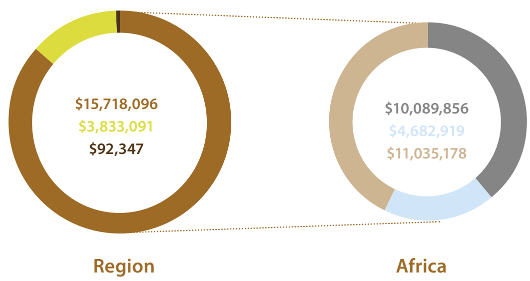


Data note 13: Calculations presented in Fig. 23 and Fig. 24 include broader social investment activities such as the running of mine hospitals shared by local communities in both Botswana and Namibia.

Due to rounding, the sum of this pie chart is 99.3%.

Fig. 24

Social investment spend by region and (African) country, 2010 (US$)



- Africa
- Americas
- Other countries
- Botswana
- South Africa
- Namibia

Data note 14: 2010 data for Canada includes cash donations (US$3,591,930) and in-kind donations (US$96,161). In-kind donations include employee working time spent on community or 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.

Community social investment activities in 2010
Our overall social investment contribution falls into six broad categories.

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

For example, through fully funded hospitals at Orapa and Jwaneng Mines which serve as district hospitals, Debswana provides essential public medical services to mine employees and the surrounding communities, in total around 75,000 people.

Skills development and capacity building, to support local economic development and skills that will last beyond the life of our operations.

Skills development programmes mainly focus on education, enterprise development within local communities, and preferential procurement. Support for programmes can be direct, as in the case of Debswana's support for overseas study by over 1,000 current and future Debswana employees from 1992-2010, or through associated Trusts.

The Family of Companies also operates a number of investment funds to promote enterprise development in Botswana, Namibia and South Africa, including Peo Venture Capital, the Namdeb Foundation and De Beers Zimele (see p30).

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 Funds.

These programmes are in addition to our internal HIV and Aids management programmes (see p60).

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

Under DBCM's SLP, planned expenditure on local economic development for 2010 was R12.2 million (US$1.7 million). Actual expenditure was R10.9 million (US$1.5 million), due to an increased focus on feasibility studies for projects at Kimberley and Voorspoed to ensure their long term sustainability.

Impact Benefit Agreement investments in place between De Beers Canada and First Nations and other indigenous groups in the vicinity of the Victor and Snap Lake Mines cover a range of programmes.

In 2010, a total of C$5.1 million (US$4.9 million) was spent (2009: US$4.2 million) under these seven IBAs, in addition to C$5.9 million (US$5.74 million) in conventional community social investment spending.

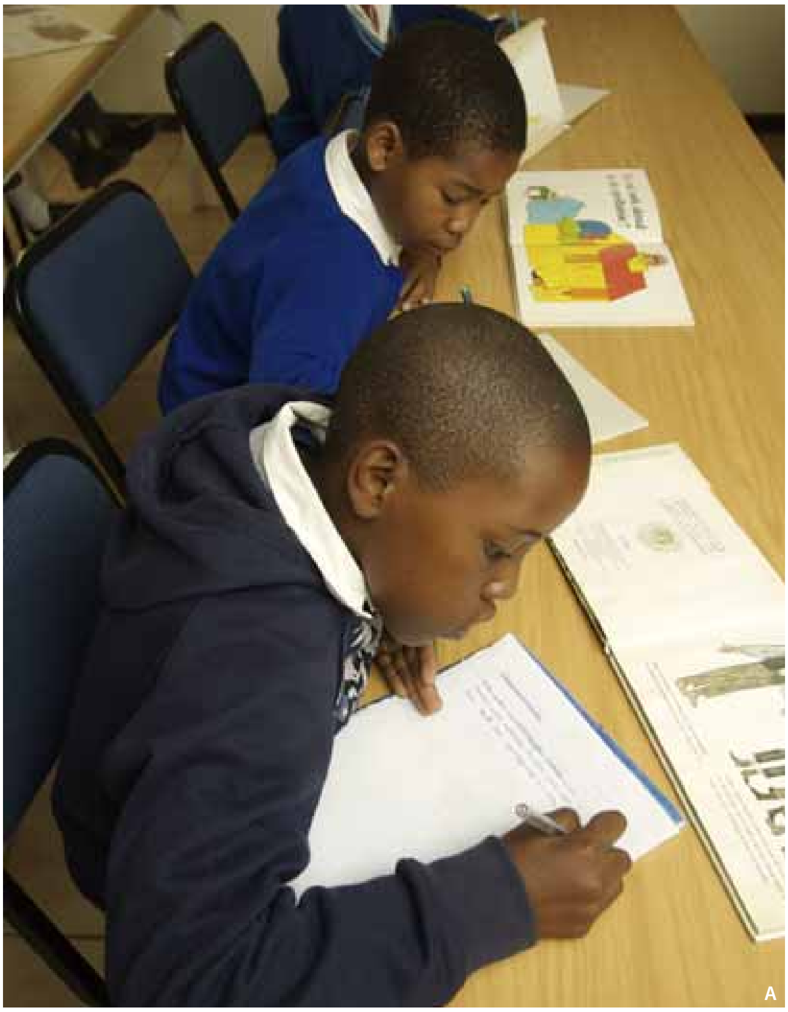
Strategic philanthropy includes cash and in-kind support for small- and large-scale development projects in the areas of education, health, youth development, environment, and cultural programmes, including sports development.

Our strategic philanthropy can be managed directly, as in the case of the Namdeb Foundation (see case study p76), but is generally managed through dedicated social investment vehicles such as the De Beers Fund in South Africa (see case study p75), Ponhalo De Beers Trusts, De Beers Fund Namibia and the Diamond Trust in Botswana.

"My goal is to develop the youth in our community. A driving licence is needed for many careers and with the support of De Beers Zimele, I can help less privileged boys and girls gain this basic requirement without having to pay for lessons."

Sophia Mphuthi
Owner operator of Sophia's Driving School, Galeshewe

Sophia Mphuthi is the owner operator of Sophia's Driving School in Galeshewe



A *Finsch Primary School, fully funded by Finsch Mine*
B *Endangered Wildlife Trust teaching programme, jointly funded by De Beers*
C *The De Beers Fund supports three field bands in South Africa*

Case study:

De Beers Fund: A winning approach to education

In South Africa, much of our social investment is carried out through the De Beers Fund, which is independently managed by Tshikululu Social Investments, a leading social fund manager in South Africa.

In late 2010, the De Beers Fund in South Africa won the Education award of the 21st *Investing in the Future* awards for its ongoing support for education in and around the communities where we have mining operations. 70% of the Fund's investments support these areas with the other 30% supporting national or best practice community projects.

Education is the main focus of the Fund, making up 39% of the Fund's total spend. Since 1998, the De Beers Fund has spent R143.2 million (US$19.94 million) on education initiatives.

The Fund concentrates on projects across the education spectrum, from early childhood development and teacher training to youth life skills training, maths and science support, bursary provision, and development projects to build and improve school infrastructure and facilities.

When giving the education award the *Investing in the Future* judges were impressed that the Fund's investment in 2009-2010 had remained constant at R50 million despite the parent company, DBCM, reporting a R263 million loss for the 2009-2010 financial year.

> *"The Fund's education focus has a high degree of sustainability and a good impact in the rural areas, despite the recent shrinkage of the company."*
>
> ***Investing in the Future* judges' panel**

The broader aim of the De Beers Fund is to build and strengthen communities to long term sustainability and, as a result, non-reliance on De Beers. When considering projects to support, the Fund considers the following key principles:

- Fostering sustainability;
- Partnerships and relationships;
- Community engagement;
- Community ownership of projects;
- Capacity building;
- Proactive social investment planning and implementation; and
- Monitoring and evaluating impact.

Projects do not begin and end with the hand-over of a donation cheque. The Fund focuses on sound governance and management, often providing training to NGOs and project partners, as well as arranging collaborations, for example with the Department of Education.

Looking ahead

In 2011, we will reconsider our social investment strategy in line with improving market conditions, with a renewed focus on the sustainability of our social investment approach with market volatility.

Community discipline objectives for 2011

In 2010, we aimed to formalise and improve the resilience of the discipline to future challenges such as those seen during the market volatility of 2008-2010. To deliver this we will continue working in 2011 towards a number of improvements including:

- Rolling out the Anglo American Socio-Economic Assessment Toolbox (SEAT), or a suitable equivalent, at all operations to provide a baseline understanding of community dynamics;
- Ensuring the social components of our mine closure plans meet baseline benchmarks; and
- Ensuring proper and effective consultative structures are in place at all operations, including around the reporting and management of grievances.

We will also conduct a community capacity review in 2011 to ensure we have suitable resources in place to deliver these aims. Our focus will remain on determining how we can best target available resources for the most effective value creation within our communities.

Case study:

Namdeb Foundation – a new strategy for Vision 2050

The Namdeb Foundation's focus is determined by our ageing land-based mining operations in Namibia and ongoing reductions in our mining footprint, particularly around Oranjemund.

2010 was a bridging year for the Foundation as we investigated opportunities for partnerships and initiatives to support and add value to our local communities, and reposition our operations for a future running until 2050.

Our new focus was determined in consultation with management, employees from our local communities and representatives of the Mineworkers Union of Namibia. The resulting Namdeb Foundation Charter is aligned to the Family of Companies Community Policy and the UN Global Compact. The priority focus areas have been identified as:

- Education and youth;
- Tourism and heritage;
- Business development; and
- Oranjemund sustainability.

As Namdeb continues to attract its workforce from several regions across Namibia, the Namdeb Foundation aims to provide support to projects across a broad geographical radius.

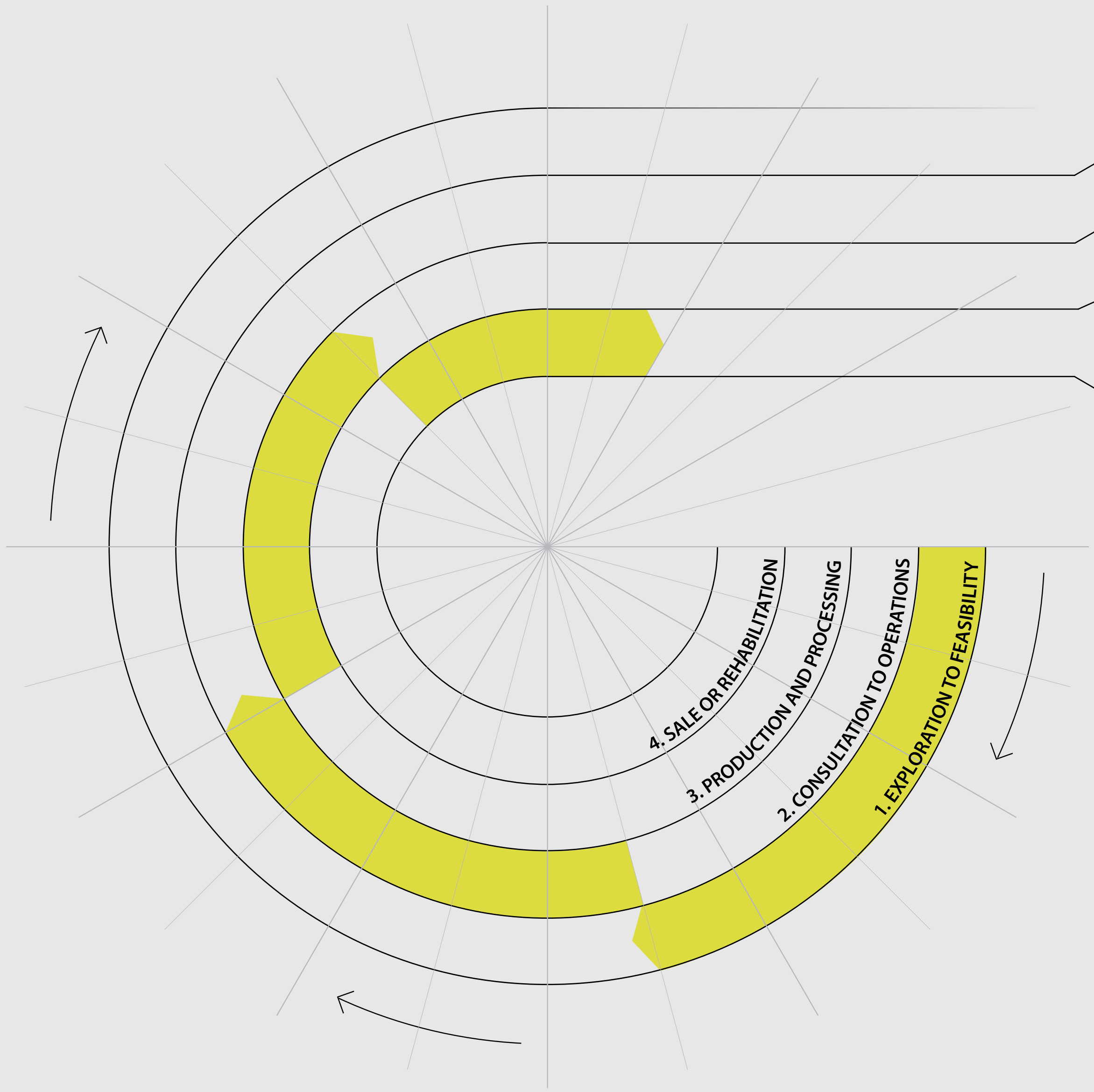
Namibian coastal landscape

Creating shared value over the life of a mine

De Beers works in partnership with producer countries to maximise the contribution diamond mining can make to sustainable development. Our goal is to create shared value throughout the life of a mine – for governments and economies, for citizens and local communities, and for De Beers' shareholders.

We do this in a variety of ways: by maximising the value of production; promoting preferential procurement of local and indigenous suppliers; supporting the development of skills and enterprises that contribute to a diversified post-mining economy; and investing in social and infrastructure projects that benefit local communities. In addition, our commitment to beneficiation stimulates the growth of the diamond sector within producer countries and helps to attract further international investment.

We begin with the end in mind. From the outset, we conduct in-depth assessments that examine the long term economic, social and environmental impacts of our operations. The outcomes of these assessments guide our operations and relations with stakeholders over the life of the mine. We work with governments, communities and potential purchasers of late-life mines to ensure environmental rehabilitation and sustainable local economies post-mine.



1. EXPLORATION TO FEASIBILITY

Creating shared value through:

- Assessing long term social and environmental impacts
- Socio-economic scenario planning
- Broad stakeholder engagement

Assessing long term impacts

Environmental planning for Gahcho Kué started long before De Beers joined the project in 1997. For almost 20 years, exploration, environmental studies and development work has been taking place at our proposed Gahcho Kué open pit mine at Kennady Lake in the Northwest Territories, Canada.

This culminated in the submission of an 11,000 page Environmental Impact Statement (EIS) at the end of 2010. Protecting water quality and ensuring rehabilitation of the land and lake as quickly as possible after the end of mining are key to the project. The EIS will form the basis of an independent assessment in 2011.

2. CONSTRUCTION TO OPERATIONS

Creating shared value through:

- Promoting enterprise
- Building skills and capacity
- Investing in social and infrastructure projects
- Supporting national development goals

Promoting enterprise

De Beers Zimele is an investment fund supporting enterprise development and Black Economic Empowerment in South Africa through loans, skills transfer and mentoring. The aim is to create 25,000 employment opportunities – both preserved and new jobs – and 1,500 small businesses in seven years (2008-2015). In 2010 DBCM invested a total of US$0.5 million in De Beers Zimele, which is funding 45 projects with loans of R5.9m.

Building skills and capacity

We focus on building local capacity by employing and developing local talent at all levels of the business. For example, in Canada we prioritise the hiring of Aboriginal employees from nearby communities. In 2010, of the 503 employees at Victor mine 183 (36.4%) were Aboriginal. We actively seek to increase the numbers of Aboriginal employees, particularly in skilled and management positions.

3. PRODUCTION AND PROCESSING

Creating shared value through:

- Supporting beneficiation
- Supporting ethical industry standards
- Generating market demand

Supporting beneficiation

Beneficiation is the process by which we work with government partners to ensure that after mining more diamond processing activities, such as sorting and valuing, take place in our producer countries.

To support beneficiation, a proportion of the diamonds we mine are offered for sale to Sightholders (the diamantaire clients of the Family of Companies) in South Africa, Namibia, Botswana and Canada. These diamonds are then cut and polished in those countries, adding value beyond mining and promoting job creation and skills development.

For example, in 2010, 16 Sightholders received an equivalent of US$366 million of rough diamonds for cutting and polishing as part of our beneficiation activities in Botswana.

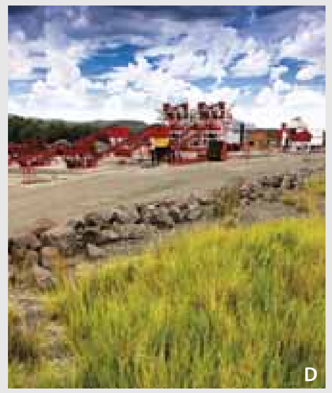
4. SALE OR REHABILITATION

Creating shared value through:

- Responsible transfer of mining assets
- Integrated closure planning
- Environmental rehabilitation

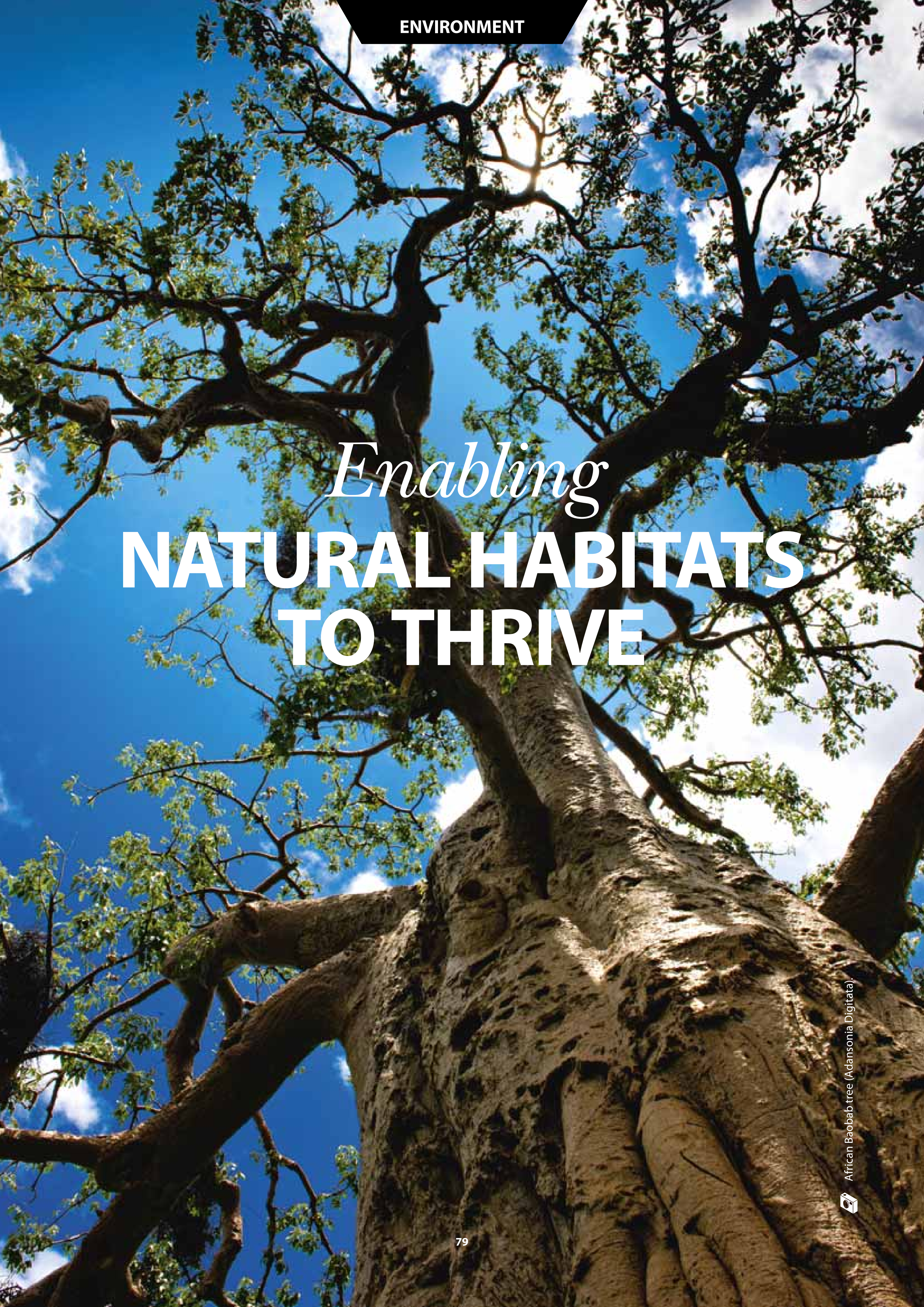
Responsible transfer of mining assets

In 2010, almost 40 years after the end of mining operations, DBCM sold the Jagersfontein Mine and mine tailings in Free State province, South Africa. It was sold to Superkolong Consortium, a broad based Black Economic Empowerment (BEE) holding company that has a number of mining operations. Superkolong agreed to a variety of sales criteria including BEE equity participation, local employment creation and significant community-based initiatives. The Jagersfontein Community Trust will hold 10% equity ownership in the new holding company and will receive R20 million (US$2.72 million) funding to run community projects.



A Aerial view of Gahcho Kué Project.
B Chief of the Lutsel K'e Dene First Nation at Gahcho Kué.
C The sorting floor at Harry Oppenheimer House, Kimberley.
D Jagersfontein Mine.

Enabling NATURAL HABITATS TO THRIVE



African Baobab tree (Adansonia Digitata).

The SUSTAINABLE MANAGEMENT *of the natural environment* IS KEY TO THE FUTURE DEVELOPMENT AND PROSPERITY *of the countries in which we operate.*

GOOD ENVIRONMENTAL STEWARDSHIP IS ESSENTIAL TO OUR BUSINESS.
We take an holistic view of environmental management and understand the interconnected nature of biodiversity, energy and climate change, water and waste management issues. We forge partnerships with local communities, governments and NGOs so that we effectively address the individual environmental challenges in each of our locations.

Environment

We recognise that the living environment is as much a source of shared value as diamonds.

The Family of Companies places a high premium on contributing positively, wherever possible, to the natural capital of all the countries in which we operate. This is why our mining footprint is considerably smaller than the total area we have for biodiversity conservation.

Good environmental stewardship involves responding proactively to address and manage environmental issues through innovation. It also involves building competence and consistency across the Family of Companies as well as working in partnership with government and NGOs, to address issues of local and national significance.

At the core of our management approach is our commitment to lifecycle planning at all of our operations. This requires that we endeavour to understand, avoid, minimise, and then mitigate the specific environmental impacts of every stage in the mining lifecycle, with a view to ensuring effective rehabilitation by closure.

HIGHLIGHTS

- In 2010, The Diamond Route won the prestigious Nedbank Green Mining Award in the Sustainability category (p92-93). We also held our first Diamond Route Research Conference where 26 leading academics presented papers on research carried out within the Diamond Route
- We focused on our commitment to no net loss of biodiversity and held an international workshop to debate the practicalities and implications in striving for no net loss of biodiversity for current and prospective operations
- Our use of reused and recycled water at our southern African mines remained relatively constant at 50% of our total freshwater footprint (2009*: 53%). In 2010, we used 38.09 million m^3 of new (potable and non-potable) water across all of our operations/facilities (2009*: 23.31 million m^3). This equates to a 63% year-on-year increase, mainly due to the increase in production from the low production year in the economic downturn of 2008/2009 (p84)
- In 2010, our direct and indirect energy consumption amounted to 11.24 million Gigajoules (GJ) (2009*: 7.82 million GJ), a 43.8% increase year-on-year (p86)
- Total carbon emissions rose 31.5% to 1.46 million tonnes in 2010 (2009*: 1.11 million tonnes) due to a 34% increase in production (p86)

Data note 15: Previous years' water and energy use data* has been changed slightly from the data reported in our 2009 Report to Society. This restatement takes into account improvements in data reporting and is more accurate.

"Private sector involvement is crucial to protecting South Africa's scarce water resources. We work in collaboration with key businesses like De Beers, who are ready to provide leadership to harness private sector engagement to better manage and protect our water resources."

Dr. Mao Amis
World Wildlife Fund Programme Manager,
Integrated Catchment Management

Environment risks

In this chapter we report on Environment risks identified as most relevant to the De Beers Family of Companies and our stakeholders. We identify and categorise our sustainability risks through ongoing engagement with stakeholders and our internal management processes (see p11-17).

5.1 ***Water and energy security in a changing climate****
Risk: Our mines in Africa are mostly located in water-stressed environments. Shifting rainfall patterns are expected to present a challenge to water access for our operations and local communities, presenting both operational risks and potentially undermining our social licence to operate.

5.2 ***Lifecycle planning****
Risk: There are environmental risks associated with all stages of the mining lifecycle. We seek to first avoid, then minimise and finally mitigate the impacts of our activities when planning, designing and carrying out exploration, mining and related activities. This is motivated both by local regulation and our goal to achieve operations and closure to the highest environmental standards.

5.3 ***Promotion and maintenance of biodiversity and ecosystems****
Risk: Many of our operations are in sensitive or biologically diverse environments. Managing biodiversity is rarely straightforward and requires that we take a sophisticated, ecosystems-based approach.

5.4 *Maintaining environmental standards*
Risk: We are committed to aligning our environmental policies, systems, programmes, resourcing and training approach to those of the world's leading mining companies. This requires long term commitment and sustained effort.

5.5 *Respect for protected areas, biodiversity hotspots or World Heritage Sites*
Risk: We respect legally designated Protected Areas and World Heritage Sites. We aim to minimise the disturbance of ecosystems through responsible planning and biodiversity stewardship – from exploration through to the post-mining phase – in order to mitigate current and future risks from environmental impacts, litigation and reputational damage.

5.6 *Management of waste and pollution prevention*
Risk: While diamond mining itself does not require the use of hazardous substances, as it is mostly a physical process, we are focused on ensuring that all operations and facilities manage effluents, wastes, emissions and hazardous substances to prevent pollution.

KEY: Long term, Medium term, Short term

* Our management approach to the risks that are asterisked and marked in bold are reported on in this Report, and summarised in its counterpart Summary Review.

Water and energy security in a changing climate

Risk: Our mines in Africa are mostly located in water-stressed environments. Shifting rainfall patterns are expected to present a challenge to water access for our operations and local communities, presenting both operational risks and potentially undermining our social licence to operate.

Climate change and its impacts present a risk to the sustainability of our business. The greatest risks are potential water scarcity, extreme weather events and rising temperatures.

Around 95% of our rough diamond production comes from arid or semi-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.

In Canada, rising temperatures can disrupt the seasonal ice roads used to supply our remote Snap Lake and Victor Mines. This leads to increased reliance on airfreight and its associated energy requirements and costs.

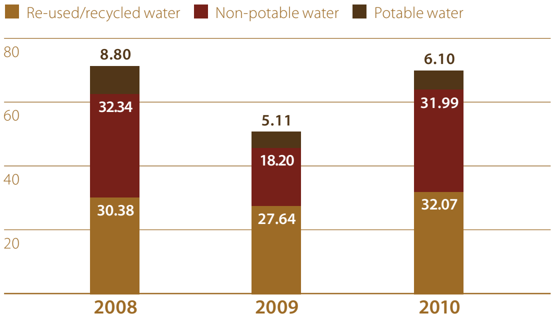
Managing risk and impacts

Our approach to managing climate and water-related risks and our commitment to making progressive reductions in carbon emissions, energy and water use, as well as conserving biodiversity, are directed by a number of policies and initiatives:

- Our Environment Policy;
- Our six Environmental Standards, which ensure effective implementation of our Environment Policy, particularly those for climate change, water and biodiversity;
- Continued ISO 14001 certification at all of our operations;
- De Beers Family of Companies Principles; and
- Membership of the United Nations Global Compact and UN CEO Water Mandate.

Fig. 25

Fresh water use, 2008-2010 (million m^3)



Data note 16: Previous years' water use data has been changed slightly from the data reported in our 2009 Report to Society. This restatement takes into account improvements in data reporting and is more accurate.

Efficient and sustainable water use

Water is a shared resource. It is essential for our mines to operate and is essential for the communities and biodiversity in the region of our mines. Managing water sustainably is critical to our efforts to deliver value while maintaining our local licence to operate.

Water Standard

Our Water Standard guides our approach and commits us to:

- Manage water supply and demand across all operations; and
- Ensure that all operations minimise and mitigate the pollution of water resources.

The Water Standard defines the requirements for all aspects of water management at our operations. Site Water Steering Committees ensure that our water strategies are aligned with legislative requirements and best practice in addition to providing leadership on water conservation and demand management.

Stakeholder question:

Can you tell us more about your water strategy? How do you link up the various aspects of water as a social as well as an environmental issue?

Overall, we are trying to take an integrated approach to tackling sustainability issues. We do this via Principles Committee, a management committee which is responsible for ensuring we live up to our Principles.

Water takes a high priority within our business because it is a critical issue for us and the regions within which we work. It is strongly linked to climate change adaptation and management of biodiversity such as removal of alien vegetation which can then result in improved water supply. From an operations point of view, there are trade-offs between water efficiency and energy efficiency that we are grappling with in the southern African context, and we aim to strike a balance between the two. A number of steps have already been taken in line with our Water Standard to drive performance on water efficiency. We aim to continue to decrease our water use per unit of production while being cognisant of any consequent increase in energy requirements and our associated carbon footprint. Managing water resources responsibly also entails balancing the water needs of local communities with the broader socio-economic benefits that come from mining diamonds to create shared national wealth.

We are working with others to find long term environmental and socio-economic solutions and have taken a broad approach by complying with all six elements of the UN CEO Water Mandate to which we are a signatory. Through the Worldwide Fund for Nature in South Africa we are involved in integrated catchment management in the Limpopo river basin. In Botswana, we are working with the Government of the Republic of Botswana and the United Nations Development Programme to promote long term integrated water resource planning through Botswana. In Namibia we are involved in various bodies for the management of the Orange River, an international river that forms the southern border of our mining licence areas.

Central Tailings Plant, Kimberley

Reducing our water consumption

In 2010, we used 38.09 million m^3 of new (potable and non-potable) water across all of our operations/facilities (2009*: 23.31 million m^3). This equates to an increase of 63% year-on-year and is mainly due to the increase in production from the low production year in the economic downturn of 2008/2009.

The use of recycled process water at our southern African mines remained relatively constant at 50% (2009*: 53%) of our total fresh water use. We also used 20.19 million m^3 of sea water (2009*: 21.76 million m^3) at our west coast and marine mining operations in southern Africa.

New technologies

All mines continued to investigate new technologies to improve water efficiency. These include investigating:

- Use of saline water for ore treatment;
- Installation of facilities to capture storm water from urban areas to reduce groundwater use; and
- Electro-kinetic dewatering, which uses electric fields to extract the last remnants of water from thickened slime or slurry.[17]

Major land-based operations

Debswana has the largest water footprint in the Family of Companies. In 2010, it accounted for 47% of our total new water usage. Through ambitious target setting in 2003, Debswana reduced water by 35% by 2008. This was largely as a result of improved slimes recycling and thickening, increased use of rainfall and storm water runoff, and reduced wastage. These efforts continue.

DBCM accounts for 31% of our new water use. DBCM has set a water reduction target of 15% by 2015, using a 2007 base year. At Voorspoed Mine, the operation continues to operate a largely closed water circuit, reusing most of its treatment process water from on-site dams. At Kimberley Mines, a paste and thickened tailings system has reduced water consumption considerably. The system has been reported on and presented at various international conferences.

Marine mining in Namibia and South Africa

De Beers Marine vessels use sea water in the treatment process and onboard domestic fresh water requirements are obtained from desalination plants. This does not always meet the demand, so additional water is transported from shore. Although this requirement is relatively low, the fresh water is drawn from the closest coastal town, Port Nolloth, which is in a water scarce region of South Africa. To limit water use from the town, in August 2010 targets were established to drive efficiencies in onboard water-making to minimise delivery of fresh water from Port Nolloth. Since implementation of the target there has already been a 25% improvement in the average generation of fresh water per day, thereby reducing the amount of water needed from Port Nolloth.

Energy efficiency and emissions reductions

We are committed to being a responsible energy user and to combating climate change. We plan to achieve this by:

- Promoting the efficient and sustainable use of energy through the principles of reduction, recovery, reuse and recycling (see case study, p86); and
- Reducing carbon emissions and participating in climate change initiatives.

Our approach to energy management involves setting energy targets, implementing energy efficiency measures, and stringently assessing the energy requirements of capital projects. Targets are set at operational level taking into account the specific production performance indicators, such as tonnes of ore treated.

Energy security in southern Africa

In southern Africa, energy security is an increasing risk as demand for electricity often exceeds supply. With new generating capacity some way off, energy costs have been increasing and average increases of up to 25% are expected in the coming years. These cost increases underline the importance of enhancing our energy security through improved efficiency and the diversification of electricity supplies. This includes investing in alternative energy sources such as wind and solar.

Botswana

In Botswana, a deficit in electricity supply is projected between 2009 and 2013 while the state energy company brings more generating capacity online. As a result, Debswana, on behalf of Botswana Power Corporation (BPC), has installed 90 Mw of dual-fuel (diesel or gas) generating capacity at the Orapa Mine. In the longer term, BPC plans to replace the diesel feed to the plant with gas from gas fields to the north of the mine. This is expected to cost a total of about P850 million (US$121.8 million).

Data note 16: Previous year's water use data* has been changed slightly from the data reported in our 2009 Report to Society. This restatement takes into account improvements in data reporting and is more accurate.

[17] Dewatering and other paste thickening research is a central part of our water conservation strategy. While this dewatering results in increased water efficiency, it does have increased energy costs.

Case study:

Towards integrated catchment management in the Limpopo region

The Limpopo river basin is one of southern Africa's cross-boundary river basins, straddling four countries (South Africa, Botswana, Zimbabwe and Mozambique). The basin is a source of water for more than 14 million people and water management challenges present a major risk to all water users within the river basin.

To address this risk, and improve water security for all users, in 2010 DBCM entered into a three-year agreement with the Worldwide Fund for Nature (WWF) South Africa to understand:

- Our Venetia operation and its location within a broader and dynamic socio-ecological landscape as it pertains to water risks;
- How our operation and other user needs in the priority catchments are potentially at risk in a changing world; and
- The responses required in terms of strategic and collaborative investments to reduce the shared risk and improve the resilience of water security.

WWF has partnered with the Council for Scientific and Industrial Research (CSIR) and the Peace Parks Foundation (PPF) to deliver on some of the key outputs of the project. The anticipated conservation outcomes from this initiative include capacitating water management institutions, protecting critical fresh water ecosystems in the catchment and empowering communities to engage in the effective management of water resources in the basin.

The programme was presented at the World Economic Forum/UN CEO Water Mandate conference in Cape Town in November 2010 and received praise for its emphasis on addressing corporate water risk at the catchment level and its focus on shared risk.

"In the late 1980s when Venetia Mine was planned and developed, we placed great emphasis on minimising our impact on the source of our water. Now, 20 years later, we are involved in this project over and above our mine water management programme because we fully recognise the value of water as a shared resource, and the need for sound stewardship of water for the benefit of all."

Martin Preece
General Manager, Venetia Mine, DBCM.

A *The Venetia Plant*
B *Martin Preece, Venetia Mine General Manager*

Energy consumption and efficiency measures

In 2010, our direct and indirect energy consumption amounted to 11.24 million Gigajoules (GJ) (2009*: 7.82 million GJ), a 43.8% increase year-on-year. This increase is due to increased production across the Family of Companies in the face of the economic recovery and increased demand for diamonds.

Direct energy from fuel use (including diesel) accounted for 67% of our energy profile (2009*: 60.3%). Indirect energy in the form of electricity accounted for the remaining 33% (2009*: 39.7%).

Renewable energy

In South Africa, DBCM has initiated a wind power project in Namaqualand and a solar photovoltaic energy project in the Kimberley region. Both projects will be implemented by third party companies on land made available by DBCM. This will not only promote the use of renewable energy in South Africa, but also create job opportunities in impoverished areas. In Canada, tests with wind power have shown the potential for significant reductions in fuel costs.

Carbon emissions

Our total CO_2-e (carbon dioxide equivalent) emissions amounted to 1.46 million tonnes in 2010, a 31.5% increase on 2009 (2009*: 1.11 million tonnes). The increase compares favourably with a 34% increase in production.

Almost 62% of these emissions are associated with the electricity we purchase from national providers. These indirect emissions amounted to 0.91 million tonnes (2009*: 0.76 million tonnes). Direct emissions from fuel use (mainly diesel) amounted to 0.56 million tonnes (2009*: 0.35 million tonnes).

Other air emissions

Our sulphur emissions relate almost exclusively to energy use and changes in emission levels are directly linked to our energy consumption. SO_2 (sulphur dioxide) emissions from liquid fuels use amounted to 610 tonnes in 2010 (2009*: 241 tonnes). Marine gas oil contributed 76.3% of SO_2 emissions, (2009: 51%), due to increased marine mining activity and the greater sulphurous nature of marine fuel compared to other fuels.

Water and energy efficiency objectives for 2011

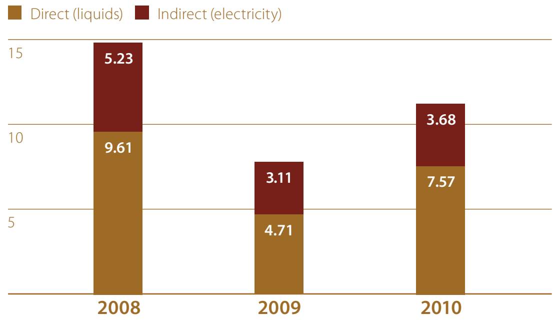
In order to improve our water and energy efficiency performance in 2011, we plan to:

- Implement Integrated Water Management Plans for all mining operations as per the Water Standard;
- Set and achieve appropriate water targets for all operations in water-stressed areas;
- Adhere to UN CEO Water Mandate commitments;
- Set and achieve appropriate energy targets for all mining operations as per Climate Change Standard; and
- Reduce carbon emissions driven by energy targets, with reduction dependent on energy mix.

Data note 17: Previous years' energy use data* has been changed slightly from the data reported in our 2009 Report to Society. This restatement takes into account improvements in data reporting and is more accurate.

Fig. 26

Direct and indirect energy use, 2008-2010 (million GJ)



Data note 18: Previous years' energy use data has been changed slightly from the data reported in our 2009 Report to Society. This restatement takes into account improvements in data reporting and is more accurate.

Fig. 27

Our direct (liquid fuels) energy use profile, 2010

Case study:

Energy efficiency in South Africa

In South Africa, DBCM is a signatory to South Africa's Energy Efficiency Accord. This sets a target to reduce energy consumption by 15% by 2015 against a 2005 baseline. Work so far has reduced energy use by approximately 6%. This has involved installing energy efficient light bulbs, ensuring optimal running of large compressors, and using smaller underground ventilation fans and high efficiency motors. Further initiatives underway to meet this target include:

- Installation of solar water heaters in mine-owned domestic buildings;
- Installation of high-efficiency motors on a replacement basis;
- A pilot project at Venetia Mine on new approaches to electricity load shedding, demand control and tariff optimisation using software tools;
- Diesel energy monitoring to assess the effect of road conditions, idling time and optimum loading on fuel consumption;
- Plant process management to avoid operating equipment when there is no feed material; and
- Ongoing awareness campaigns for all employees to use electricity, fuel and water wisely.

Lifecycle planning

Risk: There are environmental risks associated with all stages of the mining lifecycle. We seek first to avoid, then minimise, and finally mitigate the impacts of our activities when planning, designing and carrying out exploration, mining and related activities. This is motivated both by local regulation and our goal to achieve operations and closure to the highest environmental standards.

Mining activities can have significant impacts on the environment so we have committed to adopt the Mitigation Hierarchy at every stage of the mining lifecycle first to avoid, then minimise and finally mitigate the impacts of our activities to result in a minimal residual impact.

Our Lifecycle Planning Standard outlines the two desired outcomes of our lifecycle planning processes:

- All phases of the mining lifecycle (planning, implementation and management) should contribute towards a positive environmental and social legacy; and
- All operations should have environmental management systems and resources to address environmental risks from operational life through to closure.

Exploration and acquisitions

De Beers Exploration is committed to maintaining the wellbeing of the communities and environments in which we operate. In doing so, we are guided by our Exploration Environment, Community, Occupational Hygiene, Health and Safety (ECOHS) Guidelines.

A risk assessment process is conducted in the early stages of exploration. This includes an assessment of the environment within which exploration will occur, as well as closure planning. When exploration reaches advanced stages, a social and environmental baseline study is also undertaken.

Projects

Projects are required to complete a range of assessments, depending on their stage in the mining lifecycle (see Table 6).

A *Winter water testing, Snap Lake Mine*
B *Environmental Technology laboratory, Snap Lake Mine*

Table 6: Lifecycle stages and activities, 2010

Phase	Activity	Objective	2010 Action/Example
Conceptual	Environmental and social screening	• To establish if the proposed project has the potential to generate significant or unacceptable environmental or social impacts	• Namdeb Southern Deflation Deposit
Pre-feasibility	Scoping	• To gather and evaluate information and undertake specialist studies for the Environmental and Social Impact Assessment (ESIA)	• Namdeb Orange River Mines Extension Project • DBCM Venetia Underground Project
Feasibility	Environmental and Social Impact Assessment and Environmental and Social Management Plan (ESMP) or Environmental Management Plan (EMP)	• To identify, qualify and quantify project impacts on the biophysical, socio-economic, heritage, aesthetic and cultural environments. • To document and detail future monitoring and management requirements outlined in the ESIA and develop closure plans in line with the life of mine	• De Beers Canada Gahcho Kué Mine project in the Northwest Territories – 11,000 page Environmental Impact Statement (EIS) submitted • Namaqualand Living Edge of Africa Project (LEAP) on alternative land uses • Namdeb Elizabeth Bay Optimisation
Construction or commissioning		• To ensure inclusion of all requirements of the EMP for operational phase for smooth transition to operational phase	
Operations	Environmental Management Systems (EMS)	• To ensure ISO 14001-compliant EMS are in place at all diamond mining operations to guide the management of our operational environmental impacts and promote continual improvement in environmental performance and implementation of concurrent rehabilitation	• Morupule Coal Mine achieved ISO 14001 certification • Significant improvements to gaps in the EMS at Venetia, Orapa and Jwaneng Mines. • Improved environmental incident reporting system established
Closure/Disposal	Closure plans/liabilities	• To implement final closure plan once production ceases or ensure adequate financial provision for outstanding environmental liabilities on sale of a mine to other operators	• Sale due diligences for Jagersfontein Mine dumps, Finsch and Namaqualand Mines

Operations

Environmental Management Systems

ISO 14001 compliant Environmental Management Systems (EMS) are in place at all of our mining operations and a range of other facilities. These are developed during the construction/commissioning phase, with certification taking place during the operational phase.

Progress in 2010

During 2010, our Morupule Coal Mine in Botswana received ISO 14001 certification. We also made some significant improvements to our EMS at Venetia Mine in South Africa and also Orapa and Jwaneng in Botswana to rectify non-conformances that were identified through our EMS audits. All of our site EMS are now functioning appropriately.

Pollution prevention

All our operations are committed to minimising pollution and responsibly managing waste. Our Environmental Standard for pollution prevention and waste management commits us to:

- Replace high-risk hazardous substances with non-hazardous or less hazardous alternatives; and
- Manage effluents, wastes, emissions and hazardous substances to prevent pollution.

Managing Hydrofluoric Acid risks

The use and storage of Hydrofluoric Acid (HF) has been identified as an important operational safety, health and environmental risk. HF is used to dissolve kimberlite in the recovery of microdiamonds. It is also used in the diamond-cleaning process.

An HF Peer Group was established in 2009 to focus on ongoing risk reduction and to provide a forum for sharing information and management strategies. A Peer Group Charter was established and the group made some progress in 2010. All areas that handle HF have representatives on the peer group and an intranet portal has been developed for the sharing of information.

Environmental incidents

No Level 5 (Catastrophic) or Level 4 (Major) environmental incidents were reported during 2010 (see Fig. 28).

During the year, we implemented a new, more detailed environmental incident reporting system that captures not only a broader spread of incident severity categories but also improves separation by type. The majority of environmental incidents are pollution-related and to a lesser extent, linked to resource wastage and biodiversity or archaeological impacts.

Implementing the new system required:

- Training of staff;
- Group-wide changes to the reporting system for capturing incidents within our EMS; and
- Changes to our intranet-based reporting software.

Fig. 28

Environmental incidents, 2010

Case study:

Gahcho Kué, Canada

At the end of 2010, De Beers Canada submitted an 11,000 page Environmental Impact Statement (EIS) for the proposed Gahcho Kué open-pit mine at Kennady Lake, 280km north of Yellowknife in the Northwest Territories. This EIS will now be used as the basis for an Environmental Impact Assessment that will be carried out by the Mackenzie Environmental Impact Review Board in 2011.

The proposed mine will extract around 4.5 million carats of diamonds annually from three kimberlite pipes over an 11-year mining period. Gahcho Kué is a joint venture between De Beers Canada (51%) and Mountain Province Diamonds (49%).

A *Environmental monitoring, Northwest Territories*
B *Aerial view of Gahcho Kué*

A *Physical rehabilitation, Namaqualand*
B *Ecological rehabilitation, Namibian coast*

Closure and disposal

Our focus on responsible closure, rehabilitation, and disposal of assets is motivated both by local regulation and our goal to operate to the highest environmental standards.

Our Environmental Standard on Lifecycle Planning requires all operations to establish closure plans at the right level of resolution for the remaining life of mine. The Standard also requires concurrent or progressive rehabilitation throughout the life of mine, which is essential to ensuring lifetime closure costs are minimised.

All mining sites are different and, at a minimum, closure planning covers rehabilitation of the natural landscape, but closure planning often includes options for economic diversification, biodiversity conservation, or continued mine-related activity through selling mines to other operators.

For our newer mines or those in planning stages, closure is considered during mine planning. With older mines, closure and rehabilitation programmes are retrospectively applied. A number of mines also use the Anglo American Closure Toolkit as a framework for developing realistic closure plans.

Progress in 2010

In 2010, a significant amount of work focused on updating closure plans and reviewing closure costs for existing mines. A full review of closure costs and trends in costs over time was also undertaken.

The most substantive biophysical closure planning has taken place at DBCM and Namdeb operations because these are mostly older mines within our portfolio. A new tool was developed for Venetia Mine to track actions and apply clear accountabilities associated costs related to concurrent rehabilitation requirements and rehabilitation for the end of life of mine.

At Namaqualand mines, where production has ceased, extensive earthmoving and ecological rehabilitation continues to address the rehabilitation footprint from decades of mining.

Debswana will make improvements to various aspects of mine closure plans in 2011. The plans, originally developed in 2004/2005, have been benchmarked against the Anglo American Closure Toolkit to highlight areas for improvement.

Our Environmental Standard on Lifecycle Planning requires all operations to establish closure plans at the right level of resolution for the remaining life of mine. The Standard also requires concurrent or progressive rehabilitation throughout the life of mine, which is essential to ensuring lifetime closure costs are minimised.

Rehabilitation

Rehabilitation is an ongoing process at all mines, but is especially relevant at Namdeb's land-based operations, and DBCM's Namaqualand Mine, which have large footprints from many decades of mining.

Namdeb

In 2010, rehabilitation plans continued to move forward at Namdeb. The plans seek to address the legacy of 100 years of mining, much of which took place prior to any form of environmental management. The plan addresses four key issues:

- Pollution;
- Infrastructure;
- Landscape; and
- Biodiversity.

The rehabilitation plan makes provision for the reshaping of landforms on 24% of Namdeb's footprint, as well as active revegetation of 7% of its footprint.

Progress towards the proclamation of the closed mining town of Oranjemund continued in 2010 and it is expected that Oranjemund will be proclaimed as a municipal town in 2011 (see p72).

Namaqualand

Extensive rehabilitation has been undertaken in the Namaqualand region of South Africa over the past few years with guidance from an independent ecological expert.

Alternative land uses are being considered in place of full rehabilitation. These include tourism and mariculture projects, wind power generation and the expansion of oyster and abalone farming.

It is also hoped that the two mining towns of Kleinzee and Koingaas will be proclaimed. This will allow them to become open municipal towns, making housing and facilities available to the public and increasing opportunities for alternative economic development.

Marine

Large-scale marine diamond mining has been taking place for over two decades in Namibia and for a few years in South Africa. Offshore environmental monitoring programmes have been in place over this time.

In late 2010, we conducted a review of our monitoring programmes with internal specialists and external marine biologists that have experience in assessing the impacts of marine mining. Key outcomes of the review were:

- In the marine environment active rehabilitation is not possible, so activities need to focus on monitoring the direct (sediment removal) and indirect (plume) impacts of mining and the associated recovery of sediments and marine life;
- Unlike land-based mining and rehabilitation, in the marine environment there is continued indirect influence from mining in adjacent areas;
- With a high level of natural variability in the mining areas the review found it difficult to draw firm conclusions about recovery;
- There is a significant historical dataset but more information on recovery may be gained by evaluating the full-time series of data as a whole;

The review demonstrated that after mining there is:

  - Natural infilling of the mined areas which creates a habitat for recolonisation by marine life; and
  - Marine life exists in previously mined areas but the community structure is different; and
  - There is much data that should be published in the scientific literature to contribute to biodiversity knowledge.

Lifecycle planning objectives for 2011

As a result of the review we have developed a set of objectives and associated actions for 2011:

- Full implementation of the Lifecycle Planning Standard covering all aspects from exploration through projects, operations and closure;
- Maintaining ISO 14001 certified EMS at all operations that demonstrate continual improvement; and
- Ensuring integrated closure plans are in place at all mining operations at the right level of resolution.

A *Local flora, Orapa Mine*
B *Environmental monitoring at rehabilitated dump site, Venetia Mine*

Promotion and maintenance of biodiversity and ecosystems

Risk: Many of our operations are in sensitive or biologically diverse environments. Managing biodiversity is rarely straightforward and requires that we take a sophisticated, ecosystems-based approach.

Biodiversity is arguably our most significant environmental issue. Much of our mining footprint covers sensitive, biologically diverse environments. As a result, we place particular focus on biodiversity in our environmental planning and impact management. Risks are identified during exploration and included in all Environmental Impact Assessments (EIA) and Environmental Management Plans (EMP) during project planning and operation phases.

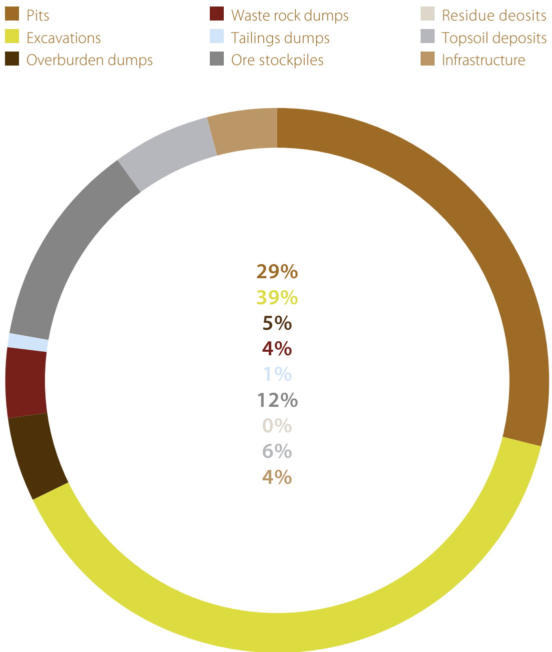
Our mining footprint

Our land-based mining licences cover 939,593 hectares (ha), only 39,000 ha of which (4.2%) is disturbed by our actual mining footprint. We have set aside over 231,112 ha, or one quarter, of our licence area for conservation, an area almost six times larger than the land area disturbed by our mining activities.

Land set aside for conservation includes properties that form part of the Diamond Route, an initiative that promotes research opportunities, biodiversity conservation and community initiatives on properties belonging to the Oppenheimer family and De Beers (see p92-93).

Fig. 29

Our mining footprint, 2010 (ha)



Biodiversity Action Plans

During 2010, we continued a focus on the development of Biodiversity Action Plans (BAP) across all of our operations. BAP are used to develop a coordinated approach to biodiversity stewardship, supported by management objectives and actions.

The BAP provide a clear framework for defining actions and monitoring and reviewing impacts that affect biodiversity. They provide opportunities to improve communication and cooperation with stakeholders, including NGOs, and strengthen our strategic contribution towards biodiversity conservation.

Biodiversity Overlap Assessment

Our annual Biodiversity Overlap Assessment (BOA) assesses the high-level risks of our activities on biodiversity. It identifies the extent to which our operating areas overlap with protected areas, key biodiversity areas and World Heritage Sites.

Biodiversity is arguably our most significant environmental issue. Much of our mining footprint covers sensitive, biologically diverse environments. As a result, we place particular focus on biodiversity in our environmental planning and impact management.

We first completed BOA for our sites in 2009 using up-to-date biodiversity information from the Integrated Biodiversity Assessment Tool for Business (IBAT), which was provided by a partnership of NGOs including BirdLife International, Conservation International and the International Union for Conservation of Nature (IUCN). In 2010, we repeated the BOA, but as there were no changes to the IBAT database, we only mapped changes to our ground holdings, some of which have been reduced. The results were the same as the original overlay process, showing that we do not mine in any known IUCN Category I–IV protected areas.

Our Venetia Mine does have water abstraction points and a water pipeline that runs through a section of the Mapungubwe National Park and World Heritage Cultural Landscape. The EIA and infrastructure developments for Venetia, however, were completed before the proclamation of the National Park and World Heritage Site.

Some exploration licences overlap with portions of known IUCN Category I–IV Protected Areas in South Africa, Namibia, Angola and India. Due either to the protected status of the land or the location of sites of interest from an exploration perspective, prospecting activities are not conducted on these overlap areas.

www.iucn.org
www.ibatforbusiness.org
www.birdlife.org
www.conservation.org
www.unep-wcmc.org

Biodiversity objectives for 2011

We plan to focus on the following activities in 2011:

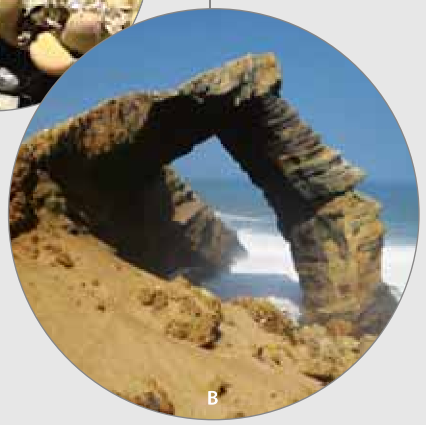
- Finalising BAPs for all mining operations and implementing these through integration with our existing EMS;
- Assessing the status with respect to no net loss of biodiversity at three existing operations; and
- Integrating no net loss of biodiversity as an objective for new projects.

Promoting biodiversity

Biodiversity sits right at the heart of De Beers' approach to environmental stewardship.

As early as 1888, De Beers started to regulate the properties it owned around the iconic Kimberley diamond mine, with a view to protecting the indigenous fauna and flora in the area. Our current efforts build on this long history of conservation in southern Africa.

A partnership approach is central to our efforts to protect and promote biodiversity both in and beyond our areas of operation. We work alongside local and international NGOs and communities to support environmental education, scientific research and sustainable tourism initiatives.



Sperrgebiet National Park, Namibia
Namdeb's mining operations sit within the Sperrgebiet National Park, covering just 5% of the total area. An arid biodiversity hotspot, the Park has a diverse range of flora and fauna, birds and wildlife.

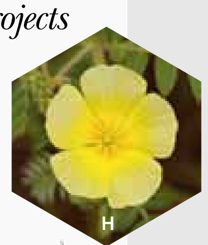
Marine mining, south-west African Coast
The only company in the world to conduct offshore diamond mining, De Beers contributes to scientific understand of marine life and biodiversity along the west coast of southern Africa.

CASE STUDY:
The Diamond Route
The Diamond Route is a cross-provincial, multi-site tourism route that covers nine sites across southern Africa. A partnership initiative between De Beers, E Oppenheimer & Son and Ponahalo Holdings, it aims to promote local economic development through tourism and education and promote biodiversity through active conservation and vital scientific research. In 2010, the Diamond Route was winner of the overall sustainability category of the Nedbank Green Mining Awards.

261 *permanent jobs created*

30 *organisations taking part*

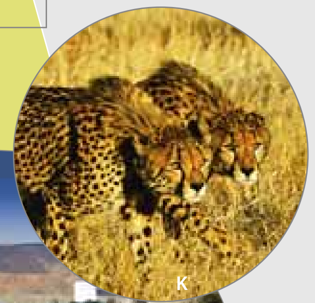
120 *research projects conducted*



THE DIAMOND ROUTE

Our mining footprint

Orapa Game Park, Botswana
Originally a cattle-grazing and recreational area, the 22,000 hectare park is now home to diverse wildlife.



Jwana Game Park, Botswana
The 17,000 hectare Game Park, located within the boundaries of the Jwaneng Mining lease, hosts a field unit for Cheetah Conservation Botswana.

"We were impressed with the fact that this programme goes beyond mere conservation and research by making the sites accessible to all, for the benefit of all – thus providing an excellent example of sustainability."

Nedbank Green Mining Awards, 2010, talking about the Diamond Route

A, B *Indigenous flora, and Bogenfels (Elbow Rock), a landmark in the Sperrgebiet.*
C *Sea anemone.*
D *Vehicles touring the Diamond Route.*
E *Meerkats.*
F *A Bird Guide at Brenthurst Gardens.*
G *Elephant at the Venetia Limpopo Nature Reserve.*
H *Yellow acacia thorn flower, indigenous to northern South Africa.*
I, J *Kori bustard and giraffe at Orapa Game Park.*
K, L *Cheetahs, eland and springbok at Jwana Game Park.*

Appendix: Improving our sustainability performance

We engage with stakeholders on our sustainability performance management at a group level in two formal processes on an annual basis. The insight, recommendations and constructive criticism we receive through the Managers Perception Survey and the Multi-Stakeholder Forum, shape our sustainability management strategy and practice. In 2010, findings from the two processes particularly informed our approach to reporting (see Table 7, p95), and were used to identify and prioritise issues of concern to stakeholders (see Table 8, p95).

Multi-stakeholder Forum, 2010

We held our fourth Multi-stakeholder Forum in November 2010, inviting external experts to critique our sustainability reporting and approach and engage with senior management. Discussions focused on topics such as tackling the resource curse, policy development, biodiversity, corruption, and De Beers' role as an agent for community development in Africa. As with our previous reports, participants in the forum (see fact box) elected to present a series of questions regarding relevant and material issues instead of a formal assurance statement. Our answers to some of these questions are presented throughout this report in the boxes marked as 'Stakeholder questions'.

Managers' Perception Survey

Each year we implement a Managers' Perception Survey to learn more about how employees use our Report to Society and whether it covers the appropriate issues. Our 2010 survey was sent to over 90 employees, including those who contributed to the Report to Society 2009, as well as all senior leaders across the Family of Companies.

Diamond dialogues

De Beers has convened an ongoing series of 'Diamond Dialogues' since 2007, drawing together industry, civil society and policy actors to discuss key sustainability issues relevant to mining, development and Africa. Twelve dialogues have been held to date in Brussels, London, and Washington. In 2010, two dialogues were held in London, both focusing on the Kimberley Process. Issues of concern raised by stakeholders in these sessions also informed the material issues reported herein (see Table 8, p95).

Fact box:

Participants in the Multi-stakeholder Forum included representatives from:

Government
- UK Government's Department for International Development

NGO sector
- Fauna & Flora International
- Institute for Human Rights and Business
- WaterAid
- Transparency International

Sustainability service providers
- Pricewaterhouse Coopers
- Lifeworth Consulting Services
- Resource Consulting Services
- SGS

Media
- The Sunday Standard, Botswana

Table 7: Stakeholder feedback on reporting approach

	2010 Multi-stakeholder Forum	2010 Managers' Perception Survey
Aspects of the Report considered most useful/favourable		
Performance reporting	Breadth and detail of information provided	Presentation of data for reference
Management approach	Clarity and detail on approach, frank tone	Information on management practices, policies and position
Compliance and assurance	Space given to stakeholder questions and written statements	Adherence to global best practice standards
Reporting recommendations		
Tone	More accessible tone with a focus on opportunities as well as risks	Development of country-specific reports
Content	Provide greater context for companies' operations and impacts; Equal coverage of all De Beers' global operations; Increased focus on 'big issues', rather than just management issues	
Format and distribution	Make more concise and move online for increased access, to more effectively manage expectations on the part of stakeholders	Make more concise; Move to interactive, online format; Create easily transferable performance graphics for use in internal presentations
Performance reporting	Set and communicate performance targets and Key Performance Indicators; consider moving to integrated reporting of financial and sustainability performance	Provide short features/case studies covering key achievements
Management approach	Demonstrate the integrated management of issues and business practices via case studies and features. Show the linkages between issues (i.e. water as a social and environmental issue)	
Compliance and assurance	Clarify the role and nature of independent assurance providers	Adherence to global best practice standards

Table 8: Relevant and material issues identified through formal, group-level engagement with stakeholders in 2010

	Managers' Perception Survey	Diamond Dialogues	Multi-stakeholder Forum	Page in Report
Economics				
The role of government in enabling an environment for responsible business and social development		✔		20-25
Resource utilisation; Tackling the resource curse; Promotion of the Extractive Industries Transparency Initiative	✔		✔	25
The success and transferability of insights from beneficiation and contribution to development, particularly with reference to Angola			✔	26-30
Ethics				
Kickbacks and corruption, particularly the different forms of corruption beyond bribery. Ensuring the ethical integrity of partners	✔		✔	39-42
Emerging legislation and public policy engagement		✔	✔	42-45
Conflict diamonds and the Kimberley Process		✔	✔	37-38
Employees				
Employee strikes	✔			52-53
HIV/Aids treatment and advocacy role			✔	60-61
Communities				
Community engagement strategy and performance			✔	66-76
Partnering, including the challenges of multi-stakeholder initiatives			✔	66-76
Environment				
Environmental rehabilitation activities	✔			89-90
Water use and climate change policy			✔	83-86

First party assurance on internal audit and risk management

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

Internal Audit statement

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

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

Risk-based internal auditing

DBIA follows a prescriptive, documented risk-based audit methodology that culminates in its annual report on risk management, the internal control environment and governance to the Audit Committee. The audit plan is derived from the De Beers Enterprise Risk Management system. The Group Risk Champion consults on and assists with the facilitating risk management workshops at all levels to ensure a complete and appropriate risk management system. The risk management process collates information from value centres and offices globally to business units and ultimately to enterprise level. DBIA participates on the Principles Committee to ensure that good governance and risk management are appropriately applied.

Audit work includes a thorough review of internal systems, procedures and programmes of work for each business function and area of major business risk. DBIA also collates reports from managers on the integrity of internal controls, the safeguarding of assets and risk management, as well as ethical, social and environmental matters. It also considers reports produced by external assurance providers.

The DBIA annual report to the DBsa Audit Committee, which was submitted in February 2011, included the following opinion: "I can confirm that in my opinion the internal controls are adequate to ensure that the financial records may be relied on for preparing the reports to directors and shareholders, and for maintaining accountability for assets and liabilities. In my opinion, in all material instances, assets are adequately protected and used as intended with appropriate authorisation and all significant business risks have been identified and appropriate mitigating strategies are in place.

No matters have come to my attention during the year ended 31 December 2010 that indicate any breakdown of such magnitude has occurred in the functioning of these internal controls, procedures and system of the Group, which in my opinion, would affect the fairness of presentation of such reporting, and therefore financial decisions based thereon."

Best Practice Principles

In 2010, the scope of DBIA's review of the Best Practice Principles Assurance Programme (BPPs) was focused on ensuring that the programme continued to be supported by good governance. The scope also provided for consulting on the Responsible Jewellery Council (RJC) certification questions incorporated into the BPP workbook process.

Kimberley Process Compliance

The Kimberley Process is a joint government, diamond industry and civil society initiative that requires participants to certify diamond shipments are conflict free. Compliance with the Kimberley Process is a legal requirement for participating countries. A review of the fact-finding reports, issued by independent auditors, confirms that relevant business units comply with the requirements for De Beers to have its compliance with the Kimberley Process externally assessed.

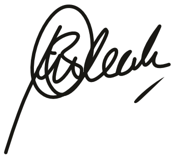
These reviews sought to assess De Beers' compliance with respect to the Kimberley Process Certification Scheme (KPCS) on the international trade in rough diamonds, in accordance with European Council Regulation (EC) No 1574/2005. The assessments related to the period commencing 1 January 2010 and ending 31 December 2010. The major Kimberley Process compliance criteria are also reviewed as part of the third-party verified BPP Assurance Programme. No material breaches or non-compliance with the Kimberley Process were identified in the 2010 BPP assurance cycle.

Implementation of the Anti-Money Laundering Policy

In 2006, De Beers developed and communicated a policy on Anti-Money Laundering and Combating the Financing of Terrorism. The policy reflects the deep-seated commitment of the Family of Companies to maintaining the continued confidence of its stakeholders and the integrity of its product. DBIA's 2010 review of the implementation and progress of the policy highlighted that all business units and applicable group functions have implemented the policy.

Integrated reporting

In November 2010, the DBsa Audit Committee updated its Terms of Reference to include a role for the Audit Committee in providing oversight of integrated reporting by DBsa. This was in response to the King Code of Governance for South Africa, otherwise known as the King III Report. This reflects a broader drive for the integrated reporting of financial and non-financial performance, to embed sustainability considerations into commercial practice. In 2011, the Audit Committee will reflect on the further steps towards integrated reporting undertaken in the 2010 Report to Society, including commissioning third-party assurance on the Summary Review (see p98-99).



Brian Cleak

Group Manager: Internal Audit
De Beers Corporate Headquarters
Johannesburg, South Africa, 11 May 2011

Fact box:

Independent Assurance of the Summary Review

We commissioned SGS United Kingdom Ltd (SGS) to conduct an independent assurance of the Report to Society 2010, Summary Review, the counterpart to this detailed Report. All the information contained in the Summary Review is drawn from this Report.

SGS evaluated the content of the Report to Society 2010, Summary Review according to the Global Reporting Initiative principles provided in the GRI G3 (2006) and AA1000AS (2008). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2010 data in accompanying tables, contained in the Summary Review.

The full assurance statement is provided on p56-57 of the Summary Review, available for download from www.debeersgroup.com/sustainability. In this statement, SGS provide the following opinion of the Summary Review:

'On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the Report to Society 2010, Summary Review verified is accurate, reliable and provides a fair and balanced representation of De Beers' sustainability activities in 2010.

The assurance team is of the opinion that the Report to Society 2010, Summary Review 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.'

Third party assurance on the BPP Assurance Programme

Statement from SGS on the De Beers Group 2010 cycle of the De Beers Best Practice Principles Assurance Programme (BPPs), including scope, work undertaken, the BPP programme, verification methodology, key findings and recommendations

SGS

Role of SGS in the BPP Programme

Appointment of SGS
Following a tender process beginning in April 2003, SGS was invited to present their proposal and following responses to additional information were advised of their selection as the verification partner in July 2003.

SGS is the world's largest independent verification and certification organisation and has no commercial interests. SGS continues to maintain a vigilant system to ensure that conflicts of interest do not arise through the provision of additional services to Sightholders or the De Beers Family. This has been supplemented by further safeguards since SGS gained accreditation as a Certification Body for the Responsible Jewellery Council who also has interests in this regard.

Scope of work and evolution of programme
2010 saw the continuation of the SMART system and the associated risk-based approach. In parallel, work began on aligning the programme to the requirements of the Responsible Jewellery Council (RJC) Principles and Code and some evaluations were undertaken of De Beers own sites incorporating these questions.

The scope of work undertaken by SGS as the BPP verifier for the 2010 cycle comprised the following:

- Desktop review of a sample of the workbooks submitted by Sightholders and those submitted by the De Beers Family of Companies. This process verifies that all required workbooks have been submitted; that all questions have been answered; that the responses to the questions support the compliance status declared in each case and to test that conclusion by requesting supporting evidence on a random number of questions.
- Verification visits on up to 10% of the declared facilities to check that the original first party assessments have been undertaken thoroughly both by discussing this with the assessor and by seeking first-hand evidence of compliance with the issues concerned.
- An unannounced audit to follow-up on previous findings from the extraordinary visit in 2009 and review further allegations of serious breaches at one of the Sightholder's facilities.
- Provision of information relating to the compliance status of Sightholders' and De Beers' facilities and details of any significant issues. This information is provided in accordance with the confidentiality requirements imposed by the Supplier of Choice Ombudsman.
- Assistance in updating the SMART system to align this to the RJC Principles and Code of Practice.

Work undertaken on De Beers group facilities
80 workbooks were submitted across all eligible De Beers facilities including 8 for contractors.

Twenty reviews were conducted and completed during the cycle. 5 verification visits were also completed with 3 carried forward to the start of 2011 due to problems in gaining security clearance in time.

The BPP programme
The Best Practice Principles continue to remain in line with major international standards and accepted Best Practice for CSR and business partner evaluation. This has been further ensured by the work to align the programme to the RJC Principles and Code of Practice.

The De Beers Family of Companies has continued to submit self-audits in line with the agreed deadlines and that any necessary corrective action plans are completed in a timely manner. This has included working with their contractors to ensure that they also meet their requirements.

Verification methodology
The verification process is undertaken in 3 stages:

- In the country of operation, workbooks are reviewed by a qualified Social Accountability auditor, cross-trained in Environmental Management and briefed on the requirements of the Best Practice Principles.
- Local reviews are then submitted to a central review point where these are crosschecked to ensure consistency by country and key points.
- An average sample of 10% of facilities is selected centrally for onsite verification to check the effectiveness of the first party assessments and to evaluate at first-hand the situation on the ground.

For Sightholders, there were no significant changes to the question sets or the risk assessment approach. For the De Beers Family the workbook was updated to include relevant elements from the RJC Principles and Code of Practice so as to begin to raise awareness of the additional requirements in preparation for future certification.

Key findings
Workbooks were all received within the required timescales. Due to the changes in key personnel within the De Beers companies there were some delays in providing the additional evidence requested to test responses and as a result verification for some workbooks had to be based on the business' declarations.

The facilities to visit were selected on a risk-based approach informed by experience from previous cycles.

Most infringements in the De Beers facilities found in the course of previous cycles have been rectified with evidence of implementation verified either onsite or through the workbooks. Corrective action plans have been received for the small number of Minor infringements found.

Overall summary

There were no Material Breaches identified during first or third party assessments.

A few Major Breaches were identified at one facility relating to the implementation of the BPPs onsite but corrective actions have been submitted promptly and are being embedded to enable these breaches to be closed out.

Policies and procedures are now generally embedded into normal operations for De Beers facilities and commitment to continuous improvement is evidenced by the desire to broaden the scope to include the additional requirements set by the forthcoming certification.

Recommendations for future development

The programme continues to develop and in line with a continuous improvement approach feedback is sought consistently from Sightholders to improve the reporting and value-add from the verification programme.

During 2011, Sightholders who are also members of the RJC will have the opportunity to undergo a combined BPP/RJC verification which can lead to a Recommendation for Certification against that programme.

In preparation for RJC certification, there will also be a number of pilot audits at De Beers facilities to test the extent to which they are already operating in line with any added requirements of that programme.

Effie Marinos

SGS United Kingdom Ltd
25 March 2011

WWW.UK.SGS.COM

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 Family of Companies is committed to operating in accordance with national legislation and towards the goal of sustainable development. This means ensuring that we consider and take responsibility for the longer term economic, social and environmental implications of the decisions we make today – not only for our own business but also for the broader societies in which we operate. We will work with our partners in government to ensure that diamonds, a finite resource, are transformed into economic wealth and improved quality of life and wellbeing for all those stakeholders touched by our business along the diamond pipeline.

Diamond dreams and development
We will work to address the poverty and socio-economic deprivation that affects many of the communities where we operate. We will work with governments to help realise their long term visions and, through education, training and shared decision-making, to ensure the success of programmes that help build the capabilities of their citizens. In particular, we will partner with our stakeholders to address the priority of HIV and Aids. We will also work meticulously through the Kimberley Process, the industry's System of Warranties, and our Principles to ensure conflict diamonds are eliminated from world diamond flows.

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

Acknowledgments

Prepared and produced by the De Beers Family of Companies in partnership with Salterbaxter.
Designed by Salterbaxter

Acronyms

ART	Anti-Retroviral Treatment
BAP	Biodiversity Action Plans
BEE	Black Economic Empowerment
BPPs	De Beers Best Practice Principles Assurance Programme
CAPs	Corrective Action Plans
CSIR	Council for Scientific and Industrial Research (CSIR)
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 Hygiene, Health and Safety
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
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
GRN	Government of the Republic of Namibia
GRI	Global Reporting Initiative
HCT	HIV Counselling and Testing
HF	Hydrofluoric Acid
IBA	Impact Benefit Agreement
ICMM	International Council on Mining and Metals
KPCS/KP	Kimberley Process Certification Scheme
LEAP	Living Edge of Africa Project
LTIFR	Lost Time Injury Frequency Rate
LTISR	Lost Time Injury Severity Rate
NDTC	Namibia Diamond Trading Company
NGO	Non-governmental organisation
NIOH	National Institute for Occupational Health
OHSAS	Occupational Health and Safety Assessment Series
OIFR	Occupational Illness Frequency Rate
PACI	Partnership Against Corruption Initiative
PICT	Provider Initiated Counselling and Testing
PPF	Peace Parks Foundation
PWP	Polished Wholesale Price
RJC	Responsible Jewellery Council
SEAT	Socio-Economic Assessment Toolbox
SIA	Social Impact Assessment
SLP	Social and Labour Plan
SMEs	Small and medium-sized enterprises
SRMP	Safety Risk Management programme
UNGC	United Nations Global Compact

Whistleblowing hotline

The De Beers Family 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;
- Miscarriage of justice;
- Any conduct contrary to the De Beers ethical principles; and
- 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 applicable country number below. All calls are anonymous and toll-free.

De Beers – South Africa	0800 003 518
De Beers – Namibia	0800 003 518 or 061 309058
De Beers – Botswana	71119753 (Mascom)
De Beers – United Kingdom	0808 234 2168
De Beers – Canada	18664511590
De Beers – Israel	1809455111
De Beers – Japan	00531270008
De Beers – Belgium	080075977
De Beers – Angola	+27 (0) 31 571 5772
De Beers – DRC	+27 (0) 31 571 5773
De Beers – India	+27 (0) 31 571 5775
De Beers – China	+27 (0) 31 571 5776

In writing

In writing, with details regarding the background and history of the information being disclosed, giving names, dates and places where possible. Disclosures made in writing should be posted to:

South Africa (FreePost)
KZN 138,
Umhlanga Rocks
4320,
South Africa

Other countries (postage not paid)
KZN 774,
Umhlanga Rocks
4320,
South Africa

Email, website and fax

Written disclosures may also be submitted via:

Email: debeers@tip-offs.com
Website: www.tip-offs.com
Fax: South Africa 0800 00 77 88
International +27 (0) 31 560 7395

Extended contacts

Luxembourg

De Beers Société Anonyme
BP591, L-2014
Luxembourg

Tel: +352 (0) 264 8711
Fax: +352 (0) 264 871 303

Angola

De Beers Angola Holdings
Caixa Postal nº 4031
Luanda

Tel: +244 (0) 222 63 8800
Fax: +244 (0) 222 63 8801

Botswana

De Beers Holdings Botswana
PO Box 404331
Gaborone

Tel: +267 (0) 390 2991
Fax: +267 (0) 395 9106

Debswana Diamond Company
PO Box 329
Gaborone

Tel: +267 (0) 361 4200
Fax: +267 (0) 395 2941/6110

Diamond Trading Company Botswana
Private Bag 0074
Gaborone

Tel: +267 (0) 364 9000
Fax: +267 (0) 364 9999

Canada

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250 Ferrand Drive
Suite 900, Toronto
Ontario, M3C 3G8

Tel: +1 (0) 416 645 1710
Fax: +1 (0) 416 429 2462

India

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Advanced Business Centre
83 Maker Chambers VI
Nariman Point, 400 021
Mumbai

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Fax: +91 (0) 22 2283 2823

Namibia

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Namdeb
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Namibia Diamond Trading Company
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South Africa

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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:

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

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www.debeersgroup.com