Living UP TO DIAMONDS

REPORT TO SOCIETY 2010
SUMMARY REVIEW

DE BEERS
FAMILY OF COMPANIES

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
Full Report

Our GRI compliance table

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.

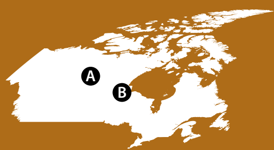
Our values are encapsulated by the concept of *Living up to Diamonds*. We aim to achieve this by making a lasting contribution to the communities in which our people live and work. In this Summary Review, we demonstrate how we live up to diamonds by addressing material risks along the entire diamond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

1 *Canada*

DE BEERS CANADA

100% owned.
Established 1998.

A Snap Lake
B Victor

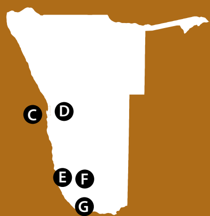


2 *Namibia**

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.

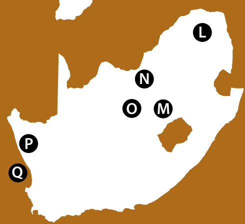
H Damtshaa
I Orapa
J Letlhakane
K Jwaneng

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 Summary Review, and its counterpart *Report to Society 2010: Living up to Diamonds*, 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.

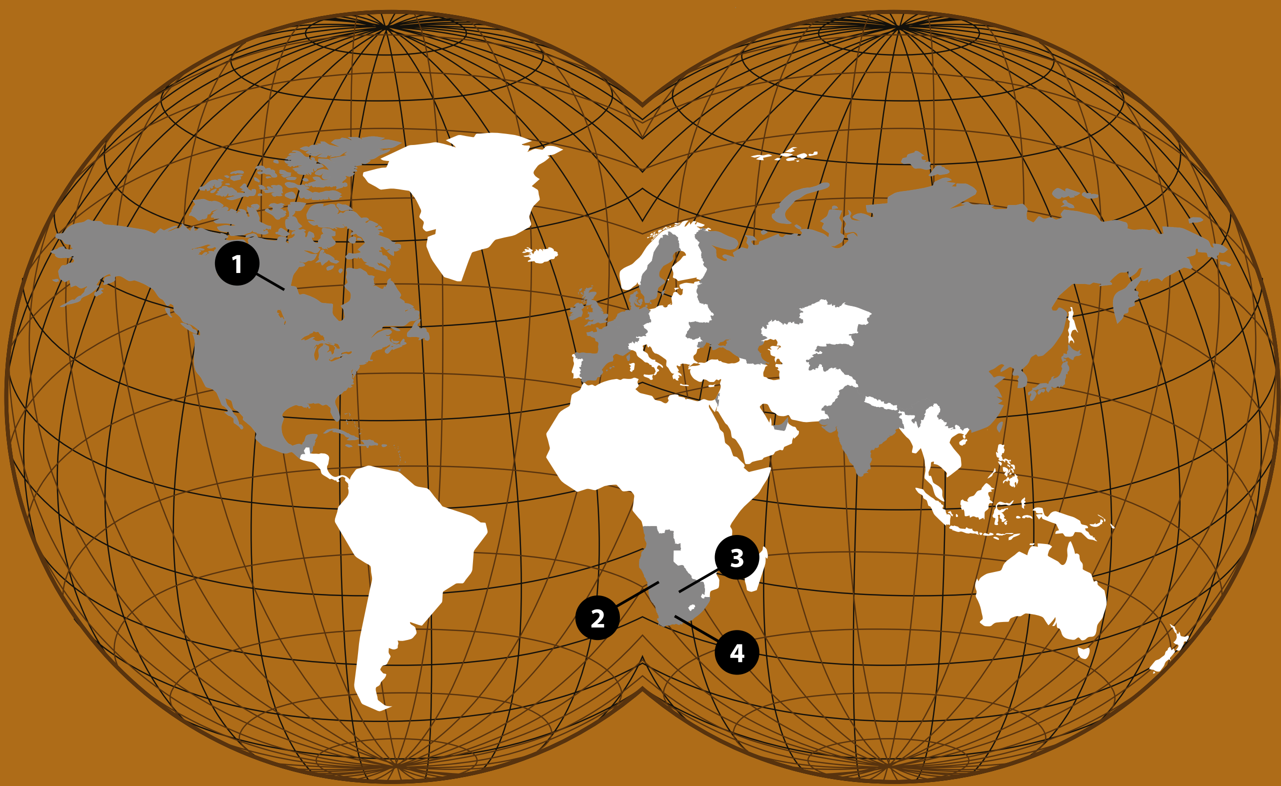
More information on De Beers' structure, operations and performance can be found in the 2010 Operating and Financial Review, available online or as a PDF download at:

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.

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.

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 diamond equity and consumer confidence in the integrity of our product.

The De Beers Family of Companies spans the diamond pipeline and impacts on many diverse stakeholder groups. As a result, our efforts to provide detailed and considered accounts of our sustainability performance have produced detailed annual Reports to Society. Following feedback from stakeholders we have prepared this shorter Summary Review of our sustainability performance in 2010. A comprehensive annual Report to Society is also available for download from the De Beers Group website.

This Review provides a concise overview of our performance in 2010 focusing on those issues that matter the most to our key stakeholder groups.

Sustainability performance
In 2010 the Family of Companies returned to positive growth following a difficult year in 2009. Improved demand for rough diamonds, coupled with our success in reducing costs across all our businesses, yielded very good financial results. This in turn realised significant benefits across our stakeholder base.

Because some sustainability-related roles were impacted in 2009 as we restructured the business in response to the economic downturn, we focused on managing sustainability with greater efficiency and effectiveness across the Family of Companies in 2010.

Over the course of the year, we refined our global sustainability risk identification and evaluation framework with the specific goal of assisting business units to allocate their resources more effectively to manage those risks that are of greatest consequence to our stakeholders and our business.

We also began the process of including sustainability criteria into a formal annual technical review process to provide a more detailed picture of how each of our operations are performing against some key sustainability criteria not covered within the existing Best Practice Principles assurance framework. We plan to assess a full complement of sustainability issues in the technical review process in 2011.

Safety
Having operated for two consecutive years without a fatality it is with great regret that we report that Mr. Rodney Becorney, a contractor, 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 across the Family of Companies to instil an effective 'zero-harm' safety culture across the business, these fatalities show that we still have some way to go, and that ensuring that our workplaces are safe for all of our employees must remain our highest priority.

The year ahead
We are gratified to see the recognition De Beers has received for its sustainability performance over the past few years. 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, and the appointment of new leadership for De Beers, we remain confident that the company will continue to be recognised for its commitment to 'live up to diamonds'.

Our sustainability timeline

2003
- Kimberley Process Certification Scheme comes into effect
- De Beers participates in the inaugural meeting of the Extractive Industries Transparency Initiative

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

2005
- De Beers joins the United Nations Global Compact
- Best Practice Principles Assurance Programme launched
- De Beers is a founding member of the Responsible Jewellery Council
- HIV/Aids strategy developed

2006
- Principles framework launched
- First annual sustainability report published
- Sale of 26% of DBCM to Black Economic Empowerment company Ponahalo
- Development of Energy and Climate Vision and Strategy

2007
- Beneficiation launched: Incorporation of DTC Botswana and Namibia DTC in partnership with each respective government
- Development and implementation of Environment, Community, Occupational Hygiene, Health and Safety policies
- Corruption Perception Survey implemented across the Family of Companies

"…we refined our global sustainability risk identification and evaluation framework with the specific goal of assisting business units to allocate their resources more effectively to manage those risks that are of greatest consequence to our stakeholders and our business."

Bruce Cleaver
Joint Acting CEO
De Beers

Stuart Brown
Joint Acting CEO
De Beers

2008

- DTC Botswana begins operations
- Launch of new Social Impact Guidelines
- Social and Labour Plans initiated in South Africa
- Implementation of Biodiversity Overlap Assessments and Action Plan
- Significant contractors included in the BPP Assurance Programme

2009

- Joined United Nations Global Compact CEO Water Mandate

2010

- The Diamond Route is awarded The Nedbank Capital Green Mining Award for sustainability
- De Beers Zimele enterprise development fund expands after success of pilot in 2009

2010 highlights

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

34%
increase in total carat production on 2009 levels.


A

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.


B

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.

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).

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).

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).

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).

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.

> *"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."*

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)

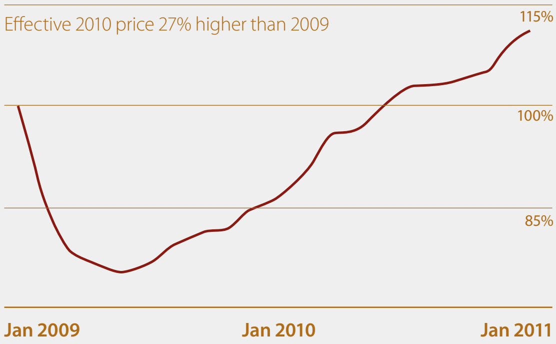


Fig. 2

Total carat production versus tonnes treated, 2008-2010

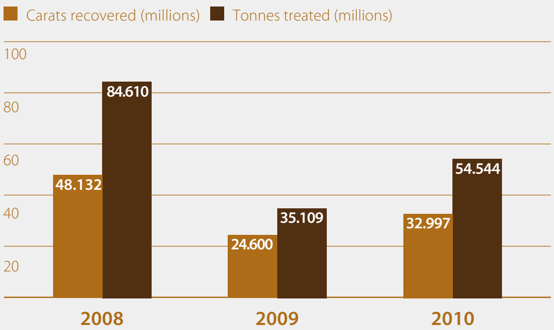
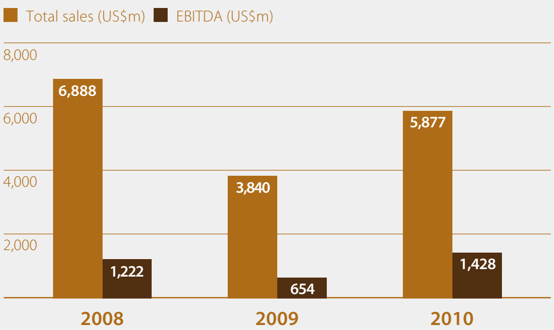


Fig. 3

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.

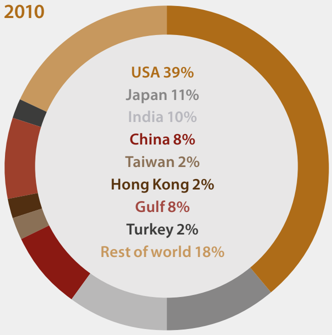
Further information on the approach of operations across the Family of Companies can be found in our Operating and Financial Review, available at

www.debeersgroup.com./ofr2010/index.html

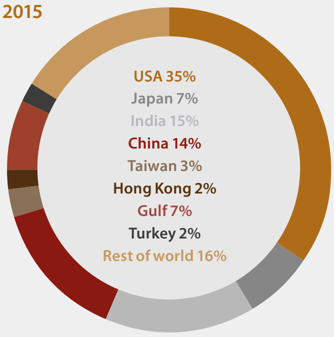
Fig. 4

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

2010



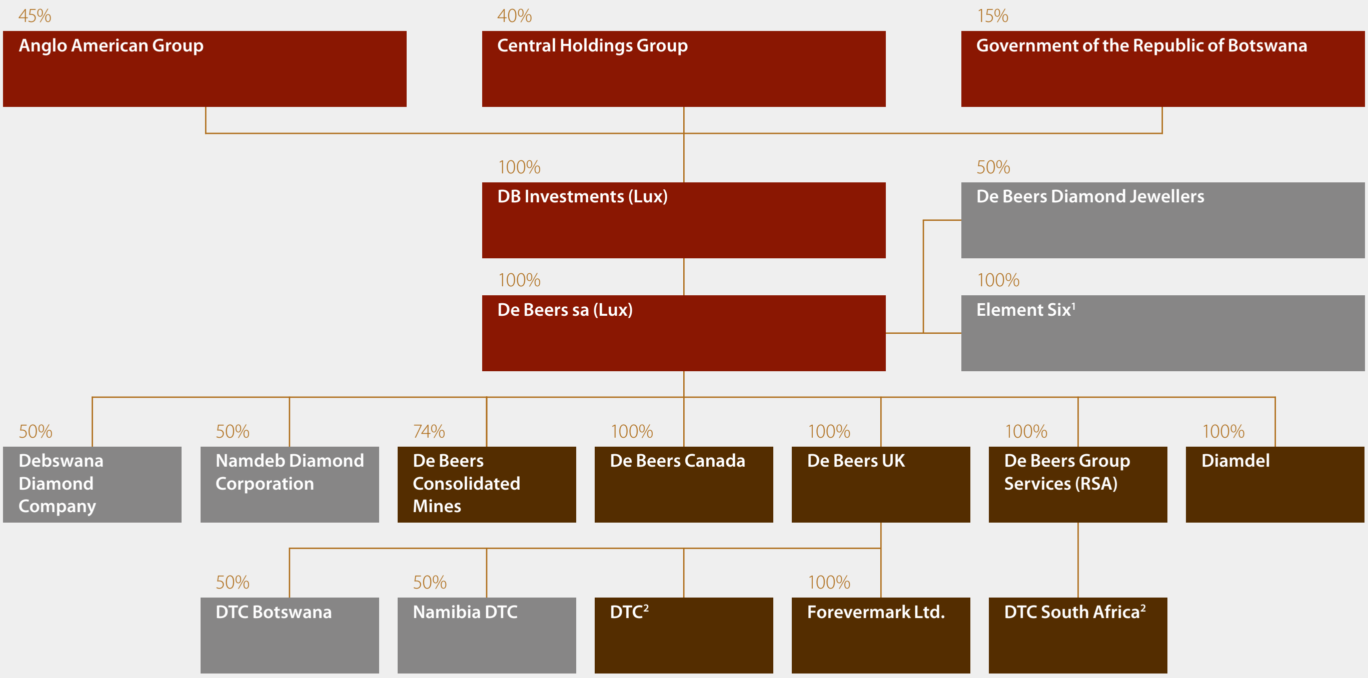
2015



Note: These figures provide estimates and forecasts of the size and growth of main diamond consumer markets based on pipeline and consumer research commissioned by De Beers 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

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 p10

Stakeholder engagement p12

Managing our sustainability risks p14

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 Summary Review 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 (p58) 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.

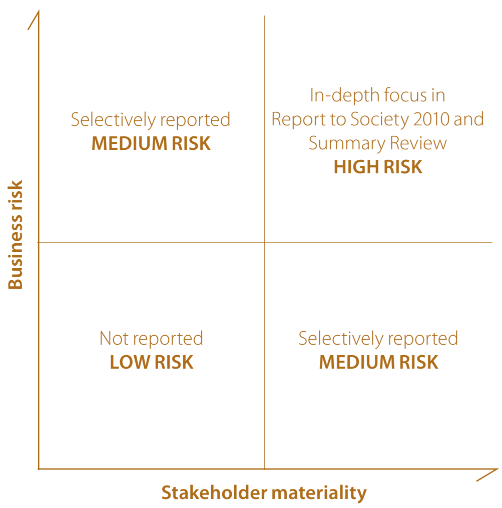
Reporting on our approach

In this Summary Review 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.[1] 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.[2]

Based on a range of stakeholder recommendations (see Appendix in Report), 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 a detailed Report to Society which is 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.

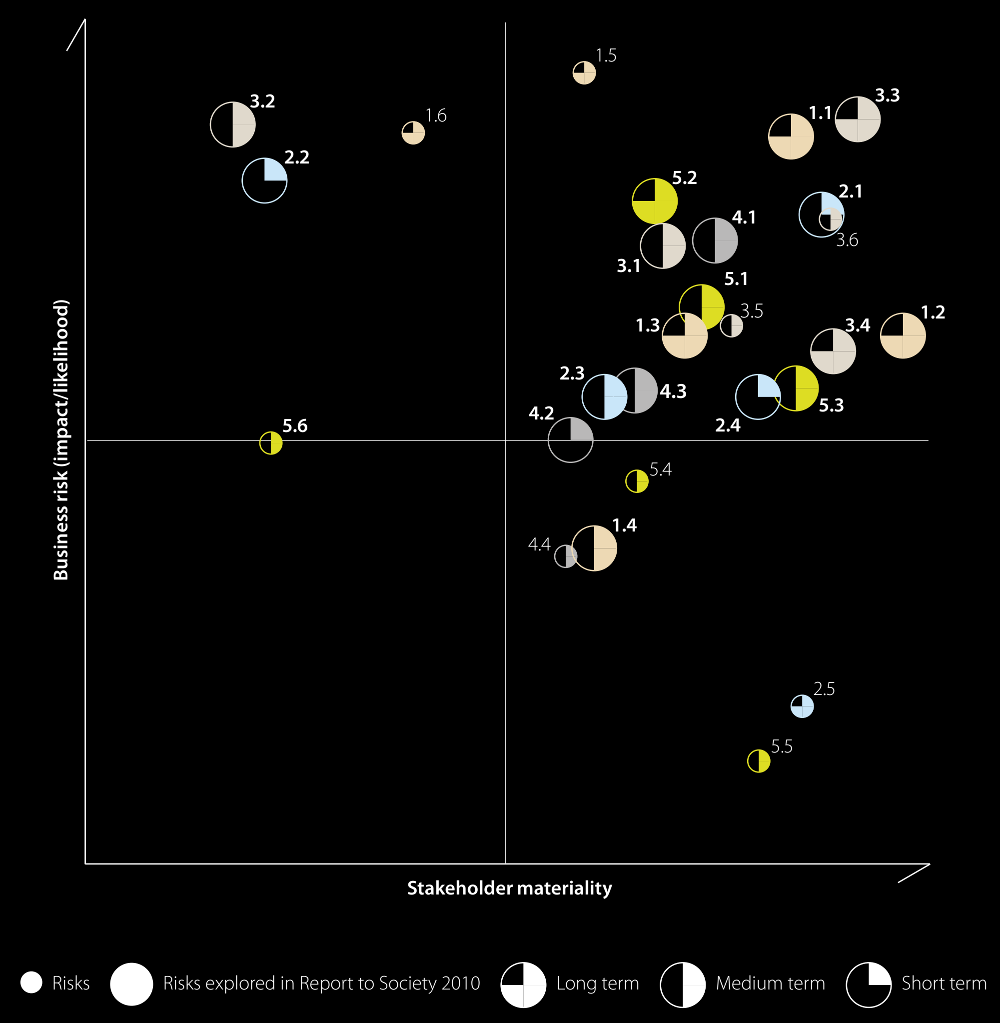
We are also taking a further step towards integrated reporting of financial and non-financial performance by including a summary of the Operating Highlights from 2010 in both the Report to Society and Summary Review. While we do not intend to move to a fully integrated annual report on our financial 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. With each of these steps we hope to stay at the forefront of sustainability and corporate reporting practice.

[1]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.

[2]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 Summary Review and the full Report to Society 2010.

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). 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 (p14-15), 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 in full Report). 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[1]

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

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

Internal

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

Local community

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

Industry

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[2]

Regional/National

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[3]

Global

[1] www.sanac.org.za , www.theglobalfund.org
[2] 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
[3] 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 Summary Review. 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.
- 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.

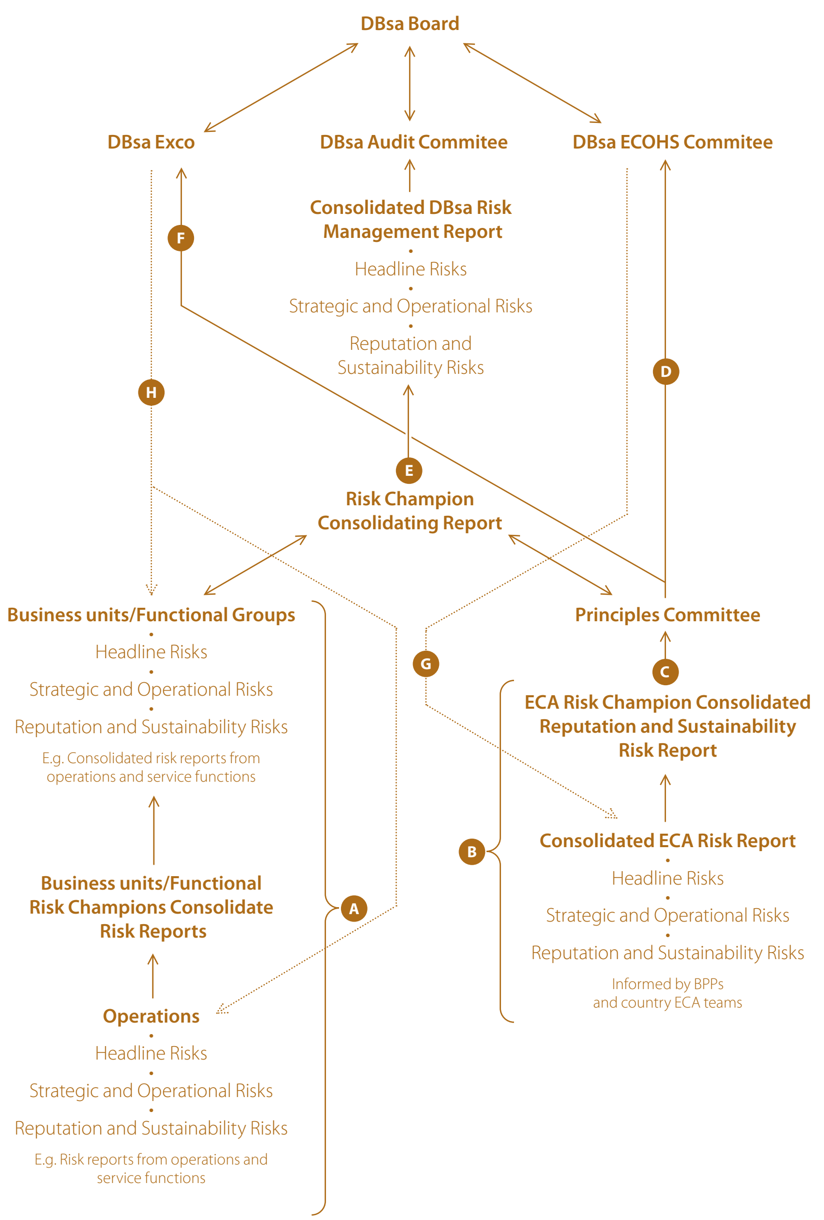
Risk review process
Two sustainability risk review cycles are undertaken across the Family of Companies each year. The sustainability risk management process is built on a systematic 'bottom-up' reporting process through which individual risk reports are submitted by each of our operations, by local 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 full Report).

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 (DB sa)(ExCo) for referral to the Board if necessary.

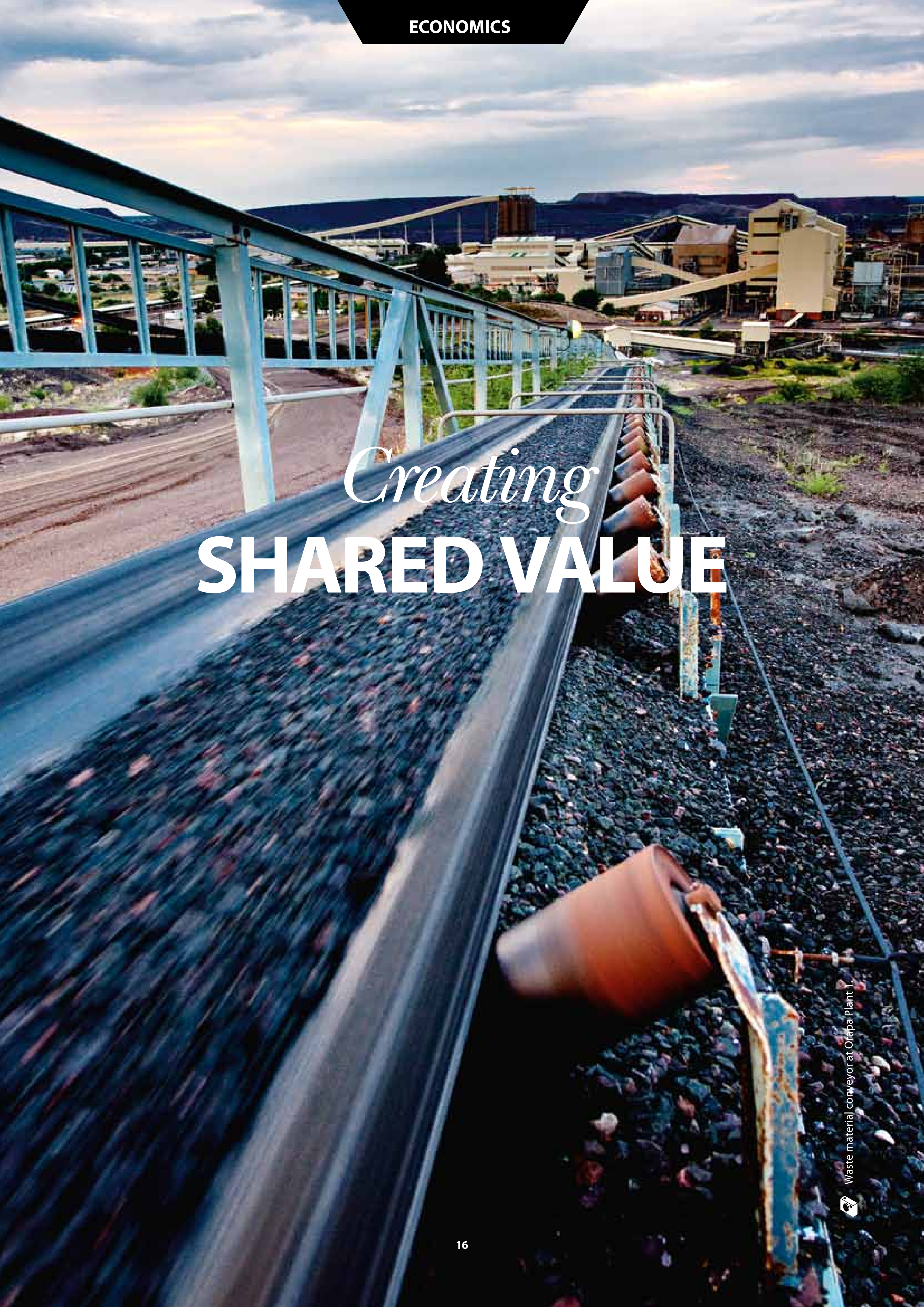
G External assurance providers are appointed, who submit their assurance reports to relevant discipline heads. Department heads and discipline principals put forward assurance recommendations and proposed mitigating actions to Principles Committee

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.

Identified economics risks

In this section we summarise our management approach to key Economics risks identified through our risk management and stakeholder engagement approach to reporting (see pages 9-15). These risks are:

- ◕ Maintaining value for producers
- ◕ Governance and revenue transparency
- ◕ Success of beneficiation
- ◑ Driving local growth, diversification and capacity building

For a more detailed discussion of our performance in 2010 in managing these risks, please refer to the full Report to Society, available at

www.debeersgroup.com

KEY: ◕ Long term ◑ Medium term ◔ Short term

Maintaining value for producers

Revenues from diamonds play a key role in driving economic development. In 2010, De Beers paid US$5.0 billion (2009: US$3.4 billion) or 85% of total sales, to governments, suppliers, employees, shareholders and other finance providers. A total of US$3.33 billion or 66.6% of diamond revenues was paid to stakeholders in Africa (2009: 64.4%).

These revenues represent our single biggest economic impact, providing a catalyst for activity and investment. 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.

Our role in developing economies

Our role in supporting economic development varies from country to country, depending on the nature of our operations and the structure of each country's economy.

Botswana

Botswana has the best record of economic development driven by natural resources in Africa. As the single largest industry in Botswana, diamond mining has generated revenues that enabled the rapid transformation of Botswana from one of Africa's poorest countries when it achieved independence in 1967, to one of Africa's richest per capita by the 1990s.

Diamond mining is also the primary source of government revenue, contributing around 30% of GDP and 80% of export earnings. Botswana is the world's largest diamond producer, delivering 21% of global output by value in 2010 (see Fig. 10 overleaf).

In addition to taxes and royalties from Debswana, a 50/50 joint venture between De Beers and the Government of the Republic of Botswana (GRB), the GRB receives dividend income from its 15% shareholding in De Beers sa, the holding company for the De Beers Family of Companies. This means that roughly four dollars out of every five generated by Debswana is accrued as government revenues to the people of Botswana.

We will continue this partnership with Cut-8, the US$3 billion extension to the Jwaneng Mine that commenced in 2010. Cut-8 will maintain current production levels well beyond 2015, and extend the life of mine to at least 2025 (see feature, p22-23).

Namibia

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

Namdeb is a 50/50 joint venture between De Beers and the Government of the Republic of Namibia. 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.

Marine mining also takes place in Namibia and is operated by De Beers Marine Namibia, which is jointly owned by De Beers and the Government of the Republic of Namibia. 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 land operations to 2050.

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). In 2010 our mining operation, DBCM, mined 7.6 million carats (2009: 4.8 million carats).

Although Canada accounts for about 14% of global rough diamond production by value, the sector plays a relatively minor national economic role due to the scale and diversified nature of the economy. In 2010 De Beers Canada mined 1.8 million carats (2009: 1.1 million carats).

In South Africa, we have sold or are selling a number of mining assets, including the sale of Jagersfontein Mine to a Black Economic Empowerment Consortium. 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 from late-life mines.

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

Governance and revenue transparency

Good governance and revenue transparency underpin the success of our partner governments in translating the shared value realised by our mining operations into lasting benefit. This has created a relatively stable and predictable long term operating environment that has in turn enabled our mining and downstream businesses to focus on 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.

Resource revenue transparency

In 2010, increased market confidence drove up sales. Our focus on seeking maximum value from every carat we produced in meeting this increase in demand also helped drive greater revenues and profit. Increased sales correlate directly to increased revenues for producer countries.

"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

Fig. 9

Payments to stakeholders, 2010 (US$ million)

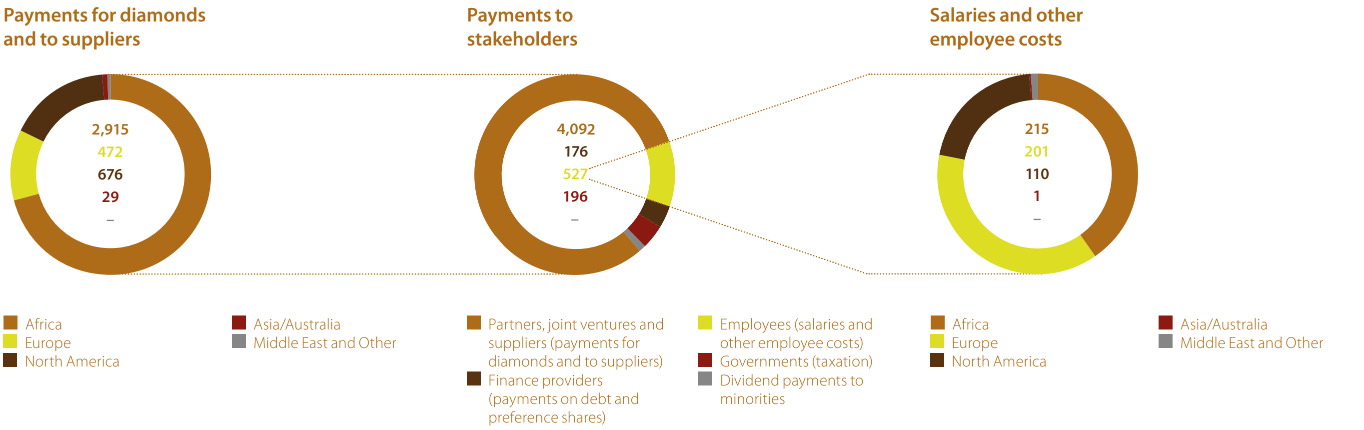
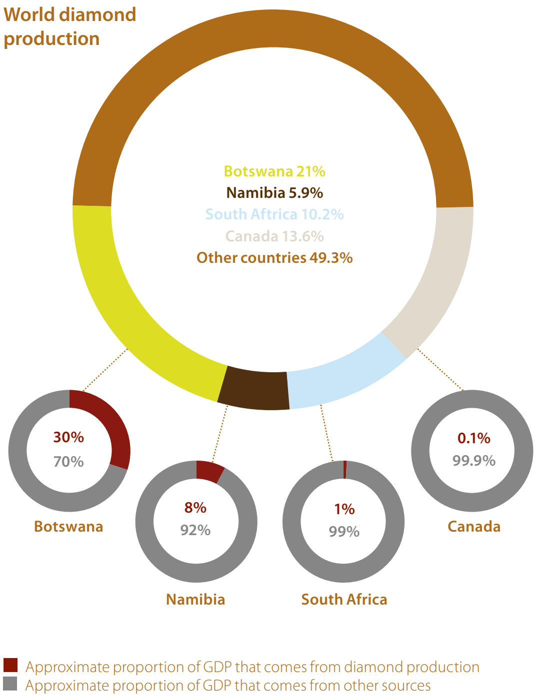


Fig. 10

The role of diamond production in our countries of operation



Note: 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.

Payments to governments

In 2010, we paid US$1.2 billion in taxes and royalties to governments. Of these payments, 93% (US$1.1 billion) were made to governments in Africa. 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. Although not members of EITI, all of the countries we operate in demonstrate high levels of transparency as reported by Transparency International.

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

Success of beneficiation

Beyond mining, our aim is to ensure that as many stages as possible of the diamond production process are conducted in each of the producing countries in which we operate, in order to create a sustainable platform from which a positive economic contribution can be made. Through beneficiation, we work with our government partners to ensure that more diamond processing activities take place in our producer countries in southern Africa and in Canada. These activities allow diamond producers to extract greater short term value from their existing resources, while simultaneously creating sustainable post-mining diamond economies.

Supporting beneficiation

To support beneficiation, a proportion of the diamonds we mine are offered for sale to Sightholders (the diamantaire clients of the Family of Companies) within our producer countries (see Fig. 11). These diamonds are then cut and polished within that country, adding significant value beyond the mining stage.

As well as aiming to extract maximum long term value from diamond assets, beneficiation promotes local job creation and skills development. It also stimulates further domestic investment from international business involved in later stages of the diamond pipeline.

The ultimate goal of beneficiation is to support the development of a diverse and broad based post-mining economy that will survive long beyond a producer country's finite diamond resources.

Fig. 11

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

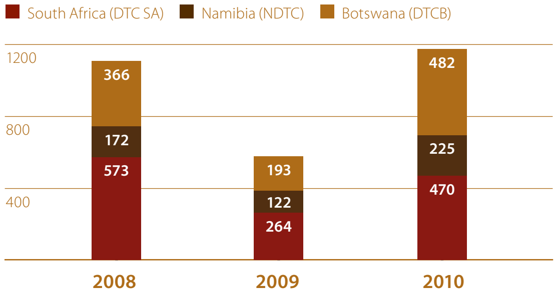
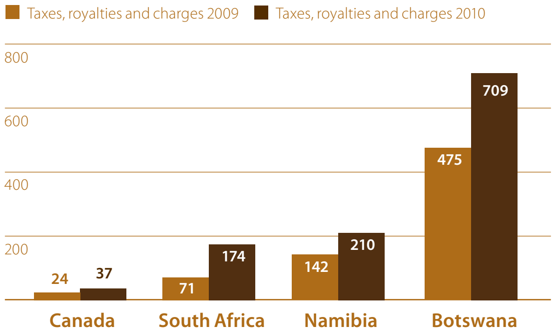


Fig. 12

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



Progress

The Diamond Trading Company (DTC), our sales and distribution arm, manages beneficiation, promoting and developing diamond-related activities in producer countries in alignment with our government partners.

Three locally established sales and distribution organisations drive our programme in southern Africa. DTC Botswana (a 50/50 joint venture with the government of Botswana), Namibia DTC (a 50/50 joint venture with the government of Namibia) and DTC South Africa (100% owned by De Beers). These organisations now supply 16, 10 and 13 Sightholders, respectively. In Canada beneficiation is managed directly by the DTC, which currently supplies rough diamonds for manufacture and provides marketing support to two Sightholder operations.

Each of these entities promotes in-country wealth creation and skills development by:

- Establishing their own domestic sorting and valuing operations;
- Making assortments of rough diamonds available to local Sightholders for manufacture in the producer country;
- Providing marketing support and expertise to local Sightholders.

Despite significantly increased sales levels over 2009, the lingering effects of the economic downturn led to the formal closure of one Sightholder in Canada's Northwest Territories and one Sightholder in Namibia.

Driving local growth, diversification and capacity building

While the revenues from our diamond operations have the most direct impact on the growth of our producer countries' economies, the other ways we support local economic development include:

- 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 success of our business therefore depends on finding a framework for mutual benefit, with the positive local impacts of our operations not only measured by revenues, but by the contributions of our operations in employment, capacity building and the development of infrastructure and institutions that extend beyond the life of mine.

Employment

At the end of 2010, the Family of Companies (with the exception of E6 and DBDJ) employed 13,477 personnel worldwide in our mining and sales operations. Almost 12,000 (around 90%) of these 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 (HDN) owned, empowered and influenced businesses	US$9 million	US$14 million*	US$3 million
South Africa	Historically Disadvantaged South African (HDSA) owned, empowered and influenced companies	US$271 million	US$182 million	US$272 million

*Please note figure includes procurement spend by De Beers Marine Namibia, which is not included in other years.

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 employment, economic diversification and the creation of alternative post-mining livelihoods.

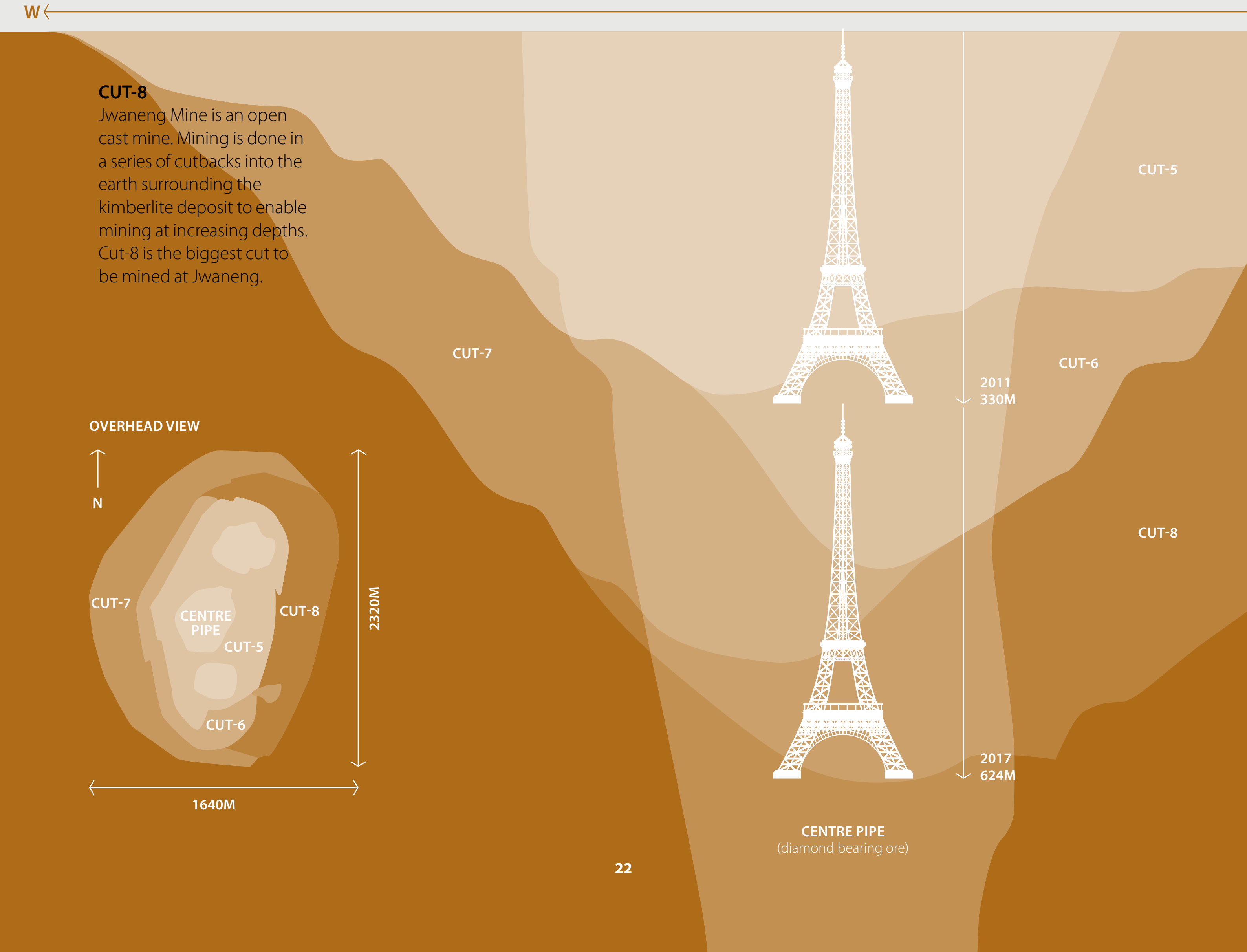
Jwaneng Cut-8

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



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.

"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.

E

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.

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.

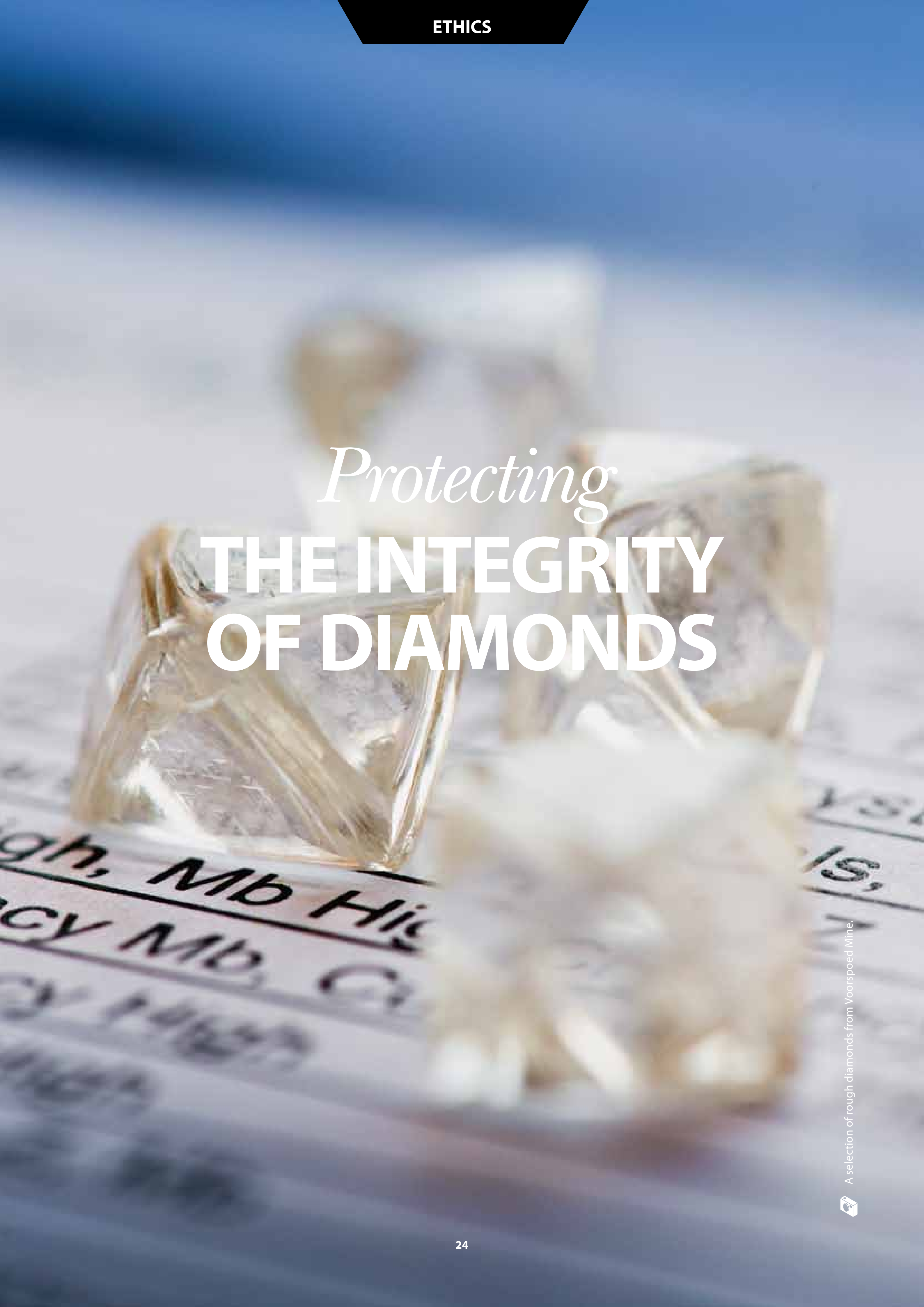
700 million tonnes

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 Certification Scheme 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.

Identified ethics risks

In this section we summarise our management approach to key Ethics risks identified through our risk management and stakeholder engagement approach to reporting (see pages 9-15). These risks are:

- Kimberley Process and System of Warranties credibility
- Product security
- Anti-corruption
- Maintaining pipeline and sector standards

For a more detailed discussion of our performance in 2010 in managing these risks, please refer to the full Report to Society, available at

www.debeersgroup.com

KEY: Long term Medium term Short term

Kimberley Process and System of Warranties credibility

Established in 2000 and implemented in 2003, the Kimberley Process Certification Scheme (Kimberley Process) 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."[1]

Providing assurance from export to point of sale

The Kimberley Process requires rough diamonds to be sealed in tamper-resistant containers and be 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 Kimberley Process, the World Diamond Council estimates that less than 1% of the global supply of rough diamonds originates from areas of conflict.

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

A challenging year

In 2010, issues associated with exports from Zimbabwe dominated events in the Kimberley Process. Other developments in the year included:

- Successful submission of annual reports by 47 participants representing 73 countries.
- Agreements and progress on non-compliance and certification issues in Ivory Coast, Venezuela and Guinea.
- Closer collaboration with other branches of government and international organisations, such as the World Customs Organisation, to enhance security and enforcement.
- Recognition of the need to clarify the relationship between human rights and implementation of the Kimberley Process.

[1] 1 UN Resolution 55/66, 2000, http://daccess-dds-ny.un.org

The Kimberley Process and Zimbabwe
Kimberley Process participants failed to reach a consensus on the export of diamonds from Zimbabwe's Marange Region in 2010.

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 Kimberley Process has been effective in preventing 'conflict diamonds' from being used to fund rebellions against legitimate governments. In recent years however the Kimberley Process 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 Kimberley Process members, some of whom argue that it opens the door for the politicisation of the Kimberley Process. They argue that Zimbabwe's treatment by the Kimberley Process demonstrates this. The Zimbabwe issue is the sternest challenge yet encountered by the Kimberley Process. Its eventual resolution will clearly have considerable influence in shaping the future of the Kimberley Process itself.

The Kimberley Process 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 Kimberley Process.

Supporting the Kimberley Process
All De Beers diamonds are certified conflict free and are produced in full compliance with national and international law, the Kimberley Process and our Best Practice Principles Assurance Programme (BPPs). Both an internal audit of our BPPs (see case study on p29) and an external audit of our relevant business units verified our 100% compliance in 2010.

While accepting that the Kimberley Process faces ongoing challenges, we remain deeply committed to the initiative and its positive development.

Product security

Product security and loss prevention were heightened risk areas for De Beers in 2010. The theft of product – rough diamonds – from our operations not only impairs our financial performance, but also reduces the revenues available to our producer governments to maximise the resource for sustainable development. The involvement of criminal syndicates in the illegal diamond trade also exposes our employees to coercion and facilitates the entry of diamonds into the illicit economy.

Assessing the risk
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 on p29).

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 invigorated 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, 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.

"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

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.

Anti-corruption

Corruption is recognised to be one of the world's greatest business challenges. It undermines good governance and the rule of law, distorts fair competition and hinders economic growth and development.

We explore for, mine and market diamonds in a number of countries that are independently recognised as having a high risk of corruption. 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.

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. Given the increasingly far-reaching legislation in the area of bribery and corruption, especially the UK Bribery Act, and the potential reputational impact of being implicated in corrupt activity, in 2010 we commenced a process of improving our already robust Anti-Corruption Programme even further by:

- Establishing an anti-corruption steering committee and working group;
- Revising the group policy on anti-corruption, which reiterates our zero tolerance approach to corruption.

To further mitigate corruption risks, the Family of Companies does not generally participate, directly or indirectly, in party politics, nor does it make payments to public officials (see stakeholder question).

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.

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

Whistleblowing

Employees are encouraged to report any activity that they believe is, or may be, unsafe, unethical, unlawful or otherwise contrary to our Values and Principles. In 2010, we started work on updating our reporting ('whistleblowing') policy and consolidated the provision of the reporting facility under a single service provider to facilitate better monitoring and management.

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.

We do not tolerate unethical or illegal behaviour and will dismiss individuals that breach our anti-corruption requirements. As a result of whistleblowing and independent internal investigations there were 710 internal investigations into alleged illegalities and/or breaches of the current Code of Business Conduct and Ethics at our operations in 2010, resulting in the dismissal of 132 employees (2009: 634 investigations, 165 dismissals*).

In 2011, ongoing activities include finalising and adopting new Group policies on anti-corruption and whistleblowing, undertaking corruption risk assessments, developing and enhancing existing procedures to help manage corruption risk, awareness-raising and providing training.

Maintaining pipeline and sector standards

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 Best Practice Principles Assurance Programme (BPPs).

A focus on continuous improvement

We developed the BPPs as a continually evolving standard with an intention to ensure that consumers buying diamond jewellery can rely on the professional, ethical and technical standards of the gem diamond industry. The BPP Requirements are based on local and international legislation and conventions and incorporate best practice measuring and reporting standards. The Programme protects against unacceptable ethical, social and environmental business practices that might undermine consumer confidence in diamond jewellery.

The BPPs apply to all De Beers' operations and, since 2005, to our customers, known as Sightholders. Complying with the BPPs and the Assurance Programme is a contractual requirement for Sightholders. The BPPs also apply to De Beers' and Sightholders' Significant Diamond Contractors. As a result, the BPPs cover almost a quarter of a million people globally who work in the diamond industry (see Fig. 13).

An independently assured programme

The BPP Assurance Programme ensures conformance to the BPPs by these entities. In this process all participating De Beers Group companies, Sightholders, DTC Accredited Businesses and contractors submit annual self-assessment workbooks outlining their conformance with the requirements of the BPPs. Our internal audit team also assesses conformance to the BPPs by all De Beers' companies each year. An independent third party verifier – Société Générale de Surveillance (SGS) – then undertakes desktop verification of a randomly selected sample of these workbooks (one third of total workbooks submitted on a yearly basis) and conducts onsite 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 entities within their Group. In 2010, 10% of these entities were assessed on average, equating to around 114 visits. All major infringements of the BPPs by Sightholder entities found in 2009 were closed during 2010 following corrective action procedures. 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). Major Infringements of health and safety requirements were also noted at Victor mine and corrective action plans were duly developed.

Promoting better practice across the industry

De Beers is a founding member of the Responsible Jewellery Council (RJC). The RJC is a not-for-profit membership organisation that aims to use the ethical standards members demand of themselves and those they do business with, to reinforce confidence across the diamond and gold jewellery supply chain.

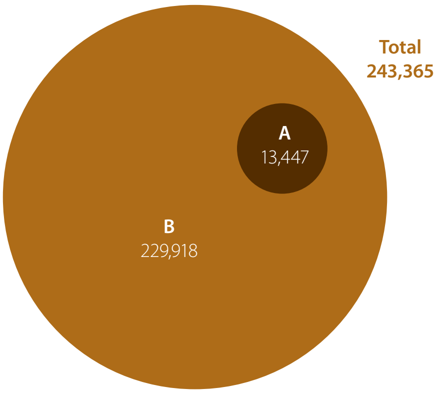
The RJC has developed a certification system for members for responsible ethical, social and environmental practices throughout the jewellery supply chain. In 2010, we integrated the requirements of the new RJC certification scheme into the BPP Assurance Programme, and provided all Sightholders with the option to participate in the RJC certification process through our bespoke in-house systems. As a mining entity, the Family of Companies aims to be RJC certified in 2012.

"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 Canada,
5 November 2010

Fig. 13

Best Practice Principles coverage



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

Case study: Product security

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 *Cutting and polishing facility, established by SAFDICO, Gaborone.*
B *Diamond shipment at the DTC, London.*
C *Rough diamonds being sorted from waste rock.*

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.

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.

Diamond Integrity

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.

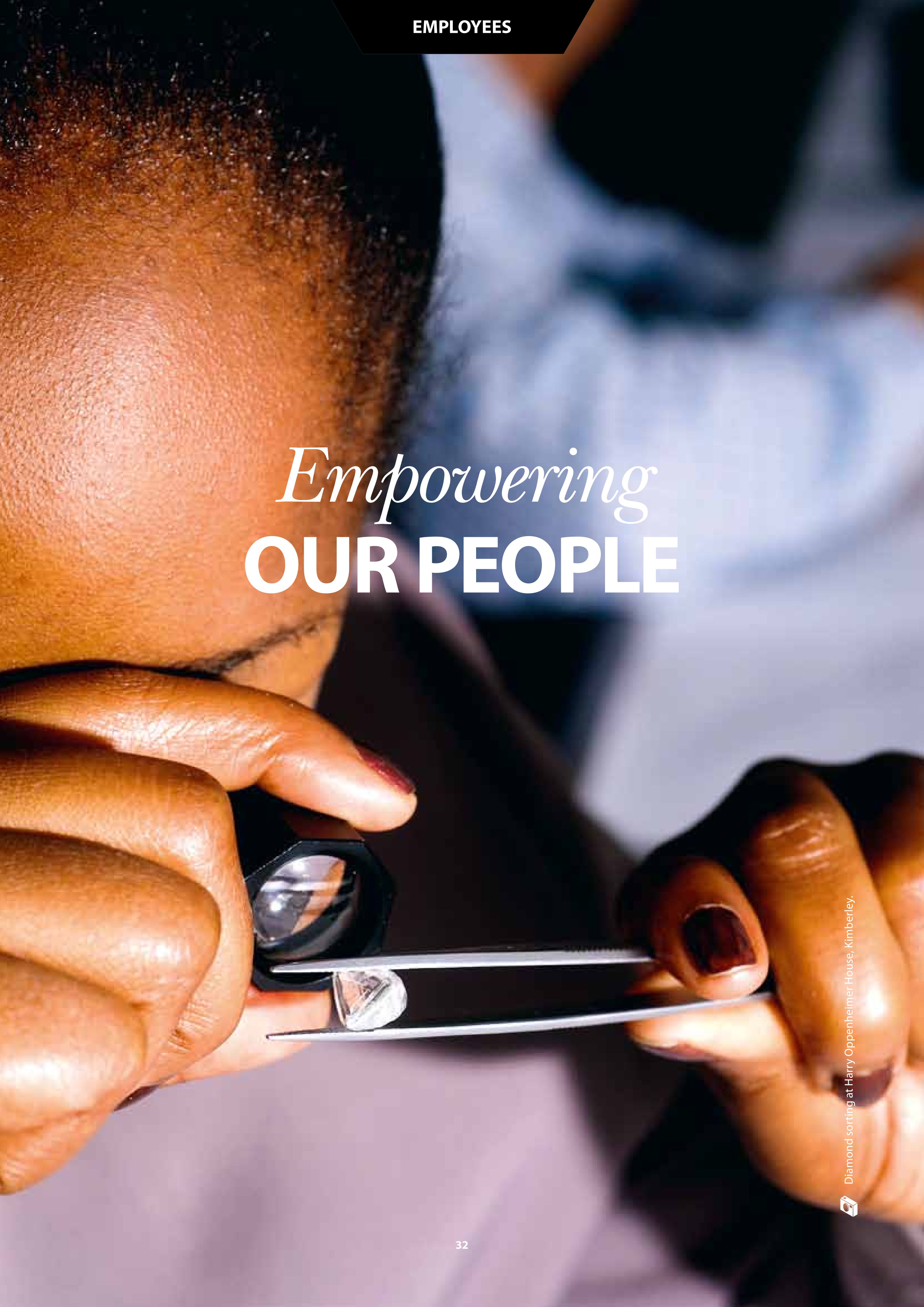
Every *Forevermark* Diamond partner must meet the *Forevermark* Pipeline Integrity Standard – a groundbreaking set of rigorous responsible sourcing standards for the diamond industry. Written in conjunction with the British Standards Institution, it incorporates the Kimberley Process Certification Scheme 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 take a shared 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 meeting national development goals by building local capacity in employing and developing local talent at all levels of the business. We also engage proactively with priority concerns such as HIV/Aids, Black Economic Empowerment, 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.

Identified employee risks

In this section we summarise our management approach to key Employee risks identified through our risk management and stakeholder engagement approach to reporting (see pages 9-15). These risks are:

- ◑ Managing changes to the size of the workforce
- ◑ Attracting and retaining talent
- ◕ Maintenance of health, safety and occupational hygiene standards
- ◕ HIV and Aids management

For a more detailed discussion of our performance in 2010 in managing these risks, please refer to the full Report to Society, available at

www.debeersgroup.com

KEY: ◕ Long term ◑ Medium term ◔ Short term

Managing changes to the size of the 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. 14), with a 23% reduction in the size of our workforce in 2009, primarily through retrenchment (see Fig. 16). The business has committed to maintaining roughly this level of headcount 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. 14), 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, such as those seen in 2008 and 2009. Staffing levels also fluctuate during the lifecycle of our mining operations and in response to 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 open channels of communication within the organisation through the development of an internal networking platform – 'Pipeline'. We also undertook an employee engagement survey to assess and review our employee value proposition.

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 of skilled and semi-skilled workers in our mining operations remained high in 2010, at 96% in Debswana, 89% at Namdeb, and 90% at DBCM.

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. Although the industrial relations climate has been generally positive, negotiations in Botswana were particularly difficult due to the ongoing operational review, because relationships become stressed when work reductions become imminent.

Fig. 14

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

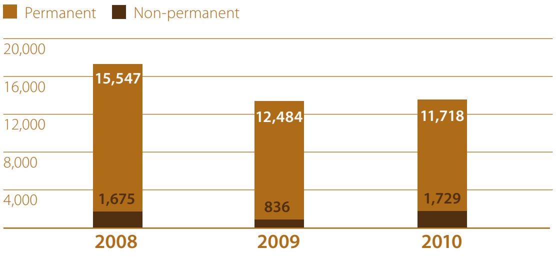
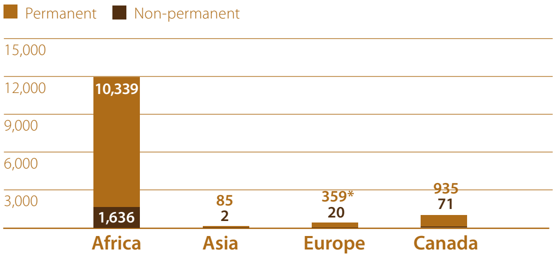


Fig. 15

Total workforce at year-end by region, 2010



Note 1: Figures 14 and 15 include employees from our joint ventures. They do not include contractors or employees at E6 or DBDJ.

*Note 2: 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. 16

Labour turnover, 2008-2010 (%)

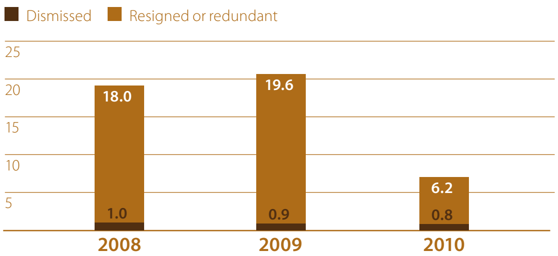
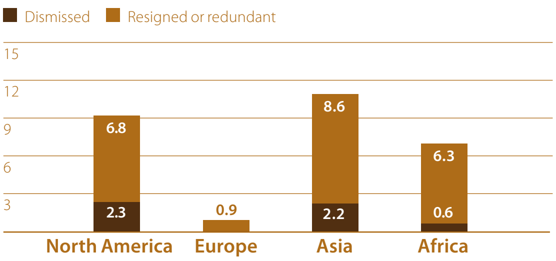


Fig. 17

Labour turnover by region, 2010 (%)



Note 3: Figures 16 and 17 present labour turnover for permanent employees only.

Areas of growth in 2010

Two key projects provided new employment opportunities in 2010. The Cut-8 extension at Jwaneng Mine began in 2010, employing nearly 2,000 staff by year's end of whom 84% were Botswana nationals. The majority of these new hires are employed by a contractor. Cut-8 will extend the life of Jwaneng to at least 2025, providing continued employment for operational staff. As Snap Lake production returned to pre-recession levels, 30 of the 99 employees retrenched in 2009 were re-employed in 2010. *Forevermark* also employed additional people over the year to keep pace with its expansion, and plans to hire 70 more in 2011.

"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

Attracting and retaining talent

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.

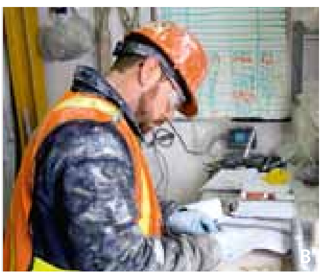
Ensuring we have the right talent in the right places within our organisation to deliver our future strategy is essential for achieving our short, medium and longer term business goals. Our talent management approach focused on employee engagement, ongoing skills development, and building our reputation as an employer of choice, not only to attract the best talent but also to retain the talent in the Family of Companies. The turnover of permanent employees fell to 7% in 2010 from 20.3% in 2009.

An employer of choice

We aim to be the employer of choice, especially 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.

During 2010 we focused on training in high priority areas such as safety and operations, and continued to provide a lean employee development programme through:

- Broadening of employment roles; and
- Internal training courses.



A *3D diamond scanner training at Kimberley.*
B *Logging a core sample, Canada.*

Maintenance of health, safety and occupational hygiene standards

The health and safety of our employees and contractors remains our top priority. Ineffective management of health and safety hazards exposes our people to harm, and our business to regulatory or legal sanction.

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. De Beers is uncompromising when it comes to safety and we consider any fatality unacceptable.

In addition to one fatality, 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 (2009: 36).

Addressing our safety performance

We are addressing the fall in our safety performance through enhanced management interventions including the continued roll-out of the Safety Risk Management Programme (SRMP). Introduced in 2009, the SRMP educates employees and contractors to better identify hazards and to assess and manage risks using a standard set of tools and methods.

The training and adoption of the programme continued across all business units in 2010. We developed a new safety incident classification system, encouraged better measurement and reporting of leading indicators and issued a new guideline on contractor safety. We also continued to promote a culture of safety awareness through our 'Visible Felt Leadership' programme. These steps will enable us to improve the quality of our trend analysis, reporting and overall safety performance tracking.

All major operations are currently certified OHSAS 18001 compliant, with the exception of our Canadian business, which is scheduled for certification in 2011. In 2011 we will continue to embed safety in operational decision-making, employee performance management and bonus programmes.

Health and wellbeing

Our holistic approach to the health and wellbeing of our employees, including contractors, is articulated in a set of Health, Occupational Hygiene and HIV Policies, and managed through a suite of standards and guidelines. Our outcome standards for these management processes include:

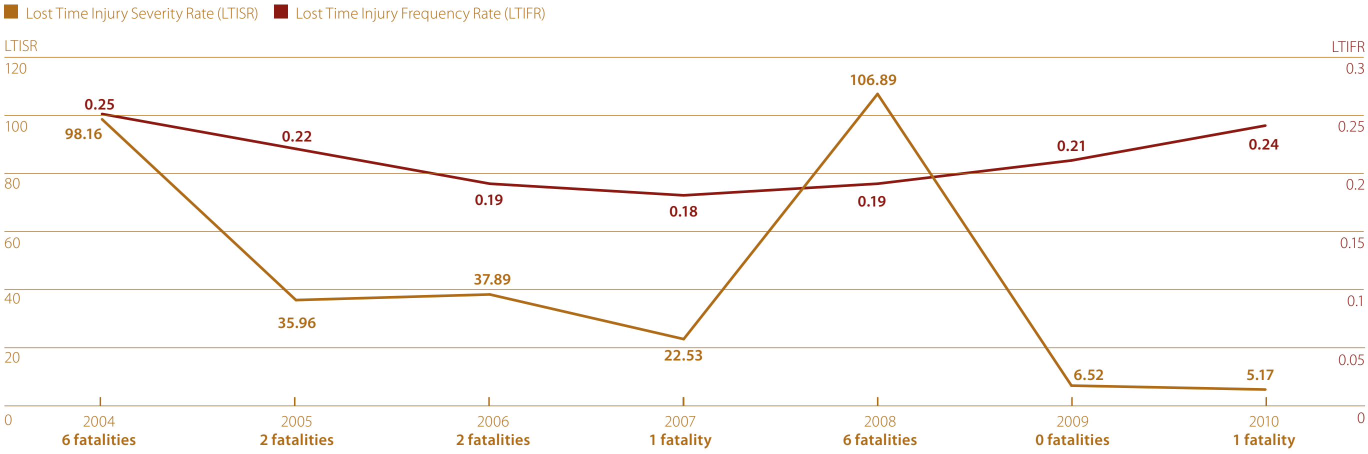
- All employees being fit for the work they perform;
- Undertaking risk-rated medical surveillance of employees;
- An annual absenteeism rate for illness of less than 2%;
- An occupational illness fatality rate of zero;
- An occupational illness frequency rate (OIFR) of less than 5 cases per million hours worked.

An integrated approach

To extend the cost efficiencies achieved by DBCM in 2009, during 2010 the health discipline focused on the appropriate consolidation and integration of different components of health services and surveillance across the Family of Companies. Our process included the integration of primary care, occupational medical surveillance, emergency medical care, HIV management and wellbeing initiatives (see p38-39).

Fig. 18

Safety performance, 2004-2010 (LTIFR and LTISR)



We are addressing the fall in our safety performance through enhanced management interventions including the continued roll-out of the Safety Risk Management Programme (SRMP).

During 2010, a formal Occupational Hygiene Peer Group was created, and focused on integrating exposure monitoring with medical surveillance. The Health and Occupational Hygiene Peer Groups collaborated to develop an occupational medical incident reporting standard to record cases of occupational disease.

Performance

Throughout the integration process, the overall quality of our occupational and emergency medical services at audited diamond mining operations was maintained or improved. In 2010, eighteen cases of occupational disease were diagnosed in employees across the Family of Companies. DBCM's Occupational Illness Frequency Rate (OIFR) continued to improve in 2010, reaching 0.15 cases per million person hours worked (2009: 0.44). Group Exploration recorded a baseline OIFR of 9.36, with malaria accounting for seven of the eight cases reported.

Next steps

We will continue to focus on the principal challenges we face in looking after the health and wellbeing of our employees and contractors.

Key among these is the difficulty of understanding the lifetime exposure history for both permanent employees and contractors to help identify and prevent exposure causing occupational disease. We will be addressing this through additional data collection during routine medical surveillance.

Other challenges we will be tackling include stress and mental health, chronic disorders, women's health, and management of contractor health.

HIV and Aids management

HIV remains a long term priority issue for employee wellbeing in our southern African operations, where the majority of our employees are based. Sub-Saharan Africa accounts for 67% of all global HIV infections. With most of our operations in hyper-endemic countries, exposure to HIV and Aids is a real threat to our employees' health, their families, the continuity of our business and to continued development in Africa.

Our vision and strategy for the management of the HIV risk includes prevention, treatment, care and support. Our focus has been on workplace treatment programmes during and after employment, with the ultimate goal of integrating these programmes into the public health systems of each of our countries of operation.

Preventing HIV and Aids

Our awareness and training programmes are oriented towards preventing and managing HIV and Aids, as well as related health risks such as tuberculosis. We maintain a strong focus on translating high awareness into behavioural change; in 2010 the 'My campaign, My health, My wealth' campaign run by Debswana and DTC Botswana emphasized ownership of health outcomes by all employees.

We provide confidential HIV counselling and testing to all employees, spouses, life partners and contractors and work in private-public partnerships to help make HIV testing available in communities near our operations.

Providing free and ongoing 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 by Aid for Aids, our principal Disease Management Service Provider.

HIV treatment continues upon retirement or retrenchment. In Botswana and Namibia employee treatment is seamlessly migrated from company to government programmes, while in South Africa employees ongoing treatment (since July 2010) is covered by medical insurance schemes or the company's programme for the uninsured. Almost 63% of the employees registered with one of our HIV programmes since 2001 were still members at the end of 2010.

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.

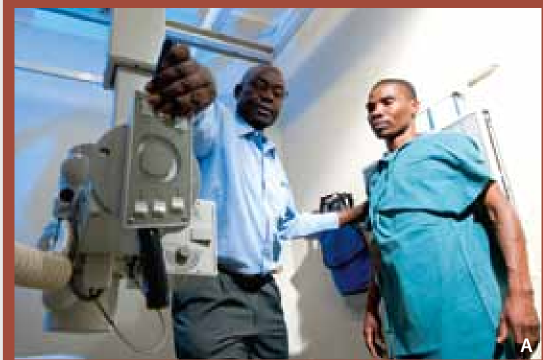
In 2010, our goal was to achieve appropriate, comprehensive health service delivery while mining activity returned to pre-recession levels. To achieve this goal we focused on the integration of different components of health services, from exposure identification and occupational medical surveillance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

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



A

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

B

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.

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

BEYOND EMPLOYMENT

Continued occasional health surveillance
Noise, Dust, Endemic diseases

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

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

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 investment is 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 or local 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.

Identified communities risks

In this section we summarise our management approach to key Communities risks identified through our risk management and stakeholder engagement approach to reporting (see pages 9-15). These risks are:

- ◑ Local licence to operate
- ◑ Social impact of closures and transfer of assets
- ◔ Sustainable community social investment

For a more detailed discussion of our performance in 2010 in managing these risks, please refer to the full Report to Society, available at

www.debeersgroup.com

KEY: ◕ Long term ◑ Medium term ◔ Short term

Local licence to operate

The potential impacts of mines are variable, subject to the lifecycle stage of the mine and the nature of the communities near our current or prospective operations. Example impacts include the influx of workers from outside of the community during construction and initial operation; restrictions of community access to land and freedom of movement due to mine safety and security measures; and the loss of employment opportunities and other benefits due to mine closure. Effective management of these impacts is particularly important when operating in areas of socio-economic vulnerability or cultural sensitivity.

We employ a number of formal, structured techniques and tools to help us identify, assess and mitigate these impacts on communities and to manage our relationships with them. We aim to contribute to the development of sustainable local economies through a range of social and economic programmes. These include capacity building, infrastructure development, the provision of employment, strategic social investment, enterprise development and the promotion of procurement agreements with local suppliers.

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 we adopted across the Family of Companies in 2009 due to resource constraints, where the community relations that were most material to the sustainability of our operations were prioritised.

Understanding our impacts and responsibilities
Our approach to community engagement is described in our Group Community Policy which meets and exceeds international law and industry protocols relating to the rights of local communities and indigenous peoples, resettlement and compensation. Beyond the management of risk, we recognise opportunities can arise from effective management of our impacts. Our objective in these circumstances is to maximise mutual benefit for our company and communities.

We have made a strategic commitment to roll-out the Anglo-American Socio-Economic Assessment Toolbox (SEAT), or a suitable equivalent, at all our operations to provide a baseline understanding of community dynamics and the contribution made by our investment.

We carry out community impact assessments at existing operations where significant changes are planned and at all new operations. All operations are covered by Environmental Impact Assessments (EIAs) and many have Social Impact Assessments (SIAs) in place. Over the years, we have entered into formal agreements with local communities and authorities, such as Impact Benefit Agreements (IBAs) in Canada and Social and Labour Plans (SLPs) in South Africa.

Social impact of closures and transfer of assets

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 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. Over the course of 2011 we intend to review the extent to which the social components of these plans meet baseline benchmarks.

Maximising value from late-lifecycle mines
Our three operations in 2010 that were considered to be at the latest stage of their lifecycle include 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 and fresh capital, would enable a US$1 billion investment to 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. The sale process ensured that the buyer not only had the relevant technical and financial skills needed to successfully create value from the mine tailings, but also to deliver sustainable benefit to the Jagersfontein community.

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 our sale of the Cullinan Mine in South Africa.

Planning for closure
Stakeholder engagement plays a vital role in developing mine closure plans. We identify and addresses the socio-economic impacts of mine closure using the International Council of Mining and Metals (ICMM) and Anglo American Closure Toolbox and SEAT.

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.

"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

Community activity in 2010

Botswana

In 2010 we continued to monitor and manage the socio-economic impacts of the Cut-8 extension project at Jwaneng Mine. The latest assessment against the 2009 Social Impact Assessment (SIA) was carried out in September 2010.

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

Debswana 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.

South Africa

Each of our South African mines continued community investment in line with their Social and Labour Plans in 2010.

There were ongoing land claims near our operations in South Africa. The temporary occupation of mining dumps at Jagersfontein, prior to DBCM's sale of the mine in October were resolved through a series of consultations with public officials and the community.

Namibia

In Namibia, the proclamation of Oranjemund town into a self-governing municipality is expected to be completed in 2011. The only outstanding action is to complete the proclamation of the private road that provides access in and out of Oranjemund through Namibia's restricted Diamond Area.

Canada

First Nations communities have strong cultural, social and economic relationships with the land we operate on in 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. 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. 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.

In October 2010 we sold the mine site and tailings mineral resource at Jagersfontein Mine in South Africa. The sale process ensured that the buyer not only had the relevant technical and financial skills needed to successfully create value from the mine tailings, but also to deliver sustainable benefit to the Jagersfontein community.

A *Boteti House Primary School at Debswana's Orapa Mine.*
B *Snap Lake Mine youth hand drummer.*
C *Khehla Radiator Repairs, a De Beers Zimele beneficiary, Kimberley.*

Sustainable community social investment

Since 2009 we have broadened our definition of community investment to include social and economic programmes, whereas previously we recognised only philanthropic spend. Where relevant, we try to align our community investment activities with national development programmes. Our total social investment spend in 2010 was US$29.8 million (2009: US$29.3 million). This includes community benefits required under applicable legislative or contractual arrangements, as well as long term, in-kind social investment.

Our overall social investment contribution falls into six broad categories:

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

Skills development and capacity building, to support economic development and skills that will last beyond the life of our operations. Skills development programmes mainly focus on education, enterprise development within local communities, and preferential procurement.

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

Social and Labour Plan investments focus on infrastructure development, community development and poverty eradication in South Africa. Under DBCM's Social and Labour Plan, planned expenditure on local economic development for 2010 was R12.2 million (US$1.6 million).

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 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 agreements, 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 is generally managed through dedicated social investment vehicles such as the De Beers Fund in South Africa, De Beers Fund Namibia and the Diamond Trust in Botswana.

Community discipline objectives for 2011

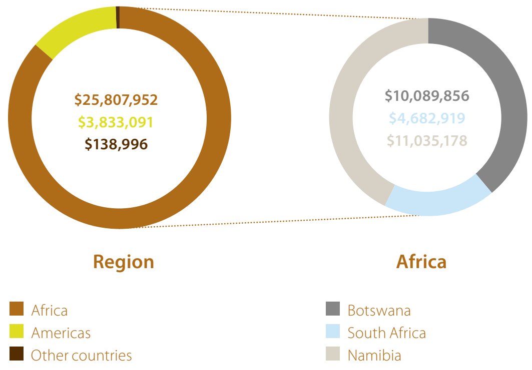
In 2010 our aim was to formalise and improve the resilience of the discipline to future challenges such as those seen during the market volatility of 2008-2010. To deliver this we will continue working in 2011 towards a number of improvements including:

- 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 continuing focus will be to determine how we can best target available resources for most effective value creation within our communities.

Fig. 19

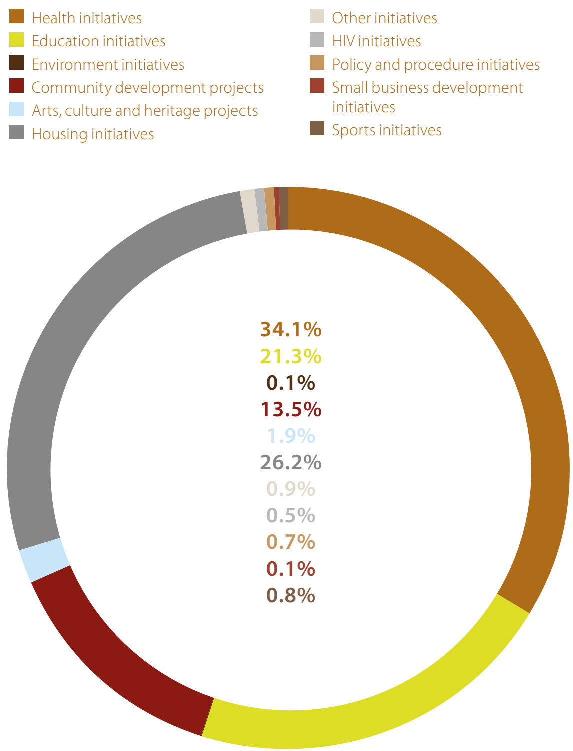
Social investment spend by region and (African) country, 2010 (US$)



Note: 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.

Fig. 20

Social investment spend by project type, 2010 (%)



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

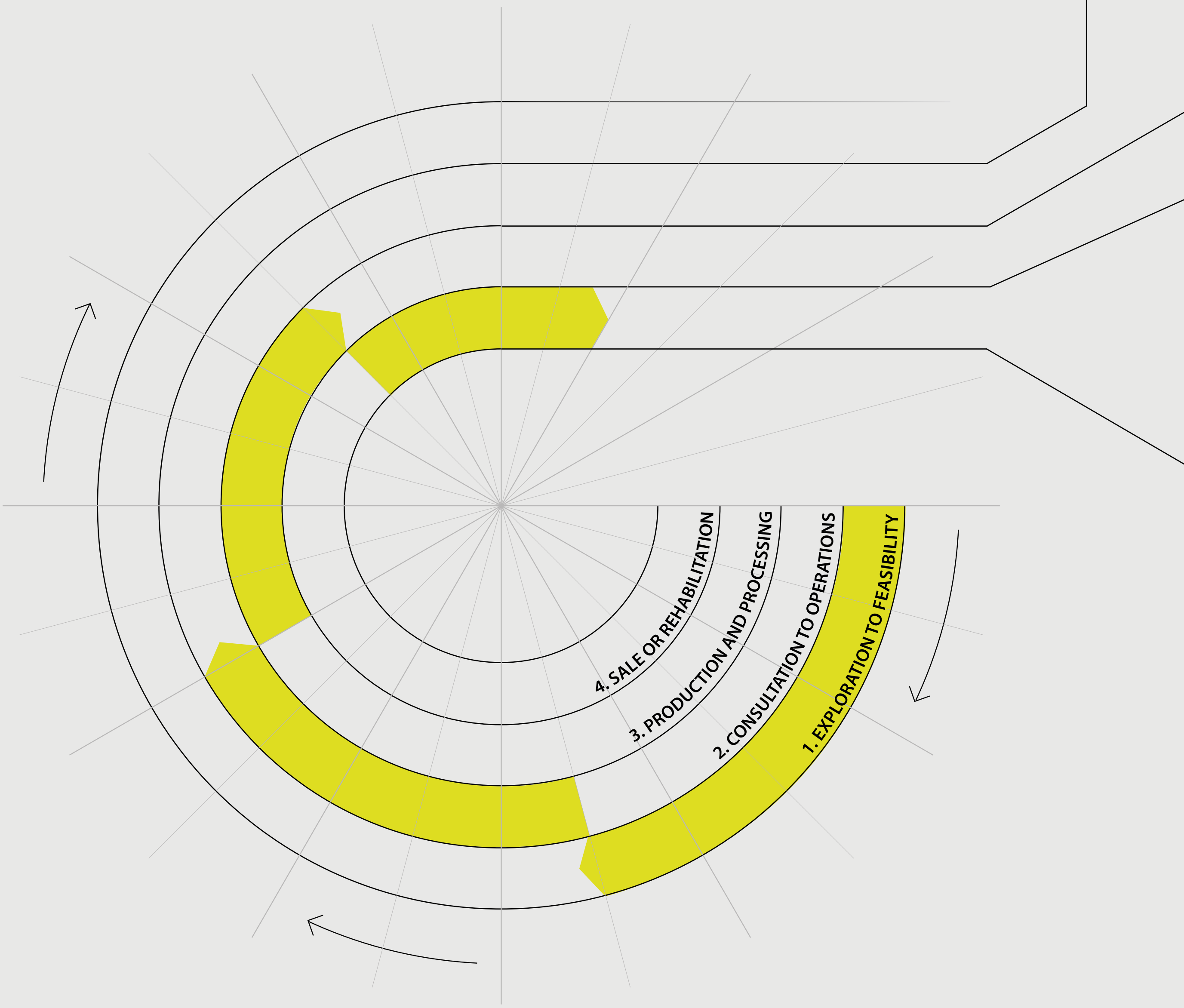
Note: Calculations presented in Fig. 19 and Fig. 20 include broader social investment activities such as the running of mine hospitals shared by local communities in both Botswana and Namibia.

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.

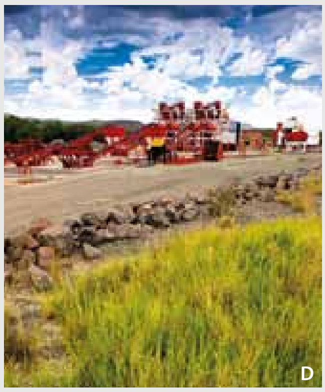
4. SALE OR REHABILITATION

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.

As a result, the Family of Companies places a high premium on contributing positively wherever possible to the natural capital of the countries in which we operate. This is why our mining footprint is considerably smaller than our total area 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 our operations. This requires that we endeavour to understand and mitigate the specific environmental impacts of every stage in the mining lifecycle with a view to ensuring effective rehabilitation by closure.

Identified environment risks

In this section we summarise our management approach to key Environment risks identified through our risk management and stakeholder engagement approach to reporting (see pages 9-15). These risks are:

- ◑ Water and energy security in a changing climate
- ◕ Lifecycle planning
- ◑ Promotion and maintenance of biodiversity and ecosystems

For a more detailed discussion of our performance in 2010 in managing these risks, please refer to the full Report to Society, available at

www.debeersgroup.com

KEY: ◕ Long term ◑ Medium term ◔ Short term

Water and energy security in a changing climate

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 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

We face an ongoing challenge to balance the management of our water and climate impacts. It is technologically feasible 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 ambition to create value from producer countries' diamond resources, and thereby contribute to national development, while securing the local water needs of communities near our operations.

On a day-to-day basis, our environment policy and environmental standards guide our approach to managing climate and water impacts at all stages of the mining lifecycle. In terms of our operations, we maintain ISO 14001 certification at all sites. Beyond our operations, we engage with external bodies, such as the United Nations Global Compact and UN CEO Water Mandate, to resolve the dilemmas we face and share good practice.

Using water efficiently and sustainably

Managing water sustainably is critical to our efforts to deliver value whilst maintaining our local licence to operate. Our Water Standard commits us to:

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

Fig. 21

Fresh water use, 2008-2010 (million m³)

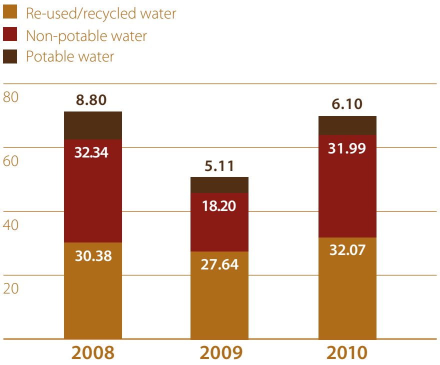


Fig. 22

Direct and indirect energy use, 2008-2010 (million GJ)

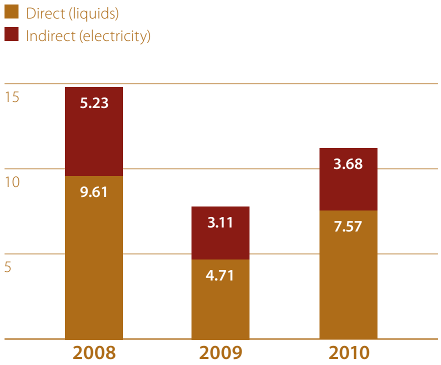
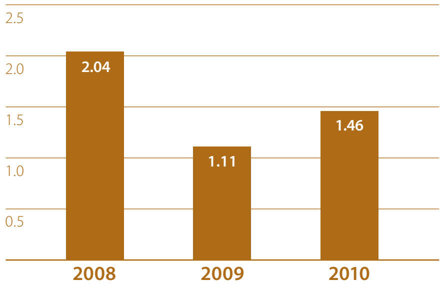


Fig. 23

CO_2 equivalent emissions, 2008-2010 (million tonnes CO_2-e)



* Previous years' data has been changed slightly from the data reported in our 2009 RTS. This restatement takes into account improvements in data reporting and is more accurate.

In 2010 we used 38.09 million m³ of new (potable and non-potable) water across all of our operations/facilities (2009*: 23.31 million m³) (see Fig. 21). This equates to an increase of 63% year-on-year and is mainly due to the increase in production from the low production year of 2009.

The use of recycled process water at our southern African mines which are in arid areas remained relatively constant at 50% (2009*: 53%) of our total fresh water use. We also used 20.19 million m³ of sea water (2009*: 21.76 million m³) at our west coast and marine mining operations in southern Africa.

Energy efficiency and emissions reductions

We are committed to being a responsible energy user and to contributing towards combating climate change. We are working to achieve this by:

- Promoting the efficient and sustainable use of energy through the principles of reduction, recovery, reuse and recycling (see p53);
- Reducing carbon emissions and participating in climate change initiatives.

With a 34% increase in production across our operations 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 (see Fig. 22). Our total CO_2-e (carbon dioxide equivalent) emissions amounted, however, to 1.46 million tonnes in 2010, a 31.5% increase on 2009 (2009*: 1.11 million tonnes) (see Fig. 23).

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).

Supporting renewable energy generation

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.

"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

Lifecycle planning

Mining activities can have significant impacts on the environment. We are committed to adopting the Mitigation Hierarchy at every stage of the mining lifecycle to first 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 (see Table 2).

Improving our environmental management systems

No major environmental incidents were reported during 2010. 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 separation by type. The majority of incidents are pollution-related and to a lesser extent, resource wastage and biodiversity/archaeological impacts.

Closure, disposal and rehabilitation

Our focus on responsible closure, rehabilitation, and disposal of assets is motivated both by local regulation and our goal to achieve operations and closure to the highest environmental standards. All operations are required to meet our Lifecycle Planning standard. 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 which include the older mines within our portfolio. A new tool was developed for Venetia Mine to track actions and apply clear accountabilities and 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.

Promotion and maintenance of biodiversity and ecosystems

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 (p54-55).

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 as conservation areas, 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.

Acting to preserve biodiversity

Biodiversity is arguably our most significant environmental issue and is considered in all aspects of the exploration, project, mining and closure processes. We undertake to respect legally designated Protected Areas and key biodiversity areas and not operate within World Heritage Sites. We identify these areas in an annual Biodiversity Overlap Assessment in which we assess the extent to which our operations overlap with protected areas, key biodiversity areas and World Heritage Sites. In this process we update ground holdings/ licence areas and note changes to any of the areas of sites of interest. As a result, we are confident we meet our commitments.

We identify risks to biodiversity during exploration and include these risks in all Environmental Impact Assessments (EIAs) for their effective management during all phases of a mine's life. We manage biodiversity risks through Biodiversity Action Plans (BAPs) that are used to develop a coordinated approach to biodiversity stewardship, supported by management objectives and actions. In 2010, we focused on the ongoing development of BAPs across all of our operations. A number have been completed and are being integrated into existing Environmental Management Systems.

www.iucn.org
www.ibatforbusiness.org
www.birdlife.org
www.conservation.org
www.unep-wcmc.org

Table 2: 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 ISO14001 certification • Significant improvements to gaps in the EMSs 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

Stakeholder question

What is De Beers' water strategy? How does De Beers link up the various aspects of water as a social as well as an environmental issue?

Water is a big issue for us – it's linked to climate change adaptation and biodiversity. There are tradeoffs between water efficiency and energy efficiency that we are grappling with in the southern African context. A number of steps have already been taken but we aim to continue to decrease our water use per unit of production while being cognisant of any consequent increase in our 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 solutions, for example the Worldwide Fund for Nature in South Africa (p51), and we have endorsed the United Nations Global Compact's CEO Water Mandate. We're also looking at alternative water sources such as hyper-saline water sources that could potentially meet all of our Botswana operations' water needs.

A *The Venetia Plant.*
B *An Electrical Apprentice at Central Tailings Plant, Kimberley.*
C *Central Tailings Plant, Kimberley.*
D *Wildlife at the Orapa Nature Reserve.*

Fig. 25

Environmental incidents, 2010

- Level 1.1 – Near Hit Minor
- Level 1.2 – Near Hit Major
- Level 2 – Minor
- Level 3 – Moderate

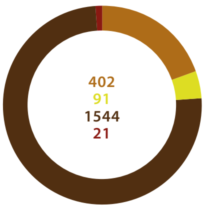
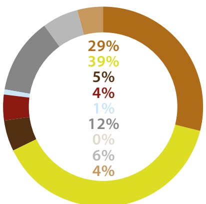


Fig. 26

Our mining footprint, 2010 (ha)

- Pits
- Excavations
- Overburden dumps
- Waste rock dumps
- Tailings dumps
- Ore stockpiles
- Residue deposits
- Topsoil deposits
- Infrastructure



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 been achieved by 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:

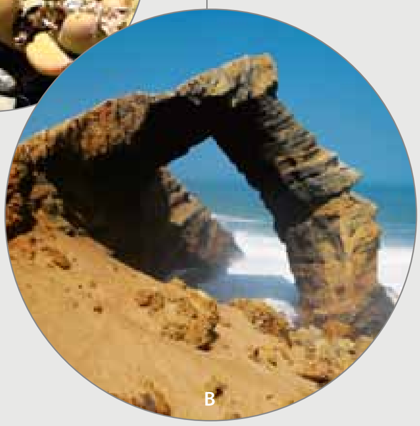
- Installation of solar water heaters in mine-owned domestic buildings.
- Installation of high-efficiency motors on a replacement basis.
- A pilot project at Venetia Mine on new approaches to electricity load shedding, demand control and tariff optimisation using software tools.
- Diesel energy monitoring 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.
- Ongoing awareness campaigns for all employees to use electricity, fuel and water wisely.

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.

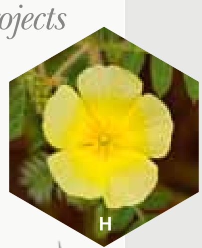
Marine mining, south-west African Coast
The only company in the world to conduct offshore diamond mining, De Beers contributes to scientific understand of marine life and biodiversity along the west coast of southern Africa.

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*

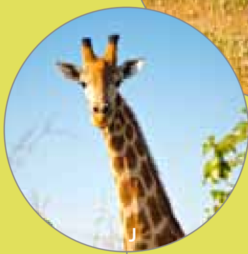
120 *research projects conducted*

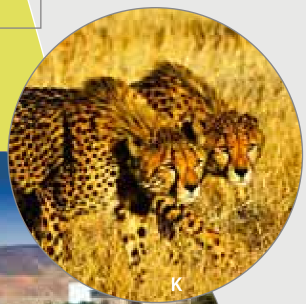


THE DIAMOND ROUTE

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.*

Assurance statement

SGS United Kingdom Ltd's Report on Sustainability Activities in the De Beers Report to Society 2010, Summary Review.

Nature and scope of the assurance/verification
SGS United Kingdom Ltd was commissioned by De Beers to conduct an independent assurance of the Report to Society 2010, Summary Review. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2010 data in accompanying tables, contained in this Review.

As an assurance of the Report to Society 2010, Summary Review there are some restrictions on the scope in that the Review is in itself a digest of the full report and therefore many of the comments reflect this.

The assurance scope has been approached as follows:

GRI G3 (2006) – We have evaluated the content of the Report to Society 2010, Summary Review according to the GRI principles. However the full evaluation of the GRI Application level will cover the documents detailed in the GRI Contents page on the website, the full Report to Society and the Operating and Financial Review. The GRI application statement is included in the GRI Contents page on the website.

AA1000AS (2008) – This is based on the contents of the Report to Society 2010, Summary Review and the management systems supporting that. We have taken into account that the full Report to Society includes fuller coverage of the subjects than the Review.

The information in the Report to Society 2010, Summary Review of De Beers and its presentation are the responsibility of the directors or governing body and the management of De Beers. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Report to Society 2010. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all De Beers' stakeholders.

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

This report has been assured at a moderate level of scrutiny using our protocols for:

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

The assurance comprised a combination of pre-assurance research, interviews with relevant employees in the UK (London offices) and South Africa (Cape Town and Johannesburg offices); documentation and record review and the observation of the Multi-Stakeholder Forum in November 2010.

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

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

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with SAATCA (Lead Environmental Auditor), IEMA (Environmental Auditor) and IRCA (Certified Sustainability Assurance Practitioners).

Verification/Assurance Opinion
On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the 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.

AA1000 Accountability Principles (2008) Conclusions, Findings and Recommendations
In our opinion the De Beers Report to Society 2010, Summary Review fulfills all expected elements to demonstrate strong commitments to the AA1000 Accountability Principles of Inclusivity, Materiality and Responsiveness. Our findings and recommendations for future reporting are summarised below.

Inclusivity
The stakeholder involvement is extensive and is applied throughout the organisation at all levels and there are examples demonstrating

De Beers' bottom-up approach to risk identification and review. The formalising of the stakeholder mapping and engagement processes that are in place globally is in development and the resulting tool will draw together all activity. Governance includes representatives of key stakeholders and reflects the multinational activities. Future assurance should include the development of the stakeholder mapping processes and resulting engagement improvements.

Materiality

The risk identification, review and management process is extensive and integral to the way the organisation works. It would be considered leading practice in terms of ensuring that the evaluation, monitoring and management of risks is appropriate at all levels. It is also assurable and self evaluating.

The organisation shows the necessary competencies and resources to determine the organisation's material issues and demonstrates in the Review that they draw on external expertise and commentary where necessary.

As the assurance scope only covers the Review, issues and responses to all risk/material issues are not completely covered, which is to be expected, however it provides a good overview of management of these issues as risks and leads stakeholders to more detailed information in the full Report to Society.

Responsiveness

De Beers does demonstrate that it is responsive to issues and risks identified by stakeholders and risk management systems in the organisation ensure that risks and issues are addressed in a timely way, but this is not always evidenced in the Review. Again this is somewhat due to the nature of the Review. The production of the full Report to Society and the Review is a good option for those who do not need the information in the full Report to Society and this is made available to workers internally. The approach to reporting that is based on organisational risk means that, even as a Review, it is suitable as a management tool. The internal collection and collation of information and data for the report identified areas for improvement.

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

The full evaluation of the alignment of De Beers Reporting with Application level A will be reported in the GRI Contents page of the web. However the Review has been evaluated for alignment with the GRI Principles.

Principles

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

- Future reporting should include the results of the strategic planning and piloting of the stakeholder mapping tool.
- Review of internal systems for evaluating data management and collation throughout reporting cycle.
- Planning for future reports should include the information needs of stakeholders at all levels, to ensure that the Review is accessible to all.

Signed:
For and on behalf of SGS United Kingdom Ltd

Jan Saunders

UK Systems and Services Certification Business Manager
May 2011

WWW.SGS.COM

AA1000
Licensed Assurance Provider
000-8

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 Programmes (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).

Acronyms

ART	Anti-Retroviral Treatment
BAP	Biodiversity Action Plans
BEE	Black Economic Empowerment
BPPs	De Beers Best Practice Principles Assurance Programme
DBCM	De Beers Consolidated Mines
DBDJ	De Beers Diamond Jewellers
DTC	Diamond Trading Company
DTCB	Diamond Trading Company Botswana
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECA	External and Corporate Affairs
ECOHS	Environment, Community, Occupational 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
GRI	Global Reporting Initiative
HDN	Historically Disadvantaged Namibian
HDSA	Historically Disadvantaged South African
IBA	Impact Benefit Agreement
ICMM	International Council on Mining and Metals
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
OIFR	Occupational Illness Frequency Rate
PWP	Polished Wholesale Price
RJC	Responsible Jewellery Council
RTS	Report to Society
SEAT	Socio-Economic Assessment Toolbox
SIA	Social Impact Assessment
SLP	Social and Labour Plan
SRMP	Safety Risk Management programme
UNGC	United Nations Global Compact

Acknowledgments

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Environmental information

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

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Whistleblowing hotline

The De Beers 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, and/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
- 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:

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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:

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