



Report
TO SOCIETY

2011

DE BEERS
FAMILY OF COMPANIES

A gemologist appraises a diamond, cut and polished by a Sightholder in Botswana.

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



www.debeersgroup.com



Diamond Dialogues
Issue Briefs



Operating and
Financial Review 2011



2011 Sustainability
Risks Supplement



2011 Assurance and
Compliance Supplement

This report is the sixth annual sustainability report produced by the De Beers Family of Companies. It includes performance data for those businesses that De Beers either owns or has a shareholding in, and that have significant economic, social and environmental impacts. It also includes narrative content on management approaches for independently managed companies such as De Beers Diamond Jewellers (DBDJ) and Element Six (E6). Use of 'our' or 'we' relates to the De Beers Family of Companies, a collective term used for both wholly owned and joint-venture business entities.

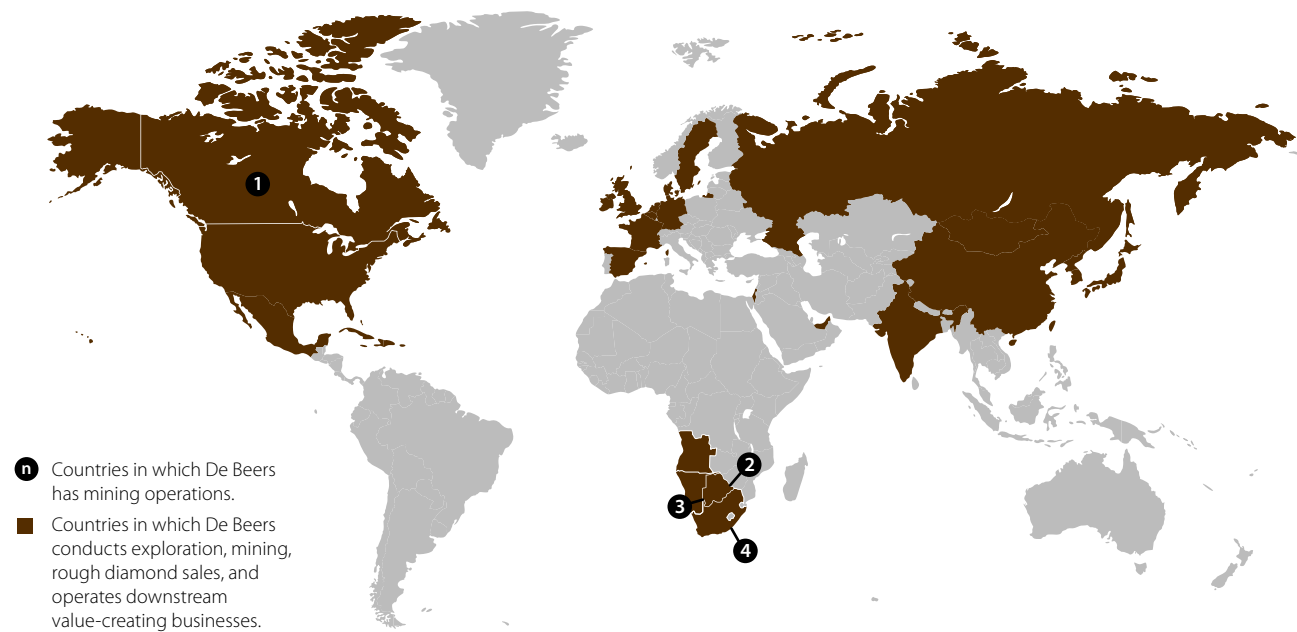
This report, supported by the Sustainability Risks Supplement and Assurance and Compliance Supplement, and together with the Operating and Financial Review 2011, represent an A+ application of the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines.

www.debeersgroup.com

Our company

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

A global business



Our mining entities and their operations

1 Canada

DE BEERS CANADA
100% owned. Established 1998.

2011 tonnes treated '000	3,545
2011 carats recovered '000	1,660

- A Snap Lake
- B Victor

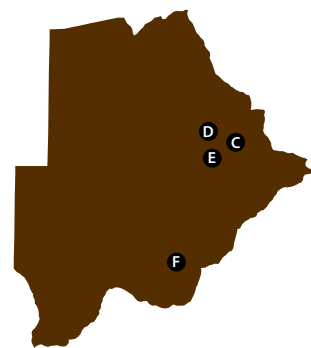


2 Botswana

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

2011 tonnes treated '000	22,889
2011 carats recovered '000	22,890

- C Damtshaa
- D Orapa
- E Lethakane
- F Jwaneng

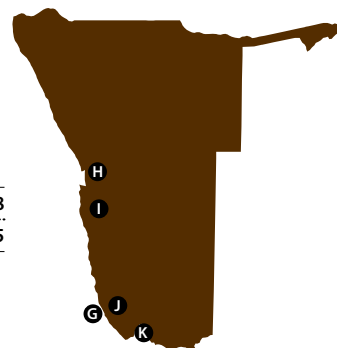


3 Namibia

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

2011 tonnes treated '000	8,288
2011 carats recovered '000	1,335

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

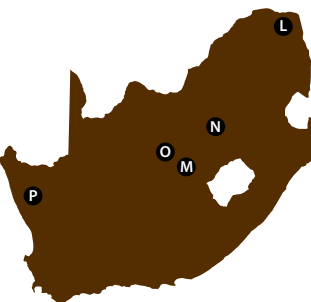


4 South Africa

DE BEERS CONSOLIDATED MINES
74/26 (BEE partner Ponahalo Holdings). Established 1888.

2011 tonnes treated '000	15,525
2011 carats recovered '000	5,443

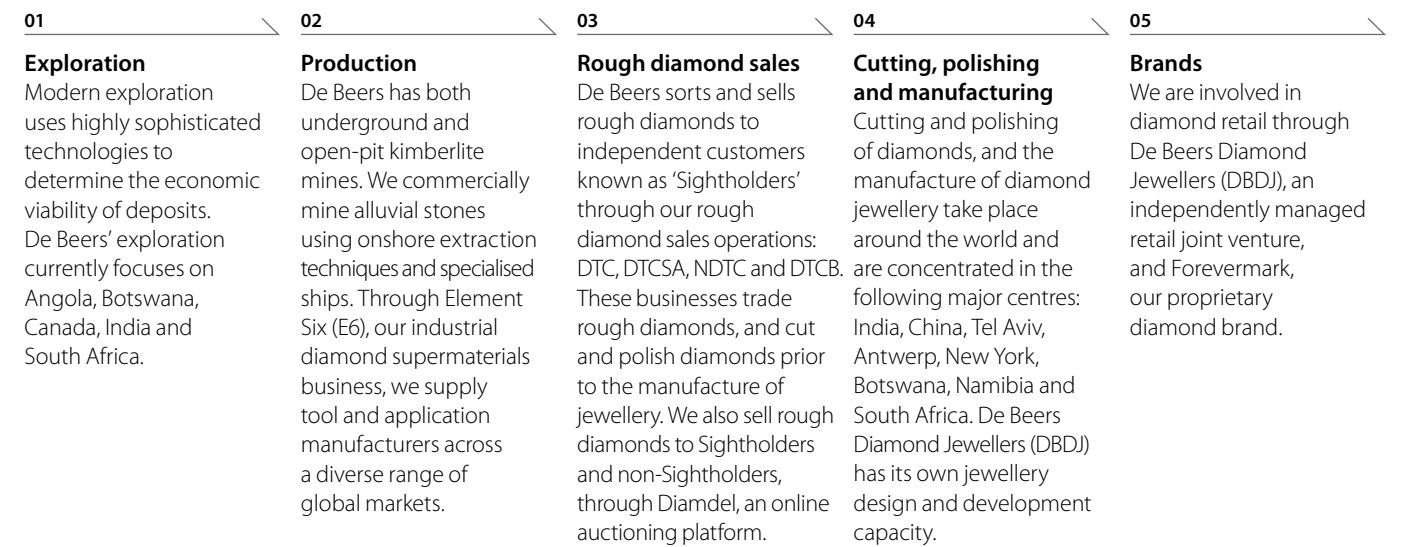
- L Venetia
- M Kimberley
- N Voorspoed
- O Finsch (DBCM production ended 14 September, 2011)
- P Namaqualand



Together with our joint venture partners, De Beers mines for diamonds across Botswana, Namibia, South Africa and Canada. As part of the company's operating philosophy, the people of De Beers are committed to living up to diamonds by making a lasting contribution to the communities in which they live and work. In the countries in which we

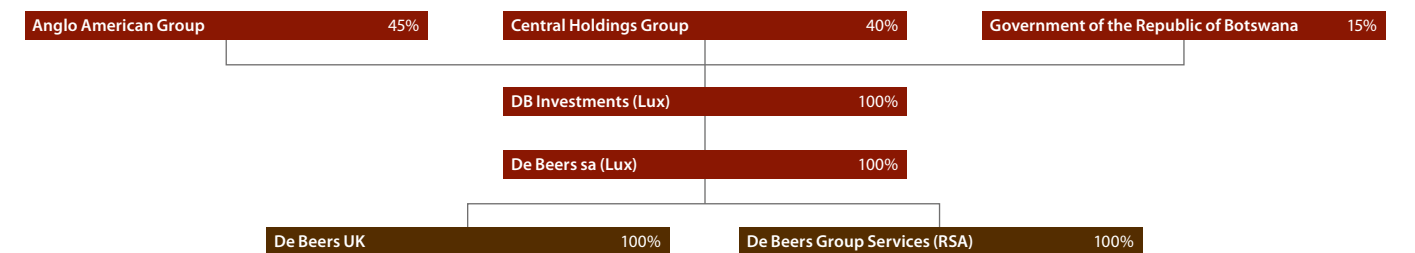
have mining operations, this means carrying out profitable business, while at the same time helping governments achieve their aspirations of turning natural resources into shared national wealth. De Beers encourages sustainable working to ensure long-term positive development for Africa, and returns US\$4.4 billion to the continent every year.

De Beers and the global diamond value chain

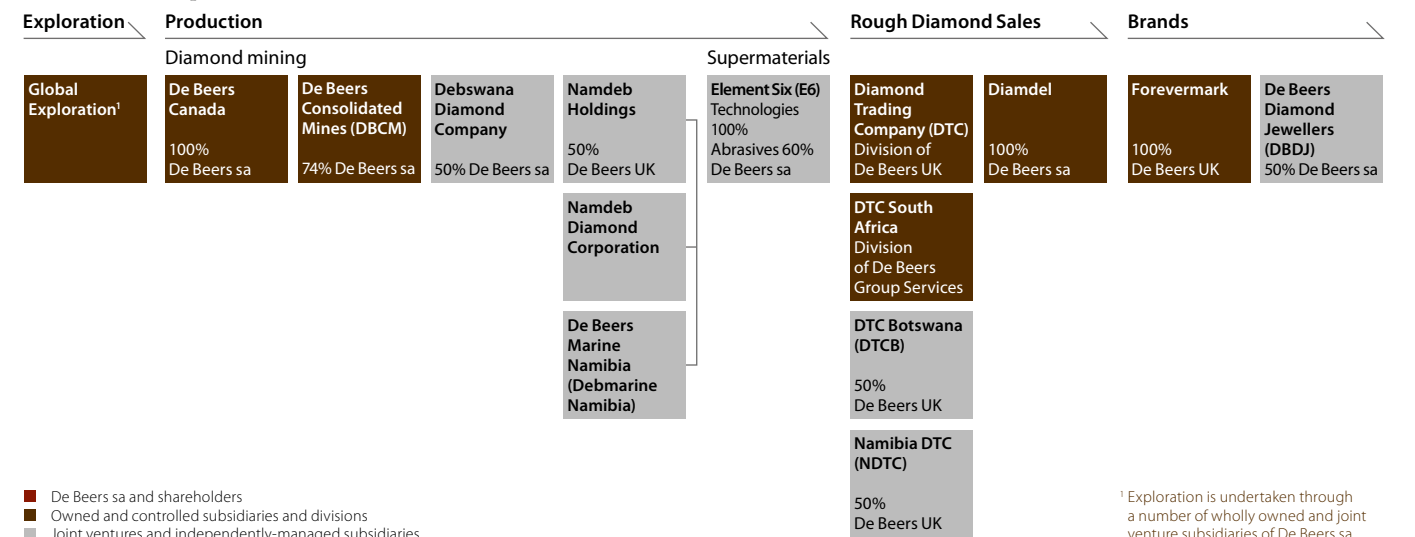


The De Beers Family of Companies

Shareholders and corporate structure



The Diamond Pipeline



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

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



Introduction from our Chairman

Corporate citizenship has a long history at De Beers. As he prepares to stand down as Chairman, Nicky Oppenheimer reflects on the commitment of the company to operate in a manner that lives up to the unique qualities of diamonds.



“The term ‘living up to diamonds’ – our commitment to operate in a manner that reflects the very qualities of the product we mine and sell – has become a shorthand for De Beers’ corporate soul.”

Despite growing economic uncertainty driven by the spectre of sovereign debt defaults in Europe, De Beers posted extremely positive financial results in 2011. These reflected buoyant rough diamond prices driven largely by the increasing appetite for diamond jewellery in emerging markets. A second consecutive year of strong growth in such a volatile economic climate represents a significant change for an industry whose fortunes have traditionally trended in line with the economies of developed markets.

I have often said that success in business is based on the ability to anticipate and respond to change, and we are clearly in a period of significant economic, political and social change. It should thus be no surprise that several important changes were made at De Beers over the course of 2011.

Among these changes, we announced the planned sale of Central Holdings Limited’s (representing the Oppenheimer Family’s interests) entire shareholding in De Beers to Anglo American subject to certain pre-emptive rights in favour of Botswana. This transaction is likely to be concluded in the second half of 2012 and will result in my standing down as Chairman. Bearing this in mind, I will break with the tradition of using this Chairman’s statement to map out a vision for De Beers’ future and instead take the opportunity to reflect on some of those elements of our business model that have contributed to our success, and outline some new challenges.

Living up to diamonds

If a company is a group of people gathered together for a joint commercial purpose, a successful company is one that develops what one might call a corporate soul. This is much more than the sum of its many and varied parts; it is the ethos that drives it, defines it and makes it special.

“At De Beers there has always been a clear recognition that, while our primary purpose as a business shapes what it is that we do, it is how we work that defines who we are.”

To my mind, De Beers’ soul is defined most eloquently by its long history of corporate citizenship, a history that stretches back to a time long before the concept became common currency in the business world. At De Beers there has always been a clear recognition that, while our primary purpose as a business shapes what it is that we do, it is how we work that defines who we are.

The term ‘living up to diamonds’ – our commitment to operate in a manner that reflects the very qualities of the product we mine and sell – has become a shorthand for De Beers’ corporate soul. It not only reflects our values, but also speaks to what are arguably the two most important factors that have shaped, and will continue to shape, our commercial success.

The first of these relates to maintaining consumer confidence and what we refer to as ‘diamond equity’. Diamonds are a discretionary product and are most often purchased as a gift of love or to mark a significant occasion in someone’s life. Their value depends not just on their rarity, brilliance and beauty, but on their ability to absorb, amplify and reflect the emotional and symbolic qualities that we vest in them. Should any aspect of the provenance of a diamond undermine these qualities then demand, sales and value can be impacted. This commercial imperative supports our determination to mine responsibly and underlines the importance of our work with industry, government and NGO partners to ensure that similar standards are maintained at every step of the journey a diamond makes on the path from mine to finger.

The second relates to ensuring our long-term licence to operate and correspondingly our access to supply. Diamond mining is a long-term and capital-intensive enterprise. Diamond mines require considerable up-front investment to operationalise and, in some cases, can continue to be productive for decades. This means that it not only makes good sense to be engaged with, and sensitive to, the issues, ambitions and challenges that shape the societies in which we operate, but also to manage long-term risk by proactively contributing to their growth, sustainability and stability. This latter imperative leads inevitably towards the concept of ‘partnership’.

Partnership

Nowhere are the benefits of partnership more eloquently expressed than in De Beers’ relationship with Botswana. The strength of this relationship was reaffirmed in 2011 by the agreement of terms to extend the long-standing Sales Agreement between De Beers and the Diamond Trading Company (DTC) for another decade.

The Agreement exemplifies the principle of mutual benefit and was shaped by two major considerations. Firstly, De Beers’ desire to secure a long-term framework for operating in the country where our most significant commercial interests are located. Secondly, the Botswana government’s desire to leverage their position as the largest rough diamond producer, by value, in the world to build the foundations of a sustainable post-mining downstream diamond economy.

The Agreement will also entail one particularly significant change – the move of the DTC’s aggregation and international sales functions from London – the historical centre for rough diamond sales – to Gaborone – the global centre for rough diamond production. Doing so will significantly boost southern Africa’s beneficiation ambitions, and reflects the emergence of a truly globalised world economy in which new axes of production and consumption are reshaping how businesses such as De Beers operate.

If mutual understanding is a necessary prerequisite for creating shared value, then the increasing trend in many states towards resorting to statute as the primary means for maximising the value of their natural resources base, points to the need for businesses to ensure their involvement in debates and discussions around resources-driven development. Certainly the growing trend towards resource nationalism in Africa, and beyond, risks creating an atmosphere of mistrust between mining companies and governments, as well as discouraging the capital inflows so critical for economic growth. But this need not be the case. It is in the interests of both mining companies and Governments to resolve the challenge of transforming natural resources into sustainable economic development – a process that can bring them closer together rather than driving them further apart.

One cannot challenge the desire of people in developing countries to maximise the value of their natural capital base to drive sustainable social and economic development. But there is some cause for concern about the extent to which radical steps to extract greater value from mining operations are presented by their proponents as a panacea for the social and economic challenges within a country. As much as it is incumbent upon us in the mining industry to support efforts to enhance the social and economic impact of mining, it is similarly incumbent upon governments to ensure that long-term solutions are not sacrificed at the altar of short-term political expediency.

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 (BPP) 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 formalised: Incorporation of DTC Botswana and Namibia DTC in partnership with each respective government
- Development and implementation of Environment, Community, Occupational Health and Safety policies
- Corruption Perception Survey implemented across the Family of Companies

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 Plans
- Significant contractors included in the BPP Assurance Programme

2009

- De Beers joins the 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

2011

- Sightholders were able to be assured for Responsible Jewellery Council Certification through the BPP Assurance Programme
- Ten-year Sales Agreement with Botswana sets the stage for a new chapter in beneficiation, with the potential to establish southern Africa as a downstream diamond region.

Kimberley Process

By their very nature, broad partnerships are less stable than narrow ones bound together by a clear convergence of mutual interests. Over the course of the last year, the Kimberley Process, a partnership comprising 75 governments, as well as several industry and civil society organisations, struggled to find that sense of common purpose that led to its genesis nearly a decade ago. The debate over the Kimberley Process certification of diamonds from the Marange region in Zimbabwe exposed a clear divergence in thinking between some African diamond producers and western markets on the mandate of the Kimberley Process. As a result, the Kimberley Process proved unable to agree a course of action on the most pressing challenge it had faced since its inception.

While participating governments reached consensus in November, this was achieved at the expense of the support of some members of the civil society coalition, historically an important cog in the Kimberley Process machine. It remains to be seen whether participating governments can build on this consensus in 2012 to ensure that the Kimberley Process remains relevant and workable for another decade. It may well prove to be the case that while the Kimberley Process is clearly the right tool to ensure that diamonds do not support uprisings against legitimate governments in Africa or elsewhere, other mechanisms will be needed to assist the diamond industry to address more complex human rights issues.

Looking to the future

I am proud to have served De Beers as its Chairman over a period in its history during which the company's long-standing commitment to live up to diamonds has gained recognition both within and beyond the industry. It has been particularly pleasing over this time to have seen innovations that we pioneered, like universal ARV provision for HIV+ staff and our Best Practice Principles Assurance Programme becoming the norm rather than exception in the industry and beyond. It has also been pleasing to have seen how De Beers, which was once considered to be a business shrouded in secrecy, has gained plaudits for transparency and has won awards for the openness and effectiveness of our reporting and engagement with our many stakeholders.

Anglo American's history is intertwined with De Beers'. It understands the diamond business and operates according to the same values and principles. I have no doubt that De Beers will benefit greatly from its closer relationship with Anglo American in future years, a relationship that is certain to be worth more than the sum of its parts.



Nicky Oppenheimer
Executive Chairman
De Beers

“I am proud to have served De Beers as its Chairman over a period in its history during which the company's long-standing commitment to live up to diamonds has gained recognition both within and beyond the industry.”



A Nicky Oppenheimer with the 273.85 carat De Beers Centenary Diamond in 1991.
B Visiting Venetia Mine, South Africa, in 2006.

Introduction from the CEO

Operating responsibly and sustainably is key to the ongoing success of the Family of Companies. While engaging and empowering our people, it ensures our continued access to both rough diamond supply and consumer markets.



“Our ability to secure and maintain access to supply of rough diamonds depends on our ability to understand, respond to and work in partnership with the local and national communities where we mine.”

For De Beers, as the world's leading diamond company, the connection between sustainability performance and commercial success is clear. Our ability to secure and maintain access to supply of rough diamonds depends on our ability to understand, respond to, and work in partnership with the local and national communities where we mine. Similarly, demand for our diamonds depends on our success in ensuring that we understand and address those sustainability issues – be they ethical, environmental or social – that matter most to diamond consumers in our largest markets.

It is for this reason that when I joined De Beers in July 2011, I was already confident of the extent to which sustainability was embedded into the DNA of our business. This confidence was reaffirmed as I toured our operations over the course of the year. I was particularly impressed by the maturity of our sustainability management systems in areas like environment and safety. I have been similarly impressed by the clear commitment of our people to operating sustainably and the obvious pride they felt in being part of a business that engages proactively with the broader challenges faced by their communities.

In 2011, De Beers enjoyed strong financial returns and distributed US\$4.4 billion to stakeholders in Africa. While our overall sustainability performance over the same period was pleasing, it did not match our financial results. One area of particular concern was safety. Although we made good progress on reducing our Lost Time Injury Frequency Rate from 0.24 to 0.15, the seven fatalities at our operations (six as a result of vehicle accidents) are totally unacceptable. As a result of this I am overseeing an ongoing review of our safety performance systems, the outcomes of which I will report on next year.

As we work on clarifying a long-term vision for the De Beers Family of Companies in 2012, a significant area of focus will be on developing a better understanding of how our sustainability leadership can support our broader commercial objectives. In parallel to this we will continue to review our capacity and performance across our key sustainability disciplines and address improvement opportunities identified in 2011, such as the effectiveness of our community engagement structures and processes.



Philippe Mellier
CEO
De Beers

2011 Highlights

PAYMENTS TO STAKEHOLDERS IN AFRICA

US\$4.4bn

or 68.4% of diamond revenues (2010: US\$3.33 billion, 66.6%).

COMMUNITY SOCIAL INVESTMENT

US\$34.7m

representing 2.7% of pre-tax profits (2010: US\$33.5 million*, 3.3%).

BEST PRACTICE PRINCIPLES COVERAGE

357,455

diamond sector employees covered by the Best Practice Principles Assurance Programme, our ethical, social and environmental compliance programme (2010: 243,365).

* This figure has been restated from the 2010 Report to Society, see p51.

2011 Performance summary

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

Objective	Key performance indicator	Performance			Trend	Note	Page	
		2009	2010	2011				
Economics p16-25	To maintain consistent value for shareholders and producer partners	Diamond production (thousand carats)	24,600	32,997	31,328	↓	5.1% reduction in 2011	08
		Growth in the price of rough diamonds (% change on previous year)	N/A	+27%	+29%	↑	Two years of exceptionally strong growth in effective DTC rough diamond prices have followed the volatility in the global market seen in 2009	08
		Payments to stakeholders e.g. governments, suppliers, etc (US\$ billion)	3.4	5.0	6.4	↑	With total sales of US\$7.4 billion (2010: US\$5.96 billion), payments to stakeholders increased by 28%	19
	To drive global demand for diamonds and to promote supply stability for DTC Sightholders	Rough diamond sales (US\$ billion)	3.24	5.08	6.47	↑	27.3% increase in 2011	08
		Expansion of Forevermark diamond brand (Number of Forevermark outlets)	245	348	658	↑	Number of Forevermark outlets increased by 89% in 2011	09
	To support government-led economic development, beneficiation, capacity building, diversification and activities that endure beyond the life of existing mines	Payments to stakeholders in Africa (US\$ billion)	2.2	3.33	4.37	↑	31.2% increase in 2011	19
		Rough diamond sales to Sightholders in southern Africa (US\$ million)	579	1,177	1,200	↑	In 2011, an Agreement was reached that will see all London-based DTC sales and sorting activity move from London to Gaborone by the end of 2013, supporting the development of a southern African diamond centre	22
	Procurement from local citizen, or historically disadvantaged group-owned enterprises in southern Africa and Canada	610	810*	960	↑		23	
	To access new reserves and build sustainable relationships in new territories	Investment in exploration (US\$ million)	44.8	43.3	40.0	↓	Exploration continues to focus on projects with the best potential to deliver carat production within three to five years, please see the OFR 2011, p9	–
Ethics p26-35	To maintain consumer confidence in our business and play a key role in upholding global diamond equity	Compliance worldwide by De Beers with the Kimberley Process and System of Warranties, reviewed and confirmed by a third party (% compliance)	100%	100%	100%	→	100% compliance maintained in 2011	28
	To develop and embed ethical standards within our operations and throughout the diamond value chain	Number of diamond industry employees worldwide covered by the Best Practice Principles Assurance Programme (BPPs)	N/A	243,365	357,455	↑	36.6% increase in 2011	35
		Number of BPP infringements by DTC Sightholders	136	135	268	→	Designed as a constantly evolving standard, new additional requirements incorporated into the BPPs in 2011 resulted in a large increase in the total number of Sightholder infringements	32
		Number of significant fines or other sanctions related to anti-corruption	0	0	0	→		30
Employees p36-45	To embed health and safety as a value across the organisation for all employees and contractors	Percentage of De Beers mines certified to OHSAS 18001 standard	All except Victor and Snap Lake	All except Victor and Snap Lake	100%	↑	With the certification of the Canadian operations in 2011, all De Beers mines are now OHSAS 18001 certified	39
		Number of workplace fatalities at our operations	0	1	7	↑	Seven fatalities resulted from four separate workplace incidents in 2011. A company-wide review of all safety procedures was instigated, overseen by the CEO	38
		Lost Time Injury Frequency Rate (LTIFR) ²	0.19	0.24	0.15	↓	37.5% reduction in 2011	39
	To maintain a motivated, focused and lean workforce into the future	Total workforce	13,320	13,447	12,124	↓	9.5% reduction, mainly reflecting the sale of Finsch Mine in 2011. This figure does not include employees at E6 or DBDJ, or contractors	40
	To engage proactively with priority concerns in producer countries, including management of the HIV and Aids pandemic, Black Economic Empowerment and gender equality	Access to free and confidential HIV testing, Anti-Retroviral Treatment and wellbeing programmes (% of all affected staff and life partners)	100%	100%	100%	→		43
Communities p46-55	To engage and create mutually beneficial partnerships with local communities, to ensure clear communication of the impact of our activities and to promote active participation in the development of programmes to maximise local benefit	Total Community Social Investment (CSI) (US\$ million)	29.3*	33.5*	34.7	↑	9.5% increase in 2011 representing 2.7% of pre-tax profits (2010: US\$33.5 million*, 3.3%)	51
	To align our community investment activities with relevant national development programmes	Investment by De Beers Canada on programmes under seven Impact Benefit Agreements (IBA) with Aboriginal communities (US\$ million)	4.03*	4.94*	4.41	↓	10.9% decrease in 2011	51
		Investment by DBCM in Local Economic Development under Social and Labour Plans (SLP) in South Africa (US\$ million)	2.5	1.66	3.48	↑	109% increase in 2011 reflecting larger capital expenditures agreed under the SLP for 2007-2012	51
	To ensure the effective management and mitigation of the socio-economic impacts of mine sale and closure	Number of enterprises supported by De Beers Zimele, an enterprise development project	6	45	106	↑	Since launching in 2009, De Beers Zimele has expanded to five hubs near our operations, creating 552 sustainable jobs in South Africa	55
Environment p56-65	To manage and mitigate the risks posed to our business and surrounding communities by climate change and water scarcity	Proportion of freshwater footprint at our southern African mines from reused and recycled water	53%	50%	46%	↓	The use of recycled process water at our southern African mines remained relatively constant at approximately half of total fresh water use	60
		Use of new (potable and non-potable) water across our operations/facilities (million m ³)	23.2	38.1	40.6	↑	6.45% increase in 2011	59
		Carbon emissions from our operations (million tonnes)	1.12*	1.48*	1.45	↓	2.2% reduction in 2011	60
		Direct and indirect energy consumption across our operations (million GigaJoules)	7.8	11.2	11.6	↑	3.3% increase in 2011	60
	To mitigate potential environmental impacts when planning, designing and implementing exploration, mining and related activities	Number of hectares of De Beers-owned and managed land set aside for conservation	221,000	231,112	195,640	↓	20.8% reduction in 2011 resulting mainly from the removal of an area of the Rooiport Nature Reserve, where mining has commenced under a contract managed by De Beers, with strict environmental criteria	63

² Lost Time Injury Frequency Rate (LTIFR) = Number of Lost Time Injuries multiplied by 200,000, divided by hours worked.

* Figures have been restated from the 2010 Report to Society. Please refer to the relevant page for details.

Operating highlights

2011 was an exceptional year for De Beers, as strong consumer demand for diamonds drove rough and polished diamond prices.

Strong consumer demand drove price growth for exceptional results

2011 saw strong growth in consumer demand for polished diamonds – estimated at between 11 and 13% for the full year – and in rough diamond price growth for the DTC. Within this overall increase, however, 2011 was a year of two halves. Strong growth in both rough and polished diamond prices was seen in the first half of the year, as consumers continued to buy diamonds – led by China, India and the US. In the second half of the year, global economic uncertainty impacted liquidity in the cutting centres. As a result, DTC rough diamond prices saw an effective price growth of 29% from January to December 2011.

DTC price growth drove our second highest level of sales ever, at US\$6.5 billion, a 27% increase over 2010 (US\$5.08 billion). This supported a 21% increase in EBITDA to US\$1.7 billion (2010: US\$1.4 billion), and Free Cash Flow of US\$734 million (2010: US\$943 million).

Production faced challenges, addressed in the latter half of the year

During 2011, De Beers continued to produce in line with demand from our Sightholders. Full year production was slightly lower than in 2010 at 31.3 million carats (33.0 million carats), reflecting the easing of demand during the latter half of the year.

The first half of 2011 saw a number of challenges at our operations, including excessive rainfall in southern Africa, maintenance backlogs, contractor performance issues, skills shortages, and strikes. We remained focused on carat production, recovering 15.5 million carats in the first half of 2011 (H1 2010: 15.4), with slightly lower production in the second half of the year when we focused on maintenance and waste-stripping backlogs to position ourselves to capitalise on long-term favourable demand trends. These steps have put our mines in position to ramp up production, as Sightholder demand dictates, in 2012.

Despite an overall reduction in our Lost Time Injury Frequency Rate (LTIFR) to 0.15 (2010: 0.24), we regrettably reported seven fatalities during the year. Action has been taken to address this fall in performance, and a full review of safety practices across the Group was undertaken throughout 2011, with the implementation of findings continuing into 2012.

Progress continued on securing future production

In southern Africa and Canada, satisfactory progress was made on our major projects. In Botswana, the massive Jwaneng Mine Cut-8 extension project continued largely on schedule and on budget. In South Africa, Finsch Mine was sold as a going concern to a Petra Diamonds-led consortium for R1.425 billion (US\$210 million) plus assumption of rehabilitation liabilities. Plans for the conversion of Venetia Mine into an underground operation, extending its life by an estimated 25 years to 2046 were progressed throughout the year. The project will be considered by the DBCM board in 2012. In a sale still pending approval, agreement was also reached to sell Namaqualand Mines to a subsidiary of Trans Hex for R225 million (US\$33.5 million).

Fig. 1

DTC Rough Diamond Prices

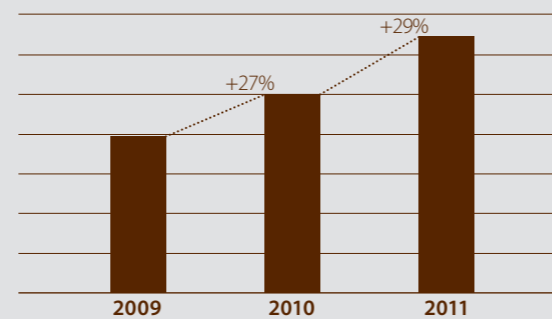
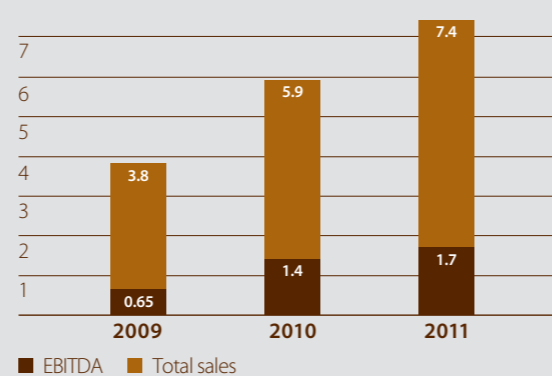


Fig. 2

EBITDA as a proportion of total sales (US\$ billion)



Performance indicators

	11	10	10/11
Total tonnes treated (000s)	50,247	54,544	-4297
Total carats removed (000s)	31,328	32,997	-1669
LTIFR*	0.15	0.24	-0.09
LTISR†	4.53	5.17	-0.64

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

Financial indicators

	11	10	10/11
EBITDA (US\$m)	1,721	1,428	+293
Total sales (US\$m)	7,378	5,877	+1,501
Cashflow (US\$m)	467	917	-450
Operating costs (US\$m)	506	416	+90

In September, we announced a new 10-year contract for the sorting, valuing and sales of Debswana's diamond production with our joint venture partner, the Botswana government.

In Canada, an Optimisation Study was completed at Snap Lake Mine, securing a mining solution to economically access this promising but challenging ore-body, and thereby achieve its forecast 20-year life of mine. The Environmental Impact Statement for Gahcho Kué was also submitted for review.

Our brands continued their expansion plans

Both De Beers Diamond Jewellers (DBDJ) and Forevermark continued to expand into existing and new markets. By the end of 2011, the DBDJ network included 44 stores in 15 countries, and Forevermark was available in 658 retail doors across nine markets, having formally launched in India and the US during the year.

Agreements

Two agreements were reached in 2011 that will underpin De Beers' continued position as the world's leading diamond company. In September, we announced a new 10-year contract for the sorting, valuing and sales of Debswana's diamond production with our joint venture partner, the Botswana government. This will secure De Beers' long-term access to the largest supply of diamonds in the world. As part of the Sales Agreement, De Beers will transfer its London-based rough diamond aggregation and international sales activity to Botswana by the end of 2013. This has the potential to transform Botswana into a leading diamond trading and manufacturing hub.

In November, it was announced that the Oppenheimer family had agreed to sell its 40% stake in De Beers to Anglo American. This is subject to various regulatory and other approvals, and to a pre-emptive right over 10% in favour of the Government of Botswana. Anglo American's proposed acquisition presents the prospect of utilising the skill, resource and expertise of one of the world's leading natural resource companies in De Beers' development into the future.

Outlook

In spite of uncertainty and barring a global economic shock, we expect to see continued growth in global diamond jewellery sales, albeit at lower levels than the exceptional growth seen in 2011. This will be driven by the overall strength of the luxury goods market, improving sentiment in the US (the largest diamond jewellery market), continuing growth in China, and the positive impact of the 2011 polished price growth on retail jewellery prices.

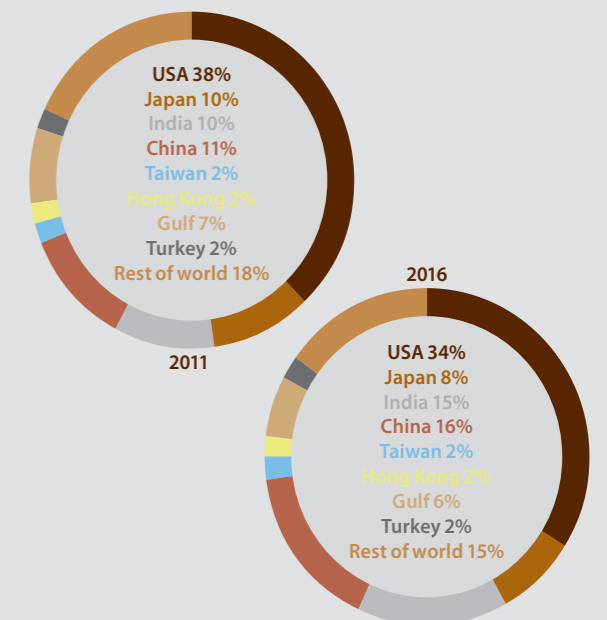
On the production front, we will continue to prioritise waste-stripping and maintenance backlogs, and we therefore do not expect a material increase in carat production in 2012. This focus, which began in H2 2011, and will continue in 2012, will position De Beers to ramp up profitable carat production, as Sightholder demand dictates. In the medium- to longer-term, we continue to believe the industry fundamentals are positive, with consumer demand, fuelled by the emerging markets of China and India, outpacing what will likely be level carat production.



Underground operations will extend the life of Venetia Mine by an estimated 25 years.

Fig. 3

Consumer demand forecasts, 2011 and 2016 (US\$ PWP)



Data note: These figures provide estimates and forecasts of the size and growth of main diamond consumer markets based on pipeline and consumer research commissioned by De Beers Group Strategy. 2011 results are preliminary.

Our approach to sustainability

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

Contributing to sustainable development

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

Underpinning this approach are our Vision and Values, and our three guiding Principles (see p68). These Principles define how we do business, inform our understanding of what is right and wrong, and provide a framework for measuring our contribution to sustainable development. The Principles are supported by a suite of management systems, policies, guidance and tools, which inform our decision-making, engagement with stakeholders, and assessment of how our business impacts society.

Managing risks and opportunities

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

Alongside risks, sustainability also brings opportunities such as competitive advantage, improving industry standards, and demonstrating leadership in responsible business.

Governance

Sustainability governance rests with the De Beers Board and operating company Boards. A comprehensive sustainability management framework, comprising four elements, supports this governance structure:

- **Principles Committee** – a Group-level management committee responsible for reviewing compliance, risks and opportunities relating to our Principles;
- **Environment, Community, Occupational Health and Safety (ECOHS) Committee** – a Board committee overseeing these areas;
- **Local ECOHS functions** at operating company and business unit-level who manage these issues on the ground; and
- **Local External and Corporate Affairs (ECA), Legal, Audit and other functions** who manage sustainability risks falling outside the ECOHS area, e.g. reputational or legal risks.

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

Stakeholder engagement

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

Our stakeholders include groups that De Beers 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. Each operating company identifies, prioritises and engages stakeholder groups at a local level. This role is typically managed by External and Corporate Affairs teams. In 2011, we continued to develop a stakeholder mapping tool to provide our operations with a consistent approach to identifying stakeholders and engaging with them appropriately. This methodology will be piloted in 2012.

Stakeholder engagement happens every day and at all levels of our business on issues as diverse as biodiversity conservation (see p62-63) and human rights (see p29). 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.

Types of engagement

Our stakeholder engagement takes two main forms:

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

Contributing to broader debates – Diamond Dialogues

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

Engaging with stakeholders at multiple levels on sustainability issues

Internal

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

Community

Ensuring that the communities in which we operate are involved in the making of decisions that affect them.

Industry

Knowledge-sharing and partnering on research into new technologies and approaches, policy and planning, and sharing best practice.

Regional/National

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

Global

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

Stakeholder question:

How does De Beers manage sustainability issues across functions? For example, water is not just an environmental issue.

The effective management of sustainability issues often requires a joined up approach. Water is a good example. Vital for our operations, water is also a key resource for our communities. Effectively managing our water use and impacts therefore requires an integrated social and environmental management approach.

The identification and integrated management of sustainability issues is overseen by the Principles Committee and the ECOHS Committee. In our day-to-day operation, multi-disciplinary teams deliver an integrated management approach across different areas of practice on a particular issue. For example, on water management or mine closure. This collaborative approach is required by management systems across the company, for example in risk management and project development, which require structured input from various functions and disciplines.



Kimberley Mine, sunset. Sustainability issues are managed over the mining lifecycle, from concept to closure.

One Diamond Dialogue was held in 2011 focused on water. At this Dialogue, a series of Diamond Dialogue Issues Briefs was launched, with the first in the series focused on De Beers' approach to water management (available at www.debeersgroup.com).

Engagement for reporting

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

Engaging with external initiatives

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

Local engagement at our operations

At our operations, frequent and informal engagement is ongoing between our employees and the local community. More formal engagement occurs between our Community and Environment managers and the local community on specific issues, for example in relation to closure planning (see p53 and p61) or social investment (see p51).

Public policy and lobbying

Public policy engagement ranges from direct engagement with governments on regulation or mining policy, to contributing knowledge and experience to debates on sustainability issues. We prioritise public policy engagement on issues that could impact the diamond industry, and 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, such as the national Chamber of Mines, or partnership initiatives with NGOs.

Managing our sustainability risks

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

Risk review process

Each year, three interlinked risk review processes are undertaken across the Family of Companies (see Fig. 4). These risk management processes are built on a systematic 'bottom-up' reporting process. Individual risk reports are submitted by each of our operations, by local ECOHS functions and by regional External and Corporate Affairs offices. Material risks are escalated up to Board level through the Audit Committee, ECOHS Committee, or the Executive Committee via the Principles Committee.

Audit Committee

Independent, objective assurance and consultancy on the risk review process is provided by De Beers Internal Audit under the mandate of the Audit Committee, a sub-committee of the DBsa Board (see p4-5, 2011 Compliance and Assurance Supplement). In 2011, a software platform was rolled out across the company that supports the risk review process.

Sustainability risk management systems

Two committees are primarily responsible for providing strategic direction and oversight of sustainability risks and performance for the De Beers Executive Committee and Business Unit CEOs – the Principles Committee and the Environment, Community, Occupational Health and Safety (ECOHS) Committee. Both of these Committees play a role in providing internal and external assurance on the adequacy and efficacy of our sustainability systems.

ECOHS programme

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

- To provide technical skills, leadership and governance to align ECOHS performance with the Group's core business strategy through delivering world class standards and expertise;

- To ensure the integration of ECOHS practices and accountability into core business processes at every stage of the diamond value chain; and
- To provide assurance on performance to the Boards of each operating company and to the Group ECOHS Committee.

In 2011, the Occupational Health and Hygiene disciplines were consolidated into Occupational Health for reporting purposes within the ECOHS Programme. Occupational Health now comprises Occupational Medicine and Occupational Hygiene.

ECOHS Committee

The ECOHS Committee is a Board Committee that provides strategic oversight of the four ECOHS disciplines. It meets quarterly and provides summaries of its meetings to the Board for review. At these meetings, major incidents are reported and performance updates presented for each of the ECOHS discipline areas.

The ECOHS Committee is also responsible for obtaining assurance on our adherence to common ECOHS policies, guidelines and operational practices, as well as relevant standards and legislation (both local and international). Each ECOHS discipline is led by a discipline Principal who reports on the state of the discipline and key risks within their area on a quarterly basis.

Peer groups

Across the Family of Companies, a peer group system allows individuals working in specific functions or on particular issues to share best practice, develop new management approaches, and provide an internal assurance function.

Operations

At our operations, managers in the different ECOHS disciplines implement ECOHS policies and standards developed through the peer groups, and deliver issue-specific initiatives and work programmes. They also operate local management systems such as ISO14001 and OHSAS18001 and strive for continual performance improvements.

Principles Committee

Established in 2007, the Principles Committee is a cross-functional management committee that plays a central role in evaluating and acting upon short-, medium- and long-term risks to the sustainability and reputation of the Family of Companies. It provides a forum for knowledge-sharing and decision-making on sustainability issues.

The Committee is scheduled to meet quarterly. Its remit covers all sustainable development issues and reputational risks, including those that fall outside the scope of the ECOHS Committee. Chaired by the Head of Public Affairs, the Committee is responsible for monitoring performance against our Principles, providing strategic understanding of risks for business units, and promoting co-ordinated management of risks and corresponding opportunities. It is also responsible for external assurance against key risks, and reporting publicly on our sustainability performance through the annual Report to Society.

The Principles Committee manages the sustainability risk management process for the Family of Companies. Twice a year, a global Reputation and Sustainability Risk Log is compiled by the Principles Committee, a summary of which is submitted to the Executive Committee as part of the broader De Beers' risk review process, which also includes financial, operational, demand-related, supply-related, employees, political, and regulatory risks. The sustainability risk log spans the five issue areas of Economics, Ethics, Employees, Communities and Environment.

In 2011, the Principles Committee met three times and focused on refining its risk identification and management processes. The Reputation and Sustainability Risk Log was reformatted and updated for each meeting. Risk presentations on our five issue areas were supplemented by closer consideration of the specific sustainability profile and reputation risks faced by individual business units.

Compliance versus continuous improvement

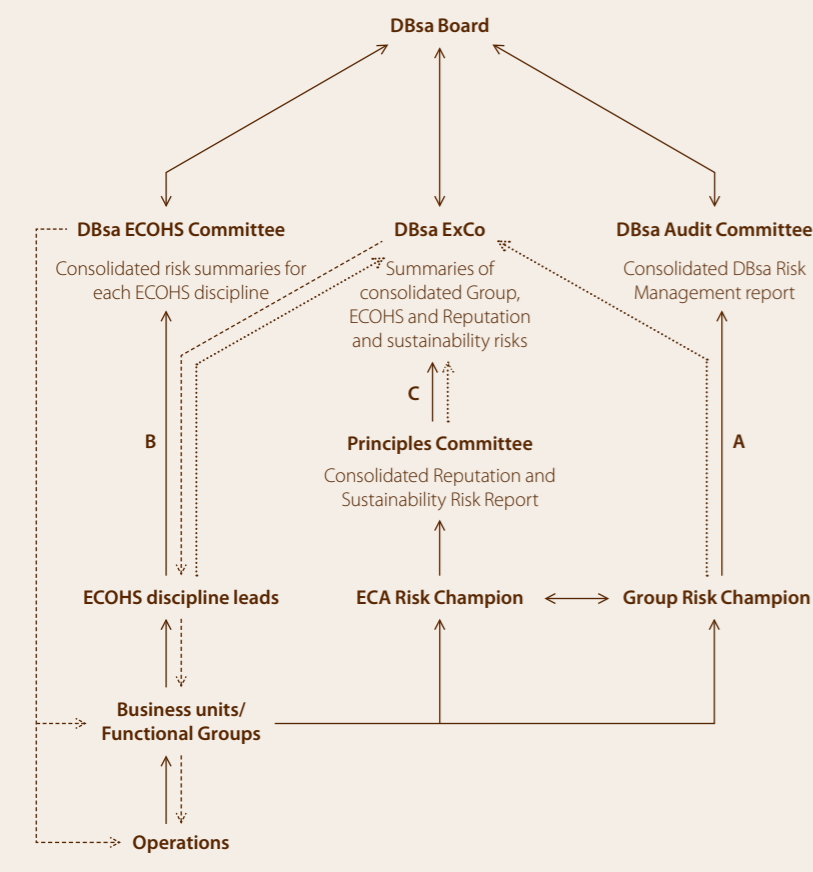
In managing sustainability, we operate two types of management systems – those that focus on compliance and those that drive continuous improvement. Our Best Practice Principles Assurance Programme (see p32) and anti-money laundering and anti-corruption processes (see p29-30) are systems where the Family of Companies must meet an absolute standard of performance, demonstrating compliance. The ECOHS programme is an example of a management system that encourages continuous improvement, via the peer group structure, in addition to requiring compliance with core standards.

Assurance

Assurance is an essential part of managing sustainability and ensuring rigorous reporting. A range of assurance processes are woven into our sustainability management approach, from first party assurance on our sustainability management processes by our ECOHS and Principles Committees, and the Internal Audit department, to third party assurance of our sustainability reporting (see p66-67) and Best Practice Principles Assurance Programme (see p4-7, 2011 Assurance and Compliance Supplement).

Fig. 4

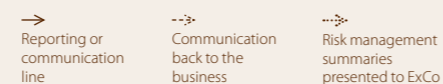
The risk review process



Three interlinked risk review processes are undertaken across the business each year. In these processes, risks reported by operations and functions are consolidated by a network of 'Risk Champions' for review by committees with responsibility for the management of specific types of risks. These committees can then mandate additional management steps to mitigate identified risks, if required, and report on risk management to the DBsa Board.

The three risk review processes cover:

- Headline, strategic and operational risks, reputation and sustainability risks. Undertaken twice a year, this is the primary process for identifying and managing risks across the Family of Companies. In this process, risks are identified and their management reviewed at operations and by function. The risk collection and collation process is managed by the Group Risk Champion, who reports to the DBsa Audit Committee, with a summary of risks from this review process then sent to ExCo.
- Environment, Community, Occupational Health and Safety (ECOHS) risks. Each quarter, ECOHS leads report to the ECOHS Committee on key risks in their discipline, drawing on information provided by members of their respective peer groups. A summary of these key risks is also provided to ExCo.
- Reputation and Sustainability risks. At each Principles Committee meeting, a summary of reputation and sustainability risks compiled by the External and Corporate Affairs Risk Champion is reviewed, with a report subsequently submitted to ExCo.



Coloured diamonds typical of De Beers' high-quality offshore production.

“As sustainability risks often have legal, reputational, ethical and technical dimensions, our risk management system supports their management across a range of disciplines and functions.”

Dr. James Suzman, Head of Public Affairs

Our approach to reporting

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

A risk-based approach to reporting

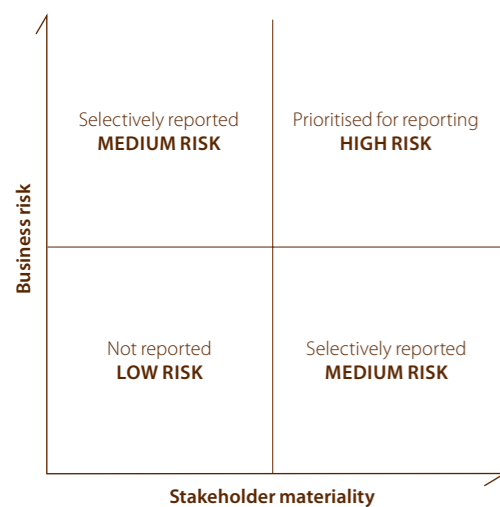
We use a sustainability risk matrix (see p15) to evaluate the short-, medium- and long-term risks that are most material to our stakeholders and to the business. The matrix is developed using outputs from our risk identification process and from our stakeholder engagement (see p10–13).

Each year we go through a robust process to identify all of the potential risks we could report on, and to prioritise the ones that are most material. First, we engage internally with risk owners to determine whether any new risks have been identified, whether the position of a risk needs to be moved on the risk matrix, or if the risk definition needs to be updated to reflect changes to the risk profile. Following this, we engage with external stakeholders, via our annual Multi-Stakeholder Forum (see p11) to check that our assessment fits with stakeholder concerns and expectations. We then modify the matrix as necessary, based on this stakeholder feedback.

Material risks in 2011

Each of the following chapters includes a sustainability risk matrix. The purpose of the matrix is to articulate the short-, medium-, and longer-term risks most material to the reputation and sustainability of the business (Fig. 5). 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).

Fig. 5
Our risk matrix approach to reporting



In 2011, we identified a total of 30 sustainability risks through our risk analysis and stakeholder engagement processes. These are shown in the sustainability risk matrix on the following page. We have prioritised 22 of these risks across all five sustainability areas for discussion in this report. Key changes from the sustainability risk matrix from 2010 include reporting on 'safety', and 'occupational health and wellbeing' as separate risks; the renaming of 'product security' as 'illicit trade and diamond security' and 'local licence to operate' as 'effective community relations'; and the addition of 'human rights' and 'Mulepe resettlement'. Full descriptions of the identified sustainability risks are provided in the 2011 Sustainability Risks Supplement.


Changes to the Report to Society

In 2010, we made significant changes to our reporting approach, producing for the first time a 60-page Summary Review in print as well as a more detailed 100-page Report available for download from our Group website. The 2010 report won a number of awards, most notably retaining the awards for Best Overall Sustainability Report and Best Extractive Sector Report in the ACCA South Africa Sustainability Reporting Awards. The judges cited our robust risk-based approach to reporting and praised the report for demonstrating an integrated approach.

This year we continue to evolve our reporting approach. Based on stakeholder feedback and formal review at the Multi-Stakeholder Forum, our 2011 Report to Society consists of the following:

- This concise, 68-page printed report;
- A comprehensive GRI Index in the 2011 Assurance and Compliance Supplement, which provides supplementary performance information and full assurance statements; and
- A 2011 Sustainability Risks Supplement, listing full descriptions of our sustainability risks.

Each of these documents, and further information on our approach to sustainability, is available from the De Beers Group website, which was re-designed in 2011.

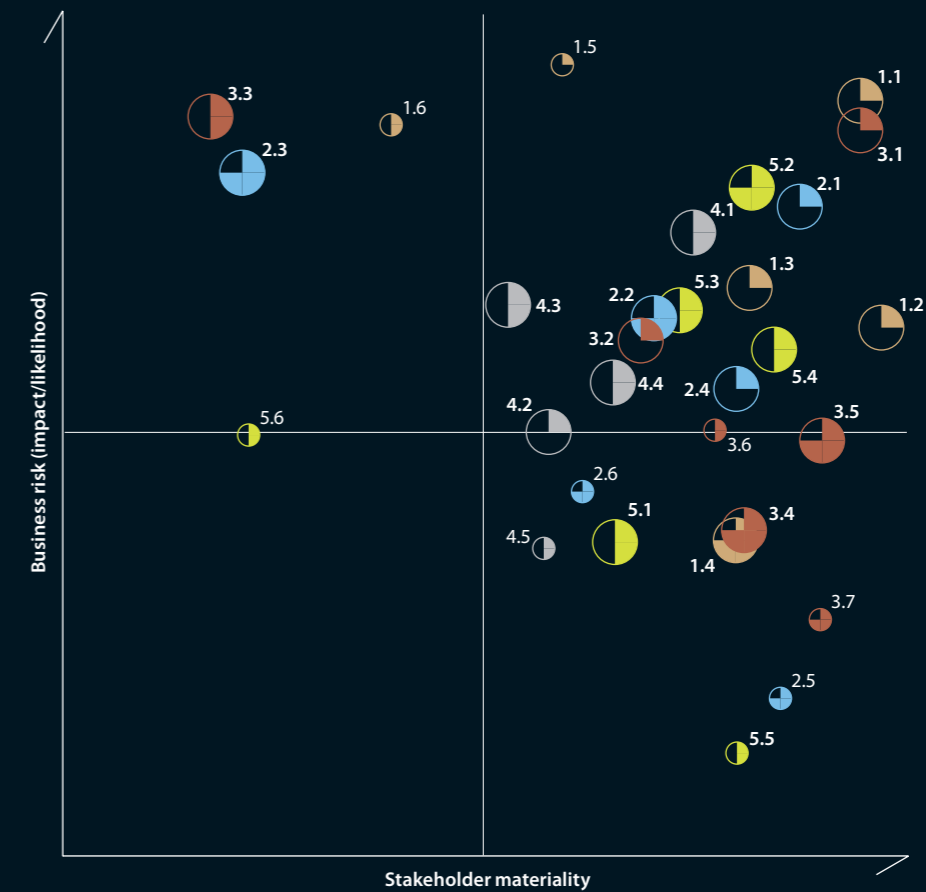
 www.debeersgroup.com

Internal and External Assurance


Our reporting is assured by internal and external parties. In 2010, the Audit Committee changed its Terms of Reference to include providing oversight of integrated reporting, as recommended by the South African King III Report – an international benchmark on Corporate Governance. In 2011, the Audit Committee provided oversight of the further steps towards integrated reporting undertaken in the 2010 Report to Society, including commissioning third-party assurance.


For the second year, Société Générale de Surveillance (SGS) have verified our Report to Society. Their assessment of this report against the Global Reporting Initiative principles provided in the GRI G3.1 (2011) and AccountAbility AA1000 Assurance Standard (AA1000AS) (2008), can be found on pages 66-67.


Report to Society 2011 sustainability risk matrix



All risks identified on the matrix have perennial aspects. The duration, or 'term', refers to the time-frame within which a specific aspect of a risk is expected to manifest or impact the business. For example, uncertainty in the global economy is a short-term aspect of the risk of not 'Delivering value to producers'. A full description of each of these risks is provided in the 2011 Sustainability Risks Supplement to this report.

 Long term (10+ years, or perennial risk)

 Medium term (3-10 years)

 Short term (0-3 years)

The matrix above sets out the sustainability risks identified over the course of 2011. We classify these issues by reference to the risks they pose to our business, and the degree to which they are material to stakeholders.

The risks in bold are reported in this Report to Society.

Economics

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

Ethics

- 2.1 **Kimberley Process and System of Warranties credibility**
- 2.2 **Anti-corruption**
- 2.3 **Illicit Trade and Diamond Security**
- 2.4 **Maintaining pipeline and sector standards**
- 2.5 Legal compliance, e.g. competition law, tax law etc.
- 2.6 Human rights

Employees

- 3.1 Safety performance
- 3.2 Managing organisational change
- 3.3 Attracting and retaining talent
- 3.4 Occupational health and wellbeing
- 3.5 HIV and Aids management
- 3.6 Diversity and inclusion
- 3.7 Compliance with international labour standards

Communities

- 4.1 Effective community relations
- 4.2 Sustainable community social investment
- 4.3 Resettlement
- 4.4 Social impact of closure and transfer of assets
- 4.5 Managing land claims

Environment

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



DIAMONDS HAVE CONTRIBUTED SIGNIFICANTLY
to development in producer countries, but as 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.

Economics

CREATING SHARED VALUE

The US\$126 million, 90MW diesel-fuelled power plant will ensure continued energy security at Orapa Mine, Botswana.

We work in partnership with host governments to create shared value that supports long-term and sustainable economic development. In addition to the revenues our activities generate for governments and other stakeholders, we support economic development through local and indigenous procurement, enterprise development, and social investment. Through beneficiation, we support the development of value-adding downstream activities in producer countries.

Economic Highlights

Payments to stakeholders in Africa



US\$4.4bn

diamond revenues paid to stakeholders in Africa (2010: US\$3.33 billion)

page 19

Rough diamonds supplied to Sightholders



US\$1.3bn

in rough diamonds supplied to DTC Sightholders for manufacture in southern Africa (2010: US\$1.12 billion)

page 22

Preferential procurement



US\$960m

in preferential procurement in southern Africa and Canada (2010: US\$810 million)*

page 23

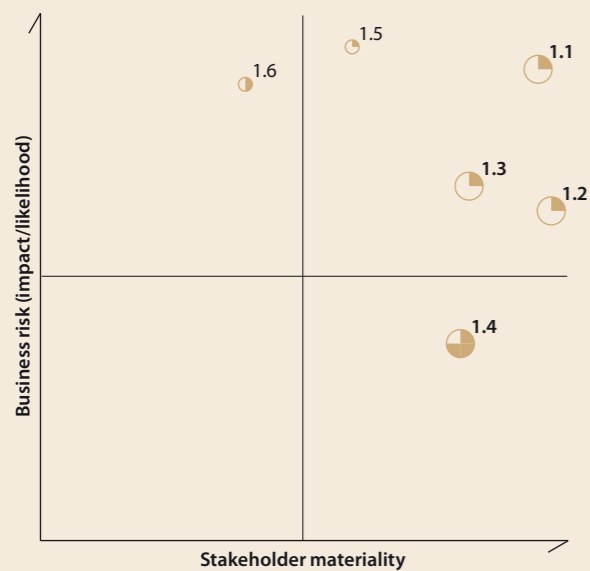
*Preferential procurement for 2010 has been restated, see p23.

Economics

Diamonds are a finite resource. With demand increasing and existing diamond assets peaking, we are focused on optimising both the life and value of our diamond resources to deliver shared value for producer partners and other stakeholders.

Economic Risks

In this section we report on our approach to key economics risks identified for 2011 through our risk materiality process (see p14-15), and displayed on the matrix below.



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

KEY:

- Long-term ● Medium-term ● Short-term
- Risks explored in Report to Society 2011 ● Risks

A full description of each of these risks is provided in the 2011 Sustainability Risks Supplement.

www.debeersgroup.com

Delivering value to producers

Diamond revenues play a key role in driving economic development in producer countries. We operate in partnership with our host governments to maximise the value of their diamond resources by mining as efficiently, cost-effectively and safely as possible. Our focus is, however, far broader than mining alone. Since our shift in the early 2000s from a supply-driven business to one focused on meeting consumer demand, we have kept a sharp focus on maintaining access to markets, and on creating and driving demand for diamonds in key regions. These include growth markets such as the Gulf states, India and China.

This focus on creating and maintaining demand helps us to support De Beers' prices following the collapse of diamond prices resulting from the economic crisis in 2008. Ultimately, this creates shared value for the Family of Companies and our producer governments.

The value of large-scale investments

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

The Cut-8 extension project at our Jwaneng Mine in Botswana is indicative of the scale and value of big mining projects. Started in 2010, the project requires a total investment of US\$3 billion. It will extend the life of Jwaneng Mine by seven years to 2025 and liberate a further 100 million carats of diamonds, worth an estimated US\$15 billion. Over and above the capital investment, the extended life of mine will provide ongoing employment and local benefits, and continue to provide revenues that will support the development aspirations of the Botswana government.

The planned project to develop our Venetia operation in South Africa into an underground mine is another example, requiring capital investment of US\$2.1 billion and extending the life of the mine by 25 years to 2046.

A prerequisite for investing in large and long-term projects such as these is a positive and stable business and regulatory environment. This allows for effective planning to run efficient operations that will deliver the maximum benefit to the Family of Companies and producer nations. We support an open and frank discussion with governments on how best to maximise shared value from resource developments, and willingly bring our experience and expertise on working in partnership with producer countries to the debate.



Namdeb employees on the Seawalker platform, Namibia

Distribution of diamond revenues

In 2011, De Beers paid US\$6.4 billion (2010: US\$5.0 billion) or 87% of total sales, to governments, suppliers, employees, shareholders and other finance providers. A total of US\$4.4 billion or 68.4% of these payments were to stakeholders in Africa (2010: US\$3.3 billion, 66.6%).

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

Our role in supporting economic development varies from country to country, depending on the nature of our operations and the structure of each country's economy (see Fig. 6).

A new Sales Agreement in Botswana

Botswana has one of the best records in Africa of natural resources-driven development. As the single largest industry in Botswana, diamond mining has enabled the rapid transformation of Botswana from one of Africa's poorest countries at independence in 1966, to one of Africa's richest per capita by the 1990s. Today, Botswana remains the largest diamond producer, by value, in the world. Production in 2011 amounted to US\$4.5 billion, with diamond revenues generating approximately a third of Botswana's GDP.

In 2011, we announced a new 10-year Sales Agreement between De Beers and the Government of Botswana for the sorting, valuing and sales of De Beers' diamond production. For De Beers, the Agreement secures long-term and uninterrupted access to the largest supply of diamonds in the world. For Botswana, it preserves and enhances the highly successful route to market provided by the Diamond Trading Company (DTC), the Family of Companies' principal sales and distribution arm, which is crucial to generating and maximising the value Botswana can obtain from its diamond resources.

As part of the Sales Agreement, the DTC will relocate its London-based sales operations – including professionals, skills, equipment and use of technology – to Gaborone by the end of 2013. From its new base in Botswana, the DTC will aggregate production from De Beers' mines, and its joint venture operations worldwide, and continue to sell to both international and domestic stakeholders.

This unprecedented geographic shift in the sale of rough diamonds will strengthen the foundations for diamond trading, cutting and polishing, and jewellery manufacturing industries across the southern African region. In addition to supporting the success of our long-term beneficiation activities in the region, the Agreement will also deliver a first major step towards establishing southern Africa as a world-leading downstream diamond region.

“With the 10-year Sales Agreement with De Beers, we are at the dawn of realising Government's long-standing vision of seeing as much of the value from Botswana's diamond production as possible taking place in this country.”

Hon. Dr. Ponatshego Kedikilwe
Minister of Minerals, Energy and Water Resources,
Government of Botswana



An evolving portfolio in South Africa

In 2005, the Family of Companies adopted a strategy of closing or divesting from late-life mines in South Africa in order to release capital to explore for and develop new mines, and to maximise the life and revenue-generation of larger or more profitable mid-life mines.

By selling late-life mines to smaller operators with a lower cost base, or operators specialised in generating value from late life of mines, we aim to protect employment and maintain revenue-generation for producer nations. This is the case with the sale of mining assets at Cullinan, Williamson, Kimberley underground, Koffiefontein, Jagersfontein and Finsch, all of which remain operational under their new ownership.

In 2012, the DBCM Board will consider a R17 billion (US\$2.1 billion) investment to convert our open pit Venetia Mine in Limpopo into an underground mine. Open pit operations are due to run to 2021 and conversion to underground mining will extend the life of the mine by 25 years to 2046.

The Family of Companies is also exploring options to extend the life of Voorspoed Mine in Free State province beyond its planned life to 2018, as well as options to extend the life of the Kimberley tailings treatment works to 2018.

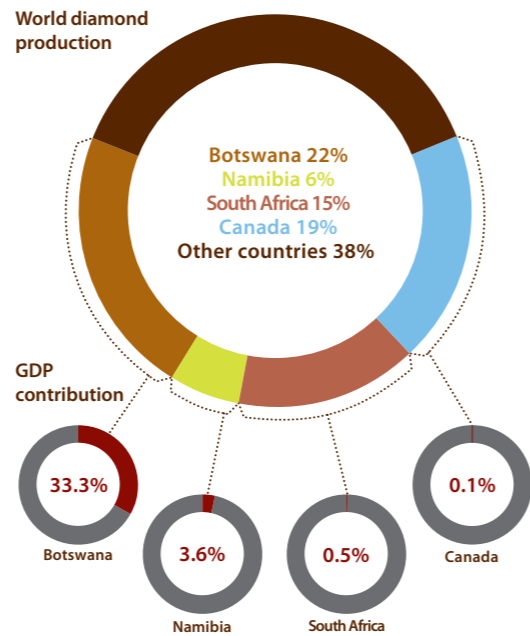
Sale of Finsch Mine and Namaqualand Mines

In 2011, the Family of Companies sold Finsch Mine in the Northern Cape of South Africa to a Black Economic Empowerment consortium led by Petra Diamonds for R1.425 billion (US\$210 million). An agreement for the sale of our Namaqualand operations was also reached with EPI, an empowered subsidiary of Trans Hex. The transaction, worth R225 million (US\$33.5 million), is awaiting approval from the South African authorities.

Both sales followed a rigorous and transparent process to select a buyer with the capability required to extend the economic sustainability of the mining operations. In addition to access to funding, criteria included a detailed evaluation of technical capacity, a proven track record in South Africa, sound broad-based Black Economic Empowerment credentials and a strong socio-economic focus.

Fig. 6

The role of diamond production in our countries of operation



■ Approximate proportion of GDP that comes from diamond production

Data note: The figures in this graph have been restated from those reported in 2010. Previously reported figures were calculated from publicly available economic data provided by international financial institutions and respective governments, in-house world diamond production calculations, and De Beers Group distributions to local governments and companies. Figures reported this year replicate those provided by the Kimberley Process in 2010 for world diamond production, and publicly available economic data provided by respective governments for the approximate proportion of GDP.

Governance and revenue transparency

Good governance and revenue transparency support government efforts to translate the value created by our mining operations into lasting benefits.

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

Political donations

The Family of Companies does not participate in party politics. In exceptional cases, political donations may be made in support of the democratic process. They are made only to pro-democratic registered

parties that are committed to the protection of human rights, good governance and the rule of law, and are fully disclosed. No political donations were made in 2011.

Payments to governments

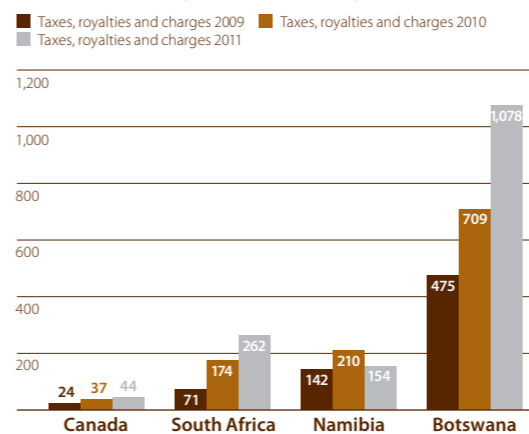
In 2011, we paid US\$1.67 billion in taxes and royalties to governments. Of these payments, 89.6% (US\$1.5 billion) was made to governments in Africa. Further indirect tax benefits are generated through payments made by our shareholders, suppliers, contractors, Sightholders and business partners in the 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. 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 currently have mining operations in demonstrate high levels of transparency as reported by Transparency International, an international anti-corruption organisation.

Fig. 8

Revenue contributions to governments 2009-2011 (US\$ million)



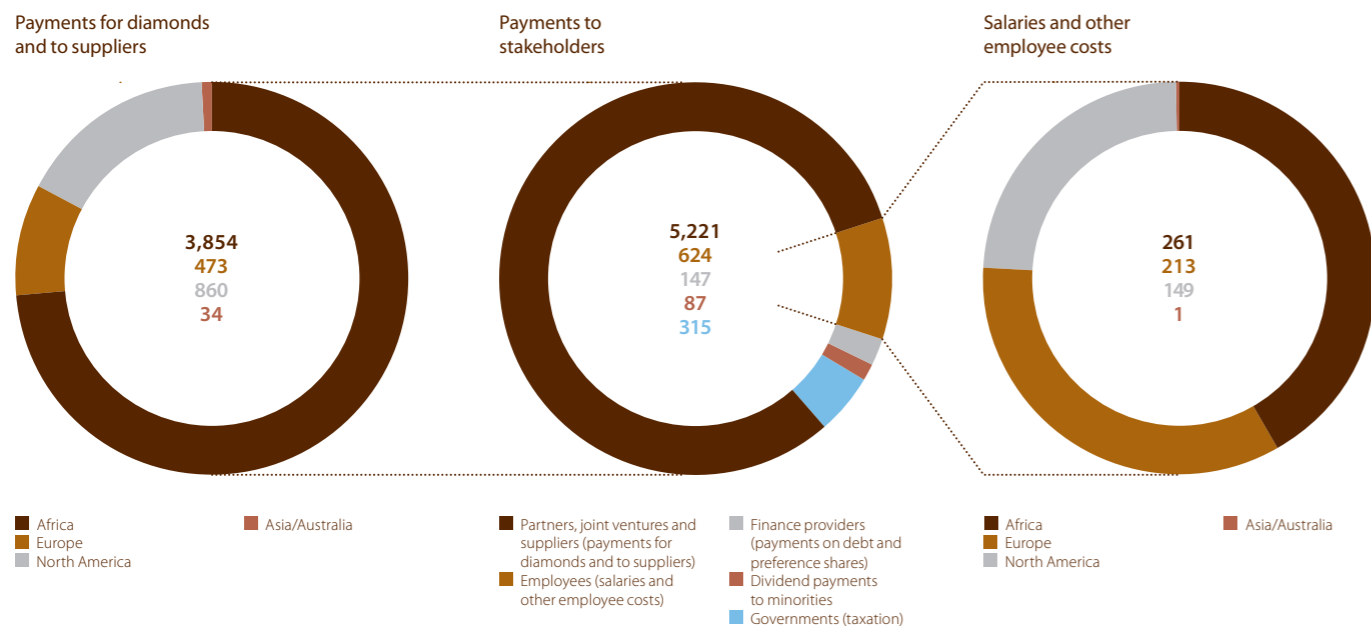
Success of beneficiation

Following extraction, a diamond passes through a variety of different stages before it is sold to a consumer. These include sorting, valuing, cutting, polishing and jewellery manufacturing. Each of these stages adds value as a diamond is transformed from a rough into a polished gem and moves from mine to retail.

Beneficiation is the process of adding value within producer countries and is the way we work with our government partners to ensure that beyond mining, as many of the diamond processing stages as sustainably possible take place in the producer country. In doing so, greater short-term economic value is created from producer countries' existing resources, while simultaneously supporting the development of sustainable post-mining economies, both within and outside the diamond sector.

Fig. 7

Payments to stakeholders, 2011 (US\$ million)



Debswana's Jwaneng Mine in June 2011, as construction for Cut-8 neared completion.

The US\$3 billion Cut-8 extension project will extend the life of Jwaneng Mine until at least 2025, yielding 100 million carats worth approximately US\$15 billion, and creating approximately 1,000 jobs.

Supporting beneficiation

We sell and distribute the majority of our rough diamonds through the Diamond Trading Company (DTC) network. The DTC has been selling rough diamonds to manufacturers in producer countries for several decades. In 2007, we formalised our approach to beneficiation by establishing DTC offices in producer countries, to directly supply rough diamonds to domestic Sightholders for cutting and polishing.

Three locally established DTC sales and distribution organisations deliver 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, which is 100% owned by De Beers. In 2011, these organisations supplied 16, 11 and 13 local Sightholders, respectively. Our London-based operation manages the delivery of beneficiation in Canada, supplying rough diamonds for manufacture, and provides marketing support, to Sightholders in the Northwest Territories and Ontario.

Of the DTC's US\$6.47 billion in sales in 2011, in excess of US\$1.30 billion was sold to local Sightholders in producer countries. In Canada, 10% of De Beers Canada's production was offered for sale to Sightholders in the Northwest Territories and Ontario.

Delivering beneficiation

Beneficiation promotes in-country wealth creation and skills development by supporting diamond-related activities consistent with producer countries' national objectives. These include:

- Establishing domestic sorting and valuing operations;
- Making assortments of rough diamonds available to local Sightholders for manufacture in the producer country;
- Supplying rough diamonds mined in-country to support national certification systems and/or provenance brands;
- Supporting jewellery design and manufacturing through programmes such as the Shining Light Diamond Design Awards and the Kimberley International Diamond and Jewellery Academy (KIDJA); and
- Providing marketing support and expertise to local Sightholders.

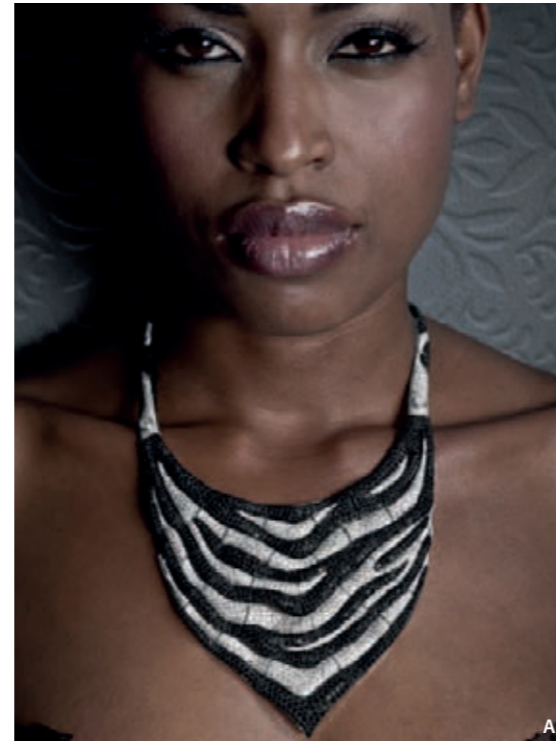
The future of beneficiation

Since the Family of Companies formalised the beneficiation programme, we have sold over US\$5.3 billion in diamonds to Sightholders in producer countries. In partnership with host governments, these sales have supported the successful establishment of downstream diamond-processing industries, especially in southern Africa. As well as maximising value from diamond assets, beneficiation has been shown to stimulate investment in producer countries from international business involved in later stages of the diamond pipeline.

Over 43% of the world's diamonds by value are produced in southern Africa. Governments across the region are working to leverage the regional position as a leading producer to become a successful international diamond centre that co-exists alongside traditional centres. Such a gravitational shift will require the right conditions for investment and the alignment of multiple stakeholders.

As part of the landmark 10-year Sales Agreement between De Beers and the Botswana government for Debswana's diamond production, De Beers will transfer the DTC aggregation and sales functions from London to Botswana. This is a pioneering and unprecedented business move, and we see it as a significant step towards creating a world-leading diamond trading and manufacturing centre in southern Africa, which will benefit the whole region. It will pave the way for increased investment and skills development in the region, while also providing further opportunities for economic diversification.

In the five years since the Family of Companies established a formal beneficiation programme, we have sold over US\$5.3 billion in diamonds to Sightholders in producer countries. In partnership with host governments, these sales have supported the successful establishment of downstream diamond-processing industries.



A The Shining Light Awards promote the southern African jewellery industry.
B The sorting floor at the Namibia DTC in Windhoek.

Driving local growth, diversification and capacity building

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

- Direct employment and employment of local contractors;
- Preferential procurement from local and historically disadvantaged groups; 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, by helping to develop skills, businesses and infrastructure that can extend beyond the life of a mine.

Employment

At the end of 2011, the Family of Companies (excluding Element 6, De Beers Diamond Jewellers and contractors) employed 12,124 personnel worldwide in our mining and sales operations (2010: 13,447). Just over 10,500 (86.9%) were based in Africa (2010: 11,975, 89.1%). Employee salaries and other costs, including social security, health care and pension contributions, grew to US\$624 million in 2011 (2010: US\$527 million).

Stakeholder question:

What does De Beers mean by 'creating shared value'?

Our partnerships with governments, black empowerment entities and local communities means there is a direct correspondence between the value our business is able to generate commercially, and the social value it is able to create in the communities and countries in which we operate.

In Botswana, for example, more than four out of every five dollars that Debswana 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.

Preferential procurement

Preferential procurement, including from indigenous or historically disadvantaged groups, continues to play a key role in our approach to economic development and economic diversification in host countries.

In 2011, approximately US\$960 million was allocated to preferential procurement in southern Africa and Canada (2010: US\$810 million)*.

Enterprise development

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

* Data note: This figure has been restated from the US\$715 million reported in the 2010 Report to Society, due to a restatement of preferential procurement spend in Namibia. See p29, 2011 Assurance and Compliance Supplement for country level detail.



A Employees arrive for work at Orapa Mine, Botswana.
B Bathoen House Primary School, Orapa, is supported by Debswana.
C White rhinoceros, and other large game, are conserved on the Diamond Route.

Capturing greater local value

The goal of beneficiation is to support the creation of globally competitive downstream diamond industries in producer countries, through working in partnership with DTC Sightholders and governments.

Downstream diamond value chain



Sorting

Following delivery from the De Beers Family of Companies' mines, rough diamonds are sorted and aggregated (i.e. combined to create mixes of similar diamonds from across our mines) to prepare them for sale. This is carried out by the Diamond Trading Company (DTC), the principal sales and distribution arm of De Beers.

Beneficiation activities

Historically, diamonds from all our mines were sent to the DTC in the UK or South Africa for sorting. Over the past four decades, we have actively supported the shift to local sorting in-country, establishing sorting operations in Namibia and Botswana.

Impacts

Local economic growth and diversification, enhanced international profile and increased interest from investors.

De Beers' 2011 Sales Agreement with the Government of Botswana will see all UK-based DTC sorting and sales activity move from London to Gaborone by the end of 2013.



Sales

Rough diamonds are sold to DTC Sightholders via term contracts, and customers registered to participate in Diamdel online auctions.

Beneficiation activities

The DTC offers a proportion of diamond production by value to sell to local Sightholders for manufacture in Botswana, Namibia, South Africa and Canada.

Impacts

Sustainable local industry, the development of supporting infrastructure and enterprises, and encouragement for further direct investment.

US\$1.3 billion worth of diamonds were sold for beneficiation in 2011, representing 20% of global DTC sales.



Cutting and polishing

Skilled employees at Sightholder factories cut and polish rough diamonds, which are sold to jewellery manufacturers around the world.

Beneficiation activities

The secure supply commitments provided through our beneficiation agreements in Botswana, Namibia, South Africa and Canada enable local Sightholders to establish manufacturing facilities in-country.

Impacts

Local employment, career opportunities, national capacity building and skills development.

To date, more than 5,500 direct manufacturing jobs have been created in the cutting and polishing sector through beneficiation agreements. In addition, many support roles have been created.



Manufacture and retail

Polished diamonds are set into jewellery and sold on to consumers around the world. De Beers designs and sells diamond jewellery via De Beers Diamond Jewellers (DBDJ). A proportion of diamonds also meet the quality criteria to be sold via the Forevermark brand.

Beneficiation activities

Since 1996, the DTC has run the Shining Light Awards scheme, which strengthens the southern African jewellery industry by supporting local designers and partnering them with Sightholders.

Impacts

Support and promotion of talented local designers and their partnerships with Sightholders, enhancement of the brand value of locally designed jewellery.

In 2011, the Harry Oppenheimer Diamond Museum in Israel showcased 30 magnificent pieces of southern African designed jewellery.

The evolution of beneficiation

Launch (2006/07) Beneficiation is formalised

DTC offices are established in South Africa, and in Botswana and Namibia in joint ventures with the respective governments. Canadian beneficiation is managed through DTC in London.



Local DTC offices established



Value of rough diamonds sold through beneficiation activities in 2007



Sightholder factories operating in southern Africa in 2007

Chapter 1 (2008-2011) Development of manufacturing in producer countries

DTC offices provide a consistent supply of rough diamonds to qualifying domestic Sightholders, catalysing investment in local manufacturing. The Shining Light Awards showcases designers from southern Africa internationally.



Direct manufacturing jobs supported through our beneficiation activities



Total value of rough diamonds sold through beneficiation activities since approach formalised



Sightholder factories operating in southern Africa and Canada

Chapter 2 (beyond 2011) Supporting the establishment of southern Africa as a world-leading downstream diamond region

Following the success of Chapter 1, the opportunity now is to encourage broader downstream diamond activity, in addition to manufacturing.



De Beers' aggregation and sales based in southern Africa



Sightholder factories anticipated in southern Africa and Canada from 2012



THE ETHICAL INTEGRITY
of diamonds underpins their

**FINANCIAL AND
EMOTIONAL VALUE,**

what we call

'DIAMOND EQUITY'.

*In protecting diamond equity,
we protect our markets and*

THE LONG-TERM VALUE
that diamonds can deliver.

The conduct of our employees, the robustness of our compliance systems, and our commitment to transparency maintain stakeholder confidence in our business. To promote consumer confidence in diamonds more broadly, we work in partnership with others to maintain and promote the highest ethical standards through initiatives such as the Kimberley Process Certification Scheme and the Extractive Industries Transparency Initiative.

Ethics

**PROTECTING
THE INTEGRITY
OF DIAMONDS**

Diamonds recovered from Namdeb's Mining Area 1, including a 7.59 carat yellow diamond.

Ethics Highlights

*Best Practice
Principles coverage*



357,455

diamond sector employees covered by the BPP's Assurance Programme, our ethical, social and environmental compliance programme (2010: 243,365)

page 34

*Kimberley Process Certification
Scheme compliance*



100%

of diamonds sold by De Beers were Kimberley Process compliant (2010: 100%)

page 28

*Competition
compliance training*



530

employees nominated for competition compliance training, with 97.1% pass rates across the Group (2010: 480, 90%)

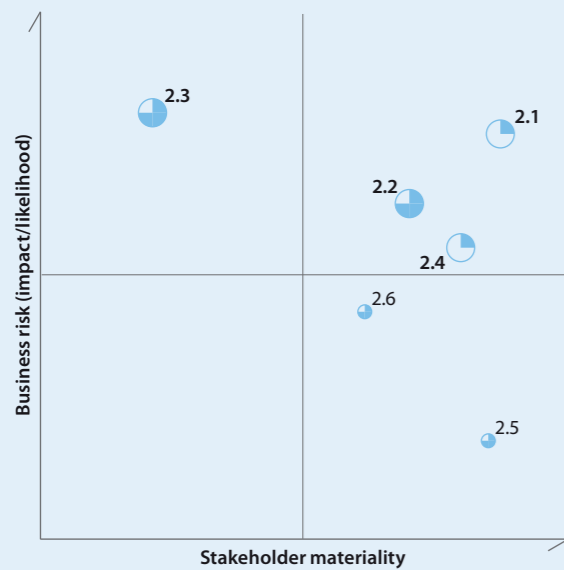
*page 25**

Ethics

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

Ethics Risks

In this section we report on our approach to key ethics risks identified for 2011 through our risk materiality process (see p14-15), and displayed on the matrix below.



- 2.1 Kimberley Process and System of Warranties credibility
- 2.2 Anti-corruption
- 2.3 Illicit Trade and Diamond Security³
- 2.4 Maintaining pipeline and sector standards
- 2.5 Legal compliance, e.g. competition law, tax law, etc.
- 2.6 Human Rights

KEY:

- Long-term ● Medium-term ● Short-term
- Risks explored in Report to Society 2011 ● Risks

A full description of each of these risks is provided in the 2011 Sustainability Risks Supplement.

www.debeersgroup.com

³ We have renamed this risk area this year to better reflect the far-reaching impacts of the illicit diamond trade (IDT) and the steps we are taking to secure our diamonds and personnel, and to work collaboratively against illicit trade with key stakeholders.

Kimberley Process and System of Warranties credibility

De Beers has been actively involved in the Kimberley Process Certification Scheme since it was established in 2000 and implemented in 2003 with the aim of eliminating 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".⁴ The success and credibility of the Kimberley Process is critical to the reputation and sustainability of the diamond industry, diamond equity and De Beers.

Providing assurance from export to point of sale

The Kimberley Process requires rough diamonds to be sealed in tamper-resistant containers and to be accompanied by forgery-resistant certificates with unique serial numbers each time they cross an international border. The 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, today, less than one percent of the global supply of rough diamonds originates from areas of conflict.

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

Supporting the Kimberley Process

All De Beers' diamonds are certified conflict-free and are mined and sold in full compliance with national and international law, the Kimberley Process and our Best Practice Principles Assurance Programme (BPPs) (see p32-33). Our 2011 audit processes confirmed 100% compliance. In addition to the BPPs, De Beers has developed the Forevermark brand (see p35), which offers a higher level of assurance on the ethical provenance of diamonds. Although the Kimberley Process faces ongoing challenges, we remain deeply committed to the initiative and its positive development.

Another challenging year

2011 was another challenging year for the Kimberley Process, which was put under considerable pressure. Issues included the non-compliance of Venezuela, ongoing conflict in Côte d'Ivoire and the continuing debate over whether diamond exports should be permitted from Zimbabwe. There was cause for some optimism at the end of 2011, however, with resolution on the question of Zimbabwean exports from the Marange diamond fields and the issuing of a Joint Statement from the US and South Africa outlining a roadmap for the Kimberley Process moving forwards. Additionally, 45 annual reports representing 71 countries were successfully submitted during the year.

⁴ UN Resolution 55/66, 2000, <http://daccess-dds-ny.un.org>

All De Beers' diamonds are certified conflict-free and are mined and sold in full compliance with national and international law, the Kimberley Process and our Best Practice Principles Assurance Programme.

In spite of this progress, some of the pressures evident within the Kimberley Process over the last three years remain. Agreement to allow Zimbabwe to resume exports from Marange contributed to the withdrawal of Global Witness, a leading member of the civil society coalition, from the Kimberley Process. Another leading NGO, Partnership Africa Canada, has chosen to remain within the Kimberley Process and continues to work with industry and governments to promote progress and reform.

Although improvements in political relations were evident following November's plenary, a significant ongoing challenge will be to align the varying aims and aspirations of participant states.

Looking ahead

There is now an opportunity to begin the process of reform of the Kimberley Process that both industry and civil society have been advocating for several years. We also believe there will be greater stability with the US and South Africa becoming Chair and Vice-chair respectively. In addition, establishing permanent and full-time professional support for the Chair now looks more possible and this would greatly improve the overall efficiency and transparency of the Kimberley Process.

Anti-corruption

Corruption continues to be a focus for De Beers as we explore for and market diamonds in a number of countries that are recognised as having a higher risk of corruption. Corruption is recognised to be one of the world's greatest business challenges and significantly hinders the development prospects of the countries where it is prevalent. It undermines good governance and the rule of law, distorts fair competition, and has a damaging economic and social impact on the countries and people it affects.

The Family of Companies has a zero tolerance approach to all forms of corruption (including 'facilitation' payments) by individuals and businesses acting on our behalf. It is in our interests, and those of our partner governments, to ensure we have robust systems and procedures in place to identify, manage and minimise the risk of corruption throughout our operations. This includes training employees most at risk of exposure to corruption on how to deal with and combat corruption, and providing channels where they can confidentially disclose potentially corrupt activity (see p69).

UK Bribery Act

In July 2011, the UK Bribery Act 2010 came into force. The Act makes commercial organisations liable for acts of bribery committed by persons associated with the organisation, including employees, unless the organisation can demonstrate that it had adequate procedures in place to prevent bribery.

Throughout 2011, we worked to enhance the way in which we manage corruption risk across the Family of Companies. This included the adoption of a new Anti-Corruption Policy that articulates our commitment to carrying out business fairly, honestly and openly, and without improper influence. The policy covers: fraud and extortion bribery; gifts; entertainment (hospitality) and expenses; the conduct of third parties; interaction with government officials and lobbying; charitable contributions and sponsorships; political donations; use of company assets; conflict of interest; and mergers, acquisitions and joint ventures.

Human Rights along the diamond value chain

We engage with stakeholders at multiple levels of our business, every day, on sustainability issues (see p10-11). Our commitment to human rights guided a number of engagements in 2011.

Community

Ensuring that the communities in which we operate are involved in the making of decisions that affect them.

Our Community Policy details our commitment to respecting the Rights of Communities, including the Rights of Indigenous Peoples. This policy, and the International Finance Corporations Performance Standards, guided the resettlement of a small community in Angola in 2011. (see p52-53).

Industry

Improving knowledge-sharing and partnering on research into new technologies and approaches to sustainability impacts, including policy and planning, and sharing best practice.

Our Best Practice Principles Assurance Programme (see p32-33) ensures employee rights are respected throughout our diamond value chain, covering over a third of a million workers in the diamond sector worldwide.

Regional/National

Collaborating with national governments and regional initiatives on policy, working to enhance capacity on sustainability issues, and developing collaborative, long-term strategies.

Participation in government-led, multi-stakeholder workshops on policy requirements to support the implementation of the UN Guiding Principles on Business and Human Rights.

Global

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

Participation in an international benchmarking project looking at human rights in business relationships, to support the implementation of the UN Guiding Principles on Business and Human Rights.

In 2011, as part of our work in response to the new UK Bribery Act, we launched our new Reporting ('Whistleblowing') Policy. A major element of this is a new response framework that allows relevant managers in a business unit to be quickly identified and made aware of specific incidents reported.

Early in 2011, we carried out preliminary risk assessments across the Family of Companies to identify and better understand areas at greater risk of corruption and to identify opportunities to improve the way corruption risk is managed. In light of these assessments, we began improving our anti-corruption risk management procedures by implementing new Group-wide requirements on the offer and receipt of third party gifts, entertainment and expenses.

Whistleblowing

Employees and other stakeholders are encouraged to report any activity that they believe is, or may be, unsafe, unethical, unlawful or otherwise contrary to our Values and Principles. We recognise the importance of providing an environment in which our employees and business partners have the confidence to alert us to activity that may be inconsistent with our Anti-Corruption Policy.

In 2011, as part of our work in response to the new UK Bribery Act, we launched our new Reporting ('Whistleblowing') Policy. A major element of this is a new response framework that allows relevant managers in a business unit to be quickly identified and made aware of specific incidents reported.

Performance

No significant incidents of corruption were identified during 2011. 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 from our employees and contractors, and will dismiss individuals who breach our anti-corruption requirements. As a result of whistleblowing reports and independent internal investigations there were 352 internal investigations into alleged illegalities and/or breaches of the current Code of Business Conduct and Ethics at our operations in 2011 (2010: 718), resulting in 62 dismissals (2010: 132).

Looking ahead

The enhancement of our corruption prevention procedures will continue in 2012, focusing initially on identifying and managing corruption risk presented by individuals and organisations acting on our behalf. We will expand our scope to include relationships with third party suppliers and political and charitable donations, as well as continuing to roll out the programme to strengthen due diligence processes developed in 2011.



Stakeholder question:

Is De Beers impacted by Section 1502 of the United States Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which aims to restrict trade in conflict minerals originating from the Democratic Republic of Congo?

For the time being, diamonds are not one of the minerals specified in section 1502 of the Dodd-Frank Act. De Beers is not, therefore, directly impacted by the Act, although we are aware and take note of the sentiment underpinning it. In this regard, De Beers continues to use its influence within the international diamond industry to improve upon existing standards in the way diamonds are traded and develop initiatives of its own that seek increased transparency and assurance in general.

Many government and non-government initiatives acknowledge the important role the Kimberley Process Certification Scheme has played in pioneering a multilateral model to arrest the traffic of conflict minerals. Kimberley Process minimum requirements are enshrined in legislation in each of the 75 participating member states. One of the reasons for this is to allow customs officials to act with the necessary authority to seize goods that are not accompanied by Kimberley Process certificates and sealed for transportation in the approved manner.

De Beers' Best Practice Principles Assurance Programme (BPPs) requires its clients, diamond-related contractors and its own operations to be fully compliant with the Kimberley Process and the industry's System of Warranties. Adherence to these principles is audited by an independent third party (see p6-7, 2011 Assurance and Compliance Supplement).

These arrangements reach further than the current provisions of the Dodd-Frank Act, whilst going some way to reflecting its aims and objectives.

Illicit trade and diamond security

Diamond theft and illicit trade continue to be risk areas for De Beers due to their far-reaching and harmful impacts. The consequences of illicit trade and the theft of diamonds can affect our profitability, the welfare of our employees, our reputation and longer-term diamond equity. They can also affect the people, economies and governments of the countries in which we operate.

The theft of rough diamonds from our operations and their subsequent entry into the illicit trade, impairs our financial performance and also reduces the revenues available to our producer governments to support development. The involvement of criminal syndicates in the illicit diamond trade exposes our employees to coercion and heightened risk.

Assessing the risk

To assess this risk, we conducted a review in 2010 of the impact of the illicit diamond trade on our business and the performance of our security operations. This revealed weaknesses in our processing and security systems, and the involvement of criminal syndicates in sophisticated theft from our operations. Having determined the scale and nature of the challenges, we have implemented a continuous improvement programme across all businesses units, applying suitable resources to enable this improvement and increasing governance measures to ensure the improvement is delivered.

Taking concerted action

To manage the risk to profitability and diamond equity posed by the illicit trade, we have launched an integrated Global Security Strategy within the Family of Companies, which delivered tangible improvements in 2011. Within our operations, we are focused on reducing opportunities for theft by minimising the potential for operational failures, as well as increasing engagement with staff to reduce the likelihood of theft. We have also initiated collaborations with other diamond producers and continue to work closely with government stakeholders and international organisations.

Looking ahead

In 2012, we will continue to drive a Loss Prevention Programme, improving management skills, empowering individuals, and collaborating with industry and law enforcement agencies to tackle the illicit trade and protect our diamonds and people.



A Tamper-resistant boxes containing diamonds and Kimberley Process certificates.
B De Beers organised and hosted an Interpol workshop on illicit trade.

Stolen value

Theft from our operations not only affects our profitability, it reduces the value our activities generate for stakeholders in all our producer countries. For example, with US\$4 out of every US\$5 of all Debswana sales going into public funds, any theft impacts directly on the ordinary citizens of Botswana.

In addition, stolen diamonds are used by criminal syndicates to fund illicit activities, money laundering and black market trade in criminal goods. We are committed to eliminating theft from our operations, and work in close partnership with law enforcement agencies to deny criminals access to diamonds, and catch perpetrators.

The cost of diamond theft



In 2010, diamonds worth US\$2.1 million were stolen from a cutting and polishing factory in Namibia. In our southern African producer countries this stolen value is roughly equivalent to:*



6,645 HIV+ patients' Anti-Retroviral Treatment for one year in Namibia



1.3 million litres of petrol in South Africa. Enough to fill the tanks of 14,980 Toyota Land Cruisers



140 teachers' annual salaries in South Africa



3,141 head of cattle in Botswana

*Data note: sourced from Diamonds.net (www.diamonds.net/news/NewsItem.aspx?ArticleID=32479), Sowetan Live (www.sowetanlive.co.za/news/business/2012/04/04/price-hikes-anguish), Government of Botswana statistics (www.moa.gov.bw/pricebulletin/february_2012.pdf), and BBC World (www.bbc.co.uk/news/world-africa-10928321).

Maintaining pipeline and sector standards

It is in the long-term interests of De Beers and the diamond industry as a whole to meet consumer and stakeholder expectations relating to social, environmental and ethical standards across the diamond pipeline. The Family of Companies works towards meeting these expectations through research and technology development (see p33), and through the application of our Business Principles, policies and standards, as well as the Best Practice Principles Assurance Programme (BPPs).

We developed the BPPs as a continually evolving standard to drive good practice through the diamond pipeline and to ensure that consumers buying diamond jewellery can rely on the professional, ethical and technical standards of the gem diamond industry.

BPPs in practice

The BPP requirements are based on local and international legislation and conventions, and meet or exceed industry 'best practice' benchmarks. The Programme protects against unacceptable ethical, social and environmental business practices that might undermine consumer confidence in diamond jewellery. The BPPs started in 2005 and cover all De Beers' operations as well as our customers, known as Sightholders. The BPPs also apply to De Beers' and Sightholders' significant diamond contractors.

An independently assured programme

The BPP Assurance Programme ensures that all of our Sightholders, DTC Accredited Businesses and significant contractors conform to the BPPs. The process involves these organisations submitting annual self-assessment workbooks outlining their performance against the BPP requirements.

Our internal audit team assesses conformance of all De Beers' companies to the BPPs 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 all workbooks submitted on a yearly basis) and conducts onsite audits of a sample of all De Beers companies, Sightholders and DTC Accredited Businesses.⁵ On average, 10% of all Sightholders' entities receive an on-site BPP audit each year and, in 2011, this equated to around 145 visits.

⁵ For reports by De Beers Internal Audit and SGS on De Beers' compliance with the BPPs see p4-7 of the 2011 Assurance and Compliance Supplement.

A unique approach

Unlike other pipeline compliance programmes, the BPPs focus primarily on our customers – the Sightholders – rather than on suppliers, in addition to being applied across our own operations. The BPPs and their assurance processes cover all diamond-related activities within a Sightholder's group, including those not directly involved with De Beers diamonds.

Complying with the BPPs is a mandatory contractual obligation for Sightholders and their significant contractors. Contractors that derive 75% or more of their revenue from a Sightholder or a De Beers company have been required to participate in the BPP Assurance Programme since 2008. Contractors that fall below the 75% mark are required to sign a declaration of integrity stating that they are free of any material breaches of the BPP standards. The scope and frequency of the verification programme mean that, on an annual basis, the BPPs cover over a third of a million people, globally, who work in the diamond industry (see p34-35).

Performance

All major infringements of the BPPs by Sightholder entities found in 2010 were rectified during 2011 following corrective action procedures. In 2011, Sightholders had 268 infringements (2010: 135), 44 of which were classified as major (2010: 12).

The BPPs are designed as a constantly evolving standard. In 2011, new additional requirements were included into the standards. This resulted in a large increase in the total number of Sightholder infringements (see Table 1), as the respective policies and procedures developed to meet these new, or raised, standards were yet to be fully implemented.

Table 1: BPP infringements by Sightholders, 2009-2011

	2009	2010	2011
Business	17	17	54
Social	119	118	190
Environment	0	0	24
TOTAL	136	135	268

During the same audit cycle, the Family of Companies had 16 infringements, of which six were major (see Table 2). 84 workbooks were submitted to SGS, 19 of which were reviewed in detail, with eight site visits. No material breaches of the BPPs were identified in the 2011 audit cycle. However, one major infringement was identified at DBCM and three at Namdeb. Both business units remain under observation to ensure full compliance over the coming year.

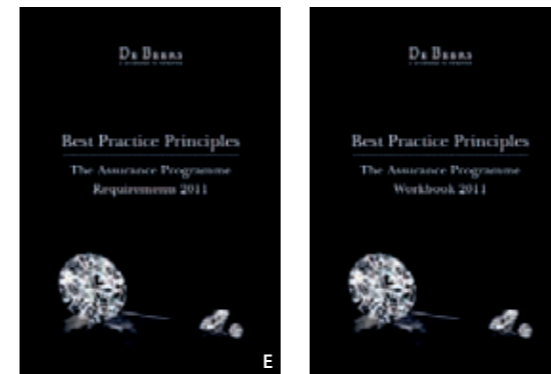


Table 2: SGS review and findings from the 2011 BPP cycle for the De Beers Family of Companies

Business unit	Workbooks			Status
	Submitted	Reviewed	Site visits	
De Beers Canada	9	3	1	Compliant
DBCM	10	2	1	Under Observation
De Beers Global Mining	7	2	0	Compliant
De Beers Group Services	5	1	0	Compliant
Forevermark	6	1	0	Compliant
De Beers SA	3	1	0	Compliant
Debswana	6	2	2	Compliant
Diamdel	8	1	1	Compliant
De Beers UK Ltd	6	2	1	Compliant
Exploration	13	2	1	Compliant
Namdeb	11	2	1	Under Observation
TOTAL	84	19	8	

Supporting industry standards

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.

Since 2009, we have worked with the RJC to support the development of the RJC Code of Practices, and to align the BPP Assurance Programme with the requirements of the Code of Practices. Bringing the two compliance systems closer together has enabled Sightholders to reduce the duplication of effort required to comply with similar codes of conduct. In 2011, Sightholders that were already members of the RJC were offered the opportunity to be assessed for RJC certification through the BPP programme. The RJC website publishes a list of certified members.

 www.responsiblejewellery.com

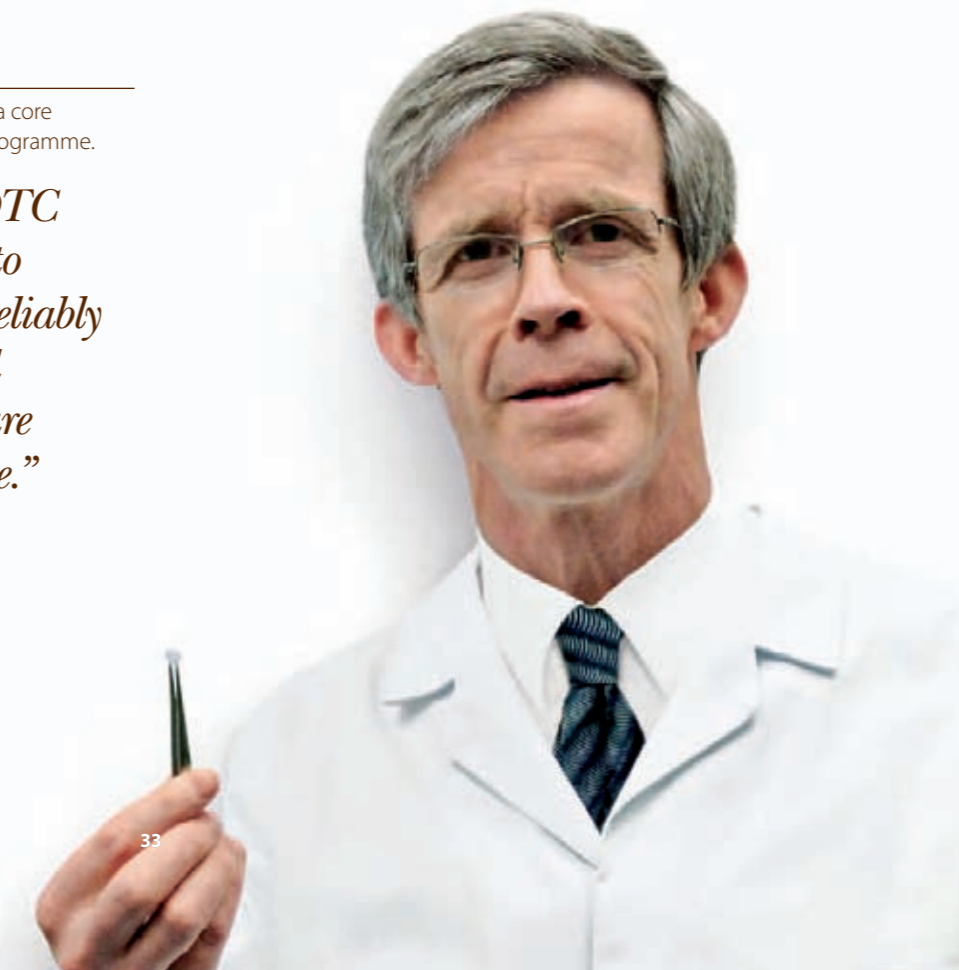
A-C Botswana employees cut and polish diamonds at Sightholder factories in Gaborone, Botswana.
D An electrician checks a transformer aboard a Debmarine Namibia vessel.
E & F BPP guidance documents and workbooks support an online assessment platform.



The full disclosure of treated and synthetic diamonds is a core requirement of the Best Practice Principles Assurance Programme.

“Our proactive research at the DTC research centre has enabled us to develop instruments that can reliably detect diamond treatments and synthetics. These instruments are used by grading labs worldwide.”

Dr. Philip Martineau
 Head of Physics, Research and Development, DTC

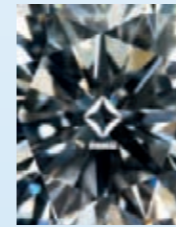


Ensuring best practice

Our Best Practice Principles Assurance Programme (BPPs) provides consumers with assurance that robust ethical, social and environmental standards have been met by the Family of Companies and our customers – the DTC Sightholders.

We developed the Best Practice Principles Assurance Programme (BPPs) with the aim of driving good practice through the diamond pipeline, to ensure that consumers buying diamond jewellery can rely on the professional, ethical and technical standards of the gem diamond industry. Designed as a continually evolving standard, since 2005 the BPPs have applied not only to De Beers' operations and contractor companies, but also to DTC Sightholders and their relevant

contractors. As a result, 357,455 people across the diamond industry are covered by the BPPs. Compliance with the BPPs requires that appropriate commitments and processes are in place across a range of business, social and environmental issues. In addition, the BPPs include a specialised supplement of mining requirements covering a range of different issues including, but not limited to: biodiversity, mine closure planning and community engagement.



Forevermark

When it comes to purchasing luxury products, consumers want assurance of the superior quality and provenance of the product. De Beers provides this through Forevermark, our proprietary diamond brand. Every Forevermark diamond comes with a promise of quality and integrity, symbolised by the unique inscription inside the diamond. The diamonds come only from mines that meet the highest

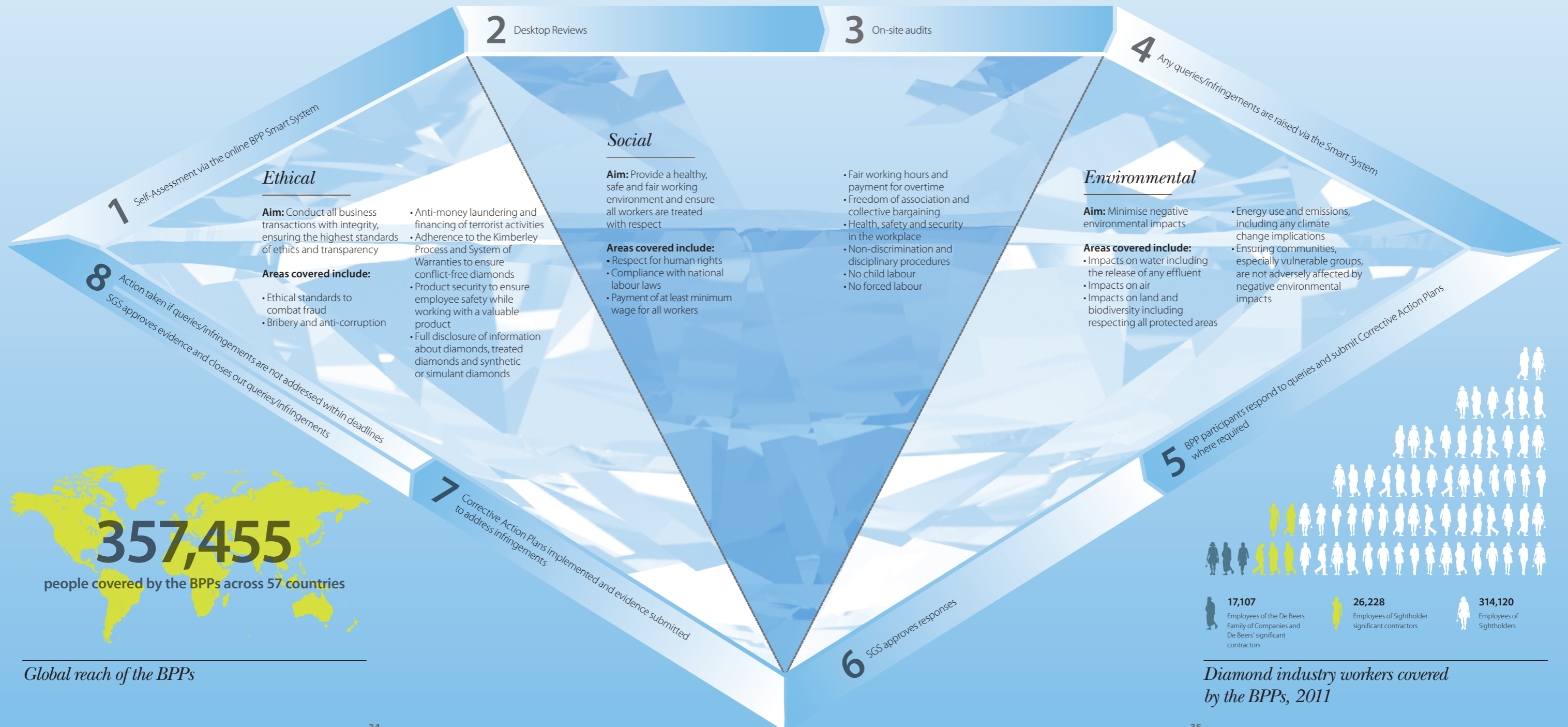
standards of ethical, social and environmental performance. Forevermark diamonds are available in authorised Jewellers in China, Hong Kong, Japan, the US, India, Singapore, Mexico, the Caribbean, Malaysia and South Africa.

 www.forevermark.com

BPP Assurance Process

Compliance with the BPPs involves several stages. All BPP participants submit a self-assessment workbook. Following this, workbooks are 'desktop verified' by an independent third-party verifier, Société Générale de Surveillance (SGS). SGS then conducts on-site verification audits at a sample of participant sites. Finally, the results are

communicated back to participants. If infringements are found, the participant is required to submit Corrective Action Plans detailing how non-compliance will be addressed. Major infringements can result in the suspension of the supply of rough diamonds, or ultimately the termination of a supply contract.





The ongoing success of our business depends on
THE TALENT AND PASSION OF OUR PEOPLE.

We aim to create a working culture where all employees are

ENGAGED AND SUPPORTED to take a shared responsibility FOR THE DELIVERY OF OUR BUSINESS GOALS.

We work to ensure the health, safety and wellbeing of our employees, respect their right to associate freely and bargain collectively, and aim to meet or exceed all relevant global labour standards. To support national development goals and help foster a diverse local skills base, we proactively employ and develop local talent and engage on priority areas such as HIV/Aids, Black Economic Empowerment and gender equality.

Employees

EMPOWERING OUR PEOPLE

A geologist on the Debmor Atlantic checks the rock types and boulder sizes of material being screened during diamond recovery

Employees Highlights

Safety performance



37%

improvement in Lost Time Injury Frequency Rate to 0.15 per 200,000 hours (2010: 0.24)

page 39

Workforce size



12,124

employees, of whom 86.9% were based in Africa (2010: 13,447, 90%)

page 40

Training and development



US\$18.37m

spent on professional development, including mandatory and formal training (2010: US\$9.99 million)

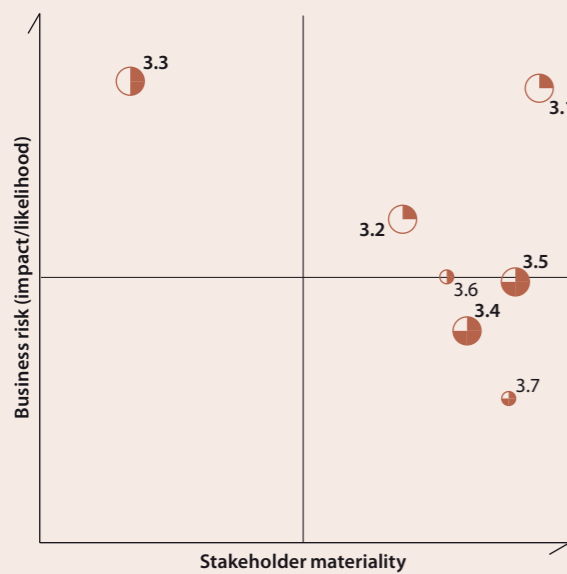
page 42

Employees

We aim to maintain our reputation as an employer of choice, and to contribute to realising the development aspirations of the communities and countries in which our people live and work.

Employees Risks

In this section we report on our approach to key employees risks identified for 2011 through our risk materiality process (see p14-15), and displayed on the matrix below.



- 3.1 Safety performance
- 3.2 Managing organisational change
- 3.3 Attracting and retaining talent
- 3.4 Occupational health and wellbeing
- 3.5 HIV and Aids management
- 3.6 Diversity and inclusion
- 3.7 Compliance with international labour standards

KEY:

- Long-term ● Medium-term ● Short-term
- Risks explored in Report to Society 2011 ● Risks

A full description of each of these risks is provided in the 2011 Sustainability Risks Supplement.

www.debeersgroup.com

Safety performance

We aim to achieve zero harm through the effective management of safety in all of our operations.

In previous years we reported safety performance as part of a broader risk area encompassing health, safety and occupational hygiene. In practice, we think about and manage these areas in an integrated way, but due to an increase in the number of fatalities across the Family of Companies, we report on safety separately here.

Performance in 2011

To our deep regret there were seven work-related fatalities across the Family of Companies in 2011 (2010: one), including a multiple-fatality vehicle accident in October 2011 (see Table 3). Fatalities are unacceptable. Each incident has been thoroughly investigated by the Company and the relevant authorities, to establish the cause and identify the necessary steps to prevent recurrence. Recommendations from these investigations have been implemented across the Group.

Safety review

As a result of this fall in performance an internal company-wide review of our safety management systems was mandated by the Group Executive Committee (prior to the appointment of the new CEO) to assess our compliance with safety fundamentals and identify where we are failing and why.

Standardising our approach

As a result of these findings the Safety Peer Group has started to review and standardise our safety standards. The resulting Safety Management System Standards will form a framework for the development, enhancement and application of comprehensive, integrated safety management systems throughout our operations. These Standards will be based on existing Anglo American safety standards, and OHSAS 18001 Safety System Standards. The first draft of the Standards will be ready for roll-out in early 2012.

The Safety Peer Group met twice in 2011, once via teleconference and once face-to-face to discuss ongoing projects and future initiatives. Topics included interim findings of the safety review; developing a training toolbox for our 'Visible Felt Leadership' approach; and creating procedures for implementing the Safety Risk Management Programme.

Lost time injuries

Despite the number of fatalities that occurred in 2011, the overall Lost Time Injury Frequency Rate (LTIFR) improved by 37% compared to 2010 (see Fig. 10). We hope to continue this encouraging trend in 2012.

In 2011, our Canadian mines were certified to the Occupational Health and Safety Assessment Series (OHSAS) 18001 standard, which means that all De Beers mines are now OHSAS certified.

Table 3: Fatalities in 2011

Namdeb Southern Coastal Mines
Shikongo Klemens Klemens (33 years) Drowned upon driving a light delivery vehicle into a flooded mining area at night at Namdeb's Southern Coastal Mines on 12 January 2011. Shikongo was a Metallurgy Operator, and had been employed at Namdeb since May 2010.
Namdeb Northern Coastal Mines
Theophilus Makili (26 years) Fatally injured when the silo truck he was driving at Namdeb's Northern Coastal Mines (Bogenfels operation) overturned on 18 February 2011. A multi-skilled worker, Theophilus had joined Namdeb in June 2010 as a fixed-term contractor.
Jwaneng Mine, Debswana
Oscar Andries Johannes Delpor (51 years) Electrocuted when moving an access ladder at a drill rig that was being commissioned on 28 June 2011. Oscar was the Site Foreman for contractor Barloworld, and had been employed at Jwaneng Mine for 10 years.
John Sign, Tshiamo Bob, Bakgonne Mogoowa, Godiraone Mokolonyane Four employees of Cut-8 contractor Basil Read Burrow Bothakga (BRBB), fatally injured in a road accident involving a shift bus travelling between Jwaneng and Kanye on 29 October 2011.



The Snap Lake Mine rescue team check their equipment, Canada.

Embedding safety as a value

We are determined for safety not to be just a priority, but also a value that is fully engrained in our culture. We took a number of steps in 2011 towards making this a reality.

As part of the 'Learning-from-Incidents' process, a system was introduced during the year where details of all serious and high potential accidents are reported and distributed to the Safety Peer Group as well as the Family of Companies senior leadership group. The information is also widely shared among employees and contractors.

Our Safety Risk Management Programme (SRMP), which aims to educate employees and contractors to identify hazards and assess and manage risks better, continued to be rolled out in 2011 through a programme of training and engagement. For example, by the end of 2011, 85% of employees at Namdeb had received SRMP training. We also continued to encourage senior managers to promote a culture of safety awareness through our 'Visible Felt Leadership' programme.

In 2012, the amount of training will reduce as it is completed for key targeted groups. We will, however, enhance the application of SRMP procedures by implementing and running a series of self-assessments on the De Beers Standardised Safety Management System, continuing with the Learning-from-Incidents process, and maintaining senior management involvement in incident investigations, inspections, Visible Felt Leadership and other safety management system activities.

Fig. 9

LTIFR and LTISR by business, 2011

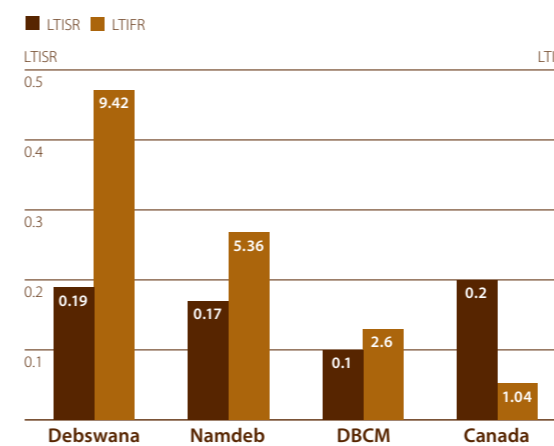
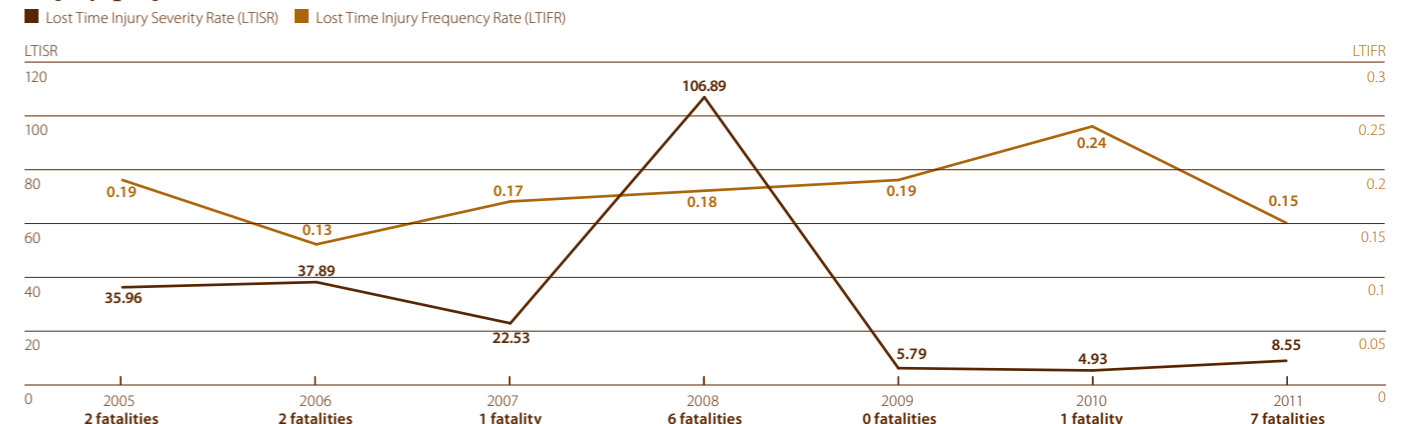


Fig. 10

Safety performance, 2005-2011 (LTIFR and LTISR)



Data note: Some of the trend data for LTIFR and LTISR in previous years have been restated, due to improved reporting accuracy.

Managing organisational change

Maintaining our position as the world's leading diamond company requires us to be responsive to developments in the external business environment. This enables us to run an efficient and effective organisation that, combined with our technical skills and knowledge of diamond markets globally, allows De Beers to maximise returns for the company and our partner governments.

Organisational change can present opportunities but also challenges for our people. The responsible management of organisational change includes ongoing consultation with employees, unions, government partners, contractors and communities, and is core to our ability to recruit, retain and motivate our workforce.

The strong financial results of 2011 demonstrate that the organisational changes implemented in 2009 and 2010 in response to the global financial crisis positioned the company well for recovery in the diamond sector. Further to this, two significant announcements made during 2011 – the 10-year Sales Agreement between De Beers and the Botswana government, and the agreement by the Oppenheimer Family to sell their shares in De Beers to Anglo American (see p9) – pave the way for further organisational change in the future.

Engaging with employees

Formal employee engagement processes in 2011 included an enhanced global approach to Performance Management and Talent Management, consultations regarding the relocation of around 85 employees of the DTC and their families, from London to Botswana by the end of 2013 as part of the 10-year Sales Agreement with the Botswana government, and communications surrounding the proposed Anglo American buy-out of the Oppenheimer Family shares of De Beers. These will continue into 2012, with an additional focus on 'Your Voice', an employee survey to be run at the beginning and end of the year with a view to driving management excellence.

Engaging with unions

Unions are important stakeholders of the Family of Companies and regular engagement with them took place in 2011. In South Africa, wage negotiations with the National Union of Mineworkers were successfully resolved following a dispute that included 10 days of industrial action. The settlement makes provision for a two-year wage agreement. In Namibia, members of the Mineworkers Union of Namibia (MUN) held a month-long strike over a number of disputes, which were resolved by a tripartite commission representing the MUN, Namdeb, and the Ministry of Labour and Social Welfare. At Debswana, wage negotiations were successfully concluded with a two-year wage agreement.

Workforce profile

The Family of Companies⁶ employed a total of 12,167 people in 2011, (2010: 13,447), 86.9% of whom were based in Africa (see Fig. 11 and 12, p42). The Family of Companies is committed to maintaining roughly this level of headcount relative to the needs of the business and, in 2011, our overall workforce contracted by 9.8% (2010: 0.95% growth). The fall in headcount reflects the sale of Finsch Mine to Petra Diamonds in September 2011.

By the end of the year non-permanent employees made up a smaller proportion of the workforce (see Fig. 11, p42) at 9% of the total workforce (2010: 12.9%). This is mainly due to a drop in the number of non-permanent employees in Debswana.

The strong financial results of 2011 demonstrate that the organisational changes implemented in 2009 and 2010 in response to the global financial crisis positioned the company well for market recovery.



A An apprentice mechanic at Namdeb's Mining Area 1.
B Sorters at Venetia Mine prepare a shipment.
C Employees at Corporate Headquarters in Johannesburg, South Africa.



Stakeholder question:

What is De Beers doing to remain an employer of choice?

Our continued success as a business depends on the expertise, commitment and professionalism of our people. We strive to attract talented and passionate people to join De Beers and develop their careers with us. We aim to do this through maintaining our position as the world's leading diamond company, and through operating as a world-class business that offers a clear and competitive employee value proposition by providing competitive salaries, supportive workplace environments, and valuable professional experience.

We provide training and capacity-building opportunities, both in legally required areas such as safety and mining technology, and beyond to support the development of skills required by the business. We engage with employees through a number of structured forums, including through surveys, personnel processes, and trade unions.

We also seek to remain an employer of choice in our countries of operations. We are committed to building local capacity in employing and developing local talent at all levels of our business, and engage proactively with priority concerns for our employees, such as HIV/Aids, gender equity, and local development.

Production

Satisfactory progress was made on the Cut-8 extension project at Jwaneng Mine in 2011. Out of the over 3,100 employees at the mine in 2011, 1,400 were contractors associated with the Cut-8 project. Cut-8 will extend the life of the mine to at least 2025 and provide employment opportunities for over 2,400 people of which approximately 500 will be outsourced contractors.

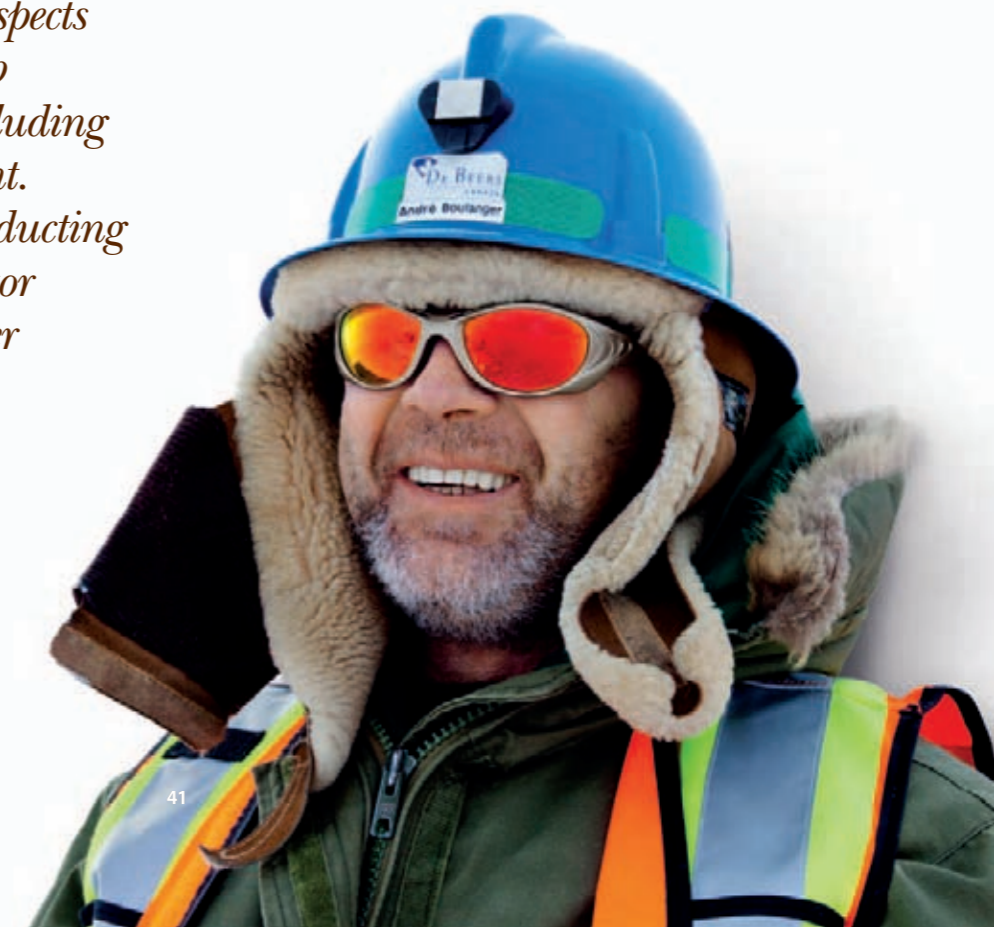
Looking to 2012, changes are expected in the number of employees involved in production at DBCM. With the expected completion of the sale of Namaqualand Mines, approval for which was pending in early 2012, employee numbers are expected to fall. In 2012, the DBCM board will consider a project to transform Venetia Mine from an open pit to an underground operation (see p8), a project that will provide around 700 work opportunities each year during construction and around 2,000 operational jobs for the approximately 25 years the life of mine will be extended.

Brands

Forevermark continued its planned expansion in 2011. 174 people were employed by Forevermark in six countries (2010: 81), by year end.

"I've been working at Snap Lake Mine for eight years. I enjoy my job because I'm involved in all aspects of environmental stewardship throughout the mine site, including water and waste management. I also get to work off-site, conducting stream-flow surveys and raptor surveys, which bring me closer to the natural setting around the mine."

André Boulanger
Environmental Technician, Snap Lake Mine



⁶ Excluding Element Six and De Beers Diamond Jewellers, and contractors.

Attracting and retaining talent

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

A focus on development

Driven by our talent management strategy, we focus on building the talent pipeline within the Family of Companies, succession planning for key roles, and establishing processes to help us effectively manage talent across the business. During 2011, we launched talent committees, created a tool to assess the potential of our employees; completed a full talent review of all business units and functions globally, and identified a global key retention pool. This all supports our approach to effectively recruiting, developing and retaining people. In 2012, we will work to embed further this approach to talent management.

Developing talent

In 2011, the Family of Companies spent a total of US\$18.37 million (2010: US\$9.99 million) on professional development, including formal training and qualifications. A significant proportion of this spend was on the continued roll-out of the Safety Risk Management Programme, in pursuit of our goal of achieving a zero-harm workplace.

The Family of Companies spent a total of US\$18.37 million on professional development in 2011, including formal training and qualifications. A significant proportion of this spend was on the continued roll-out of the Safety Risk Management Programme.

The turnover of permanent employees across the Family of Companies rose in 2011 to a total of 18.3% including resignations and redundancies along with dismissals (2010: 7%). This increase is mainly due to the sale of Finsch Mine in South Africa.

An employer of choice

We continue to strive to be an employer of choice. By employing and developing local talent at all levels of our business we build local capacity, which in turn helps to establish a wider skills-base wherever we operate. This will be a particular focus in preparation for the start of the relocation of the DTC's aggregation and international sales functions from London to Botswana in 2012.

Fig. 11

Workforce composition (permanent and non-permanent), 2009-2011

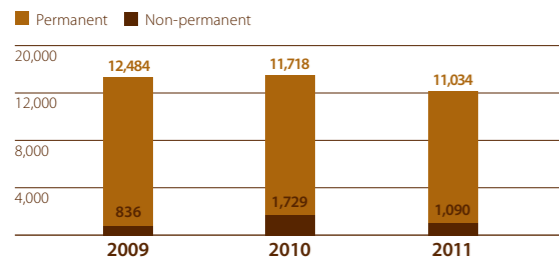


Fig. 12

Total workforce at year-end by region, 2011

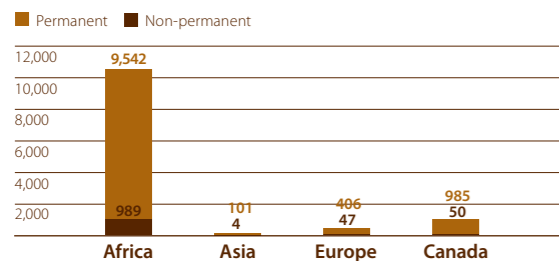


Fig. 13

Labour turnover, 2009-2011 (%)

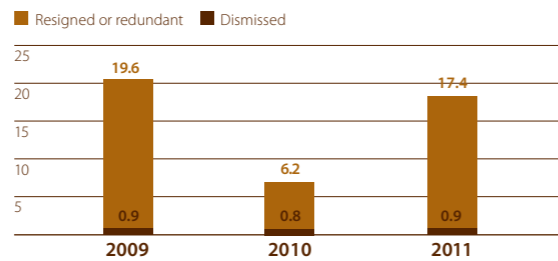
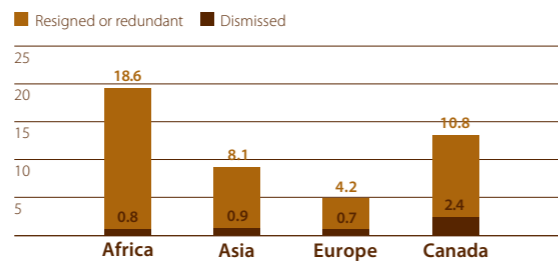


Fig. 14

Labour turnover by region, 2011 (%)



Data note: Data include employees from our joint ventures and exclude contractors. They do not include contractors or employees at E6 or DBDJ. The Europe region includes Diamdel Dubai and Diamdel Israel. A number of employees at our operations in Europe declined to offer ethnic definitions of themselves, meaning their data have been presented separately from our standard templates. This means we are unable accurately to 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. Figures 13 and 14 present labour turnover for permanent employees only.

Occupational health and wellbeing

Our approach to employee health and wellbeing is articulated in a comprehensive occupational health policy, and managed through a suite of standards and guidelines. Occupational Health is part of our ECOHS management system (see p12-13) and is led by the respective Principals and the Peer Groups of the two complementary disciplines – Occupational Hygiene and Occupational Medicine.

An integrated approach

Our integrated approach to preventing occupational diseases and promoting employee health applies within and beyond the workplace to ensure that all employees are fit for the work they perform.

In 2011, we developed an integrated occupational health policy and incident reporting standard and four occupational hygiene guidelines on illumination, ergonomics, food-handling and airborne pollutants. Ongoing roll-out of the occupational and emergency medical audit tool and the occupational hygiene self-assessment template encouraged consistent implementation and assurance of health programmes by all business units.

We achieved our target of an Occupational Illness Fatality Rate of zero and an Occupational Illness Frequency Rate of less than five cases per million hours worked. Across the Family of Companies in 2011, there were three reported major occupational health incidents of compensated Noise Induced Hearing Loss (NIHL). Moderate incidents identified were nine cases of NIHL submitted for compensation, three cases of occupational malaria and one case of traveller's deep vein thrombosis.

Noise exposure and hearing conservation remain our major challenge in both onshore and marine mining operations. Non-work exposure to noise has been recognised as a potential contributor to the hearing loss of employees but how best to quantify this remains a challenge.

Health and Hygiene Peer Groups

The Peer Groups generally convene via teleconference but some members were able to meet physically during the ECOHS workshop held in August 2011. During the year, occupational hygiene activities were separated from the Safety Peer Group, creating a complementary Occupational Hygiene Peer Group with an agreed charter and strategy.

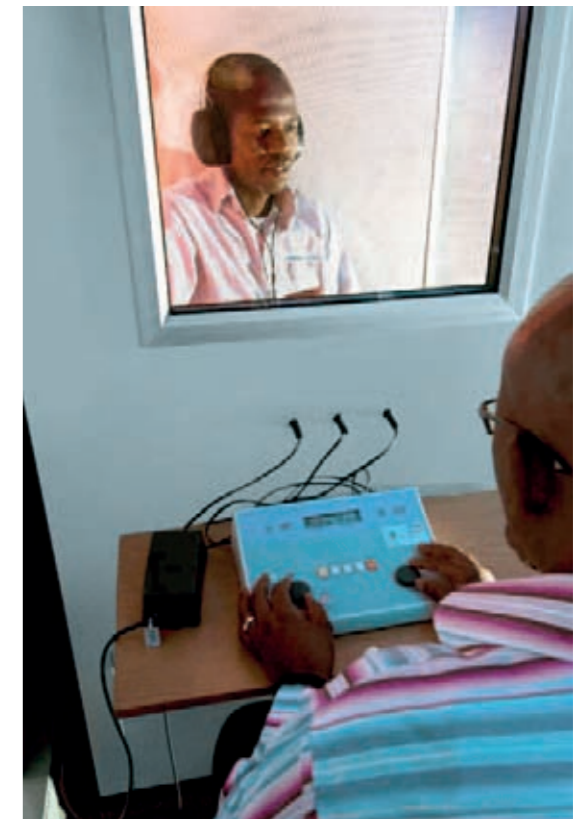
Topics of interest to the Peer Groups' membership were the amending of the Occupational Health Policy to incorporate occupational hygiene, assessing relevant research findings, fitness for work, incident reporting, ergonomics and clinical advances in HIV therapy.

HIV and tuberculosis management

For our southern African operations, the prevention and management of HIV and tuberculosis remain long-term priorities for the wellbeing of employees and their families, the continuity of our business and for continued development in Africa. 2011 saw progress towards our ultimate goal of integrating in-house HIV and tuberculosis programmes with the public health systems in each of our countries of operation. Our holistic strategy includes prevention, treatment, care and support and our goal is for all employees to know their HIV status and other health risks to be able to manage their health appropriately.

Prevention of HIV

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



A DBCM employee undergoes audiometry testing.

Providing free and ongoing treatment

Anti-Retroviral Treatment (ART) is available free to employees and their life partners where it can be provided in a responsible and sustainable manner. If treatment is not otherwise available, we provide lifelong ART upon retirement or retrenchment. Our overall goal is to encourage all HIV-positive individuals to join a disease management programme as early as possible.

Although HIV management has reduced the risk of HIV to the sustainability of the Family of Companies, HIV is a major contributor to in-service employee deaths.

Tuberculosis

In 2011, the incidence rate of tuberculosis in DBCM fell to 43 per 100,000 and we piloted a tuberculosis programme audit tool, which will be shared with the Chamber of Mines of South Africa to improve tuberculosis management.

Wellbeing

Conditions affecting health in the workplace have been prioritised for integrated management. In 2011, best practice guidelines were sourced and developed for fatigue, management of chronic diseases, and traveller surveillance. Occupational medical staff collected data on chronic diseases, medical discharges and in-service deaths and initiated proactive screening and health interventions such as a healthy eating programme for Debmarine crews.

Looking forward

We will focus on aligning occupational health with leadership, human resources and safety to improve employee health, which is pivotal to the sustainability of the Family of Companies.

Supporting diversity and inclusion

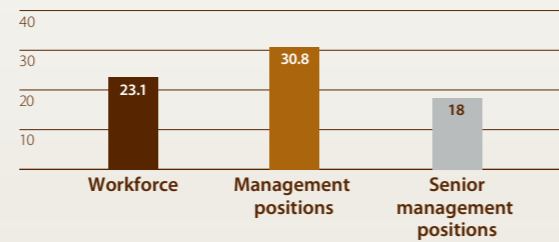
The sustainability of our company relies on our ability to attract and develop a talented workforce that reflects the communities in which we operate.

Supporting women in mining

Traditionally, mining has been a male dominated industry. However, over the last decade greater automation, new technology, better health and safety standards, outreach and improved site facilities have made the sector more female-friendly. The number of women working in mining has been steadily increasing at a global level, as more women qualify as geologists, engineers and managers.

We actively support efforts to increase the proportion of women in mining, and in achieving senior management positions. This includes our support of external women in mining programmes, and the establishment of mentoring schemes for women within our operations.

Female representation in the Family of Companies, 2011 (%)



Snapshot: Canada



An employee's view

Mpumi Zikalala, General Manager, Voorspoed Mine, South Africa



“When I first started working, overalls and boots didn’t come in women’s sizes! Now we are just as involved in the technical side of mining as men. At Voorspoed, 30% of geologists and operators are women.”

Mpumi Zikalala on-site at Voorspoed Mine.

Mpumi's Career Path

- 1996** Received bursary from De Beers to study Chemical Engineering.
- 2006** Appointed as a technical assistant to the DBCM Chief Operating Officer.
- 2008** Appointed as General Manager of Kimberley Mines
- 2010** Moved to Voorspoed Mine to take up role as General Manager, responsible for a workforce of 400.

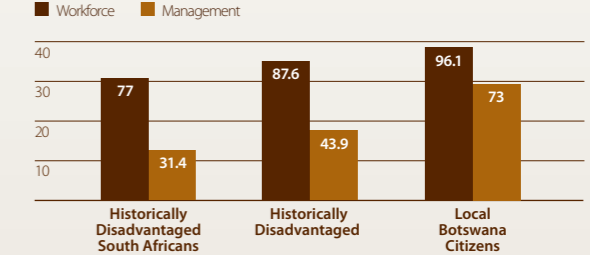
Investing in local skills and talent

The mining sector faces a global skills shortage. As the sector expands, it has to compete to recruit more students to mining engineering degrees, and to attract employees to often remote areas.

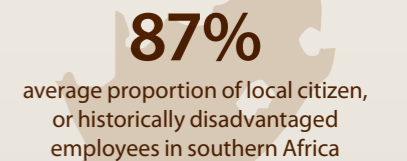
At De Beers, our ability to remain responsive to changing market conditions, and to take advantage of the opportunities offered by new markets, is dependent on the skills of our workforce.

We are committed to building a highly skilled and diverse workforce by attracting and developing the talent base in the local communities in which we operate, and by supporting our partner governments in providing opportunities to previously disadvantaged groups.

Local representation in the Family of Companies workforce, 2011 (%)



Snapshot: Across the Family of Companies



An employee's view

Rheinhardt Naobeb, NDTC Diamond Academy Instructor, Namibia



“Looking at the path I’ve followed, De Beers has been with me every step of the way, providing training and encouragement. Now, in my role, I get to use my experience to help others develop their skills and knowledge.”

Rheinhardt Naobeb with a trainee at the NDTC Diamond Academy.

Rheinhardt's Career Path

- 1997** Joined NDTC as trainee sorter.
- 2006** Promoted to NDTC Diamond Academy Instructor, following a year's training in London.
- 2008** Completed certificate course in occupational training.
- 2010** Began four-year part-time university degree in Human Resources Management.

* Excluding Element Six, De Beers Diamond Jewellers and Contractors



Investment in the
FUTURE OF COMMUNITIES
beyond the life of our operations
is core to receiving our
SOCIAL LICENCE TO OPERATE.
We strive to create both
ECONOMIC AND SOCIAL
capital through all
OUR ACTIVITIES
AND PROGRAMMES.

We employ a number of formal, structured techniques and tools that help us identify, assess and mitigate our impacts on communities and to manage our relationships with them. We support the development of sustainable local economies through social and economic programmes for capacity building, infrastructure development, employment, strategic social investment, enterprise development and local procurement.

Community Highlights

Social investment

↑

US\$34.7m

in community social investment,
(2010: US\$33.5 million)*

page 51

Social investment

↓

2.7%

of pre-tax profits spent on community
social investment (2010: 3.3%)

page 51

Resettlement

↑

72

people resettled in a small semi-rural
community in Angola

page 52

*Community social investment for 2010 has been restated, see p51.

Communities

SUPPORTING SUSTAINABLE LOCAL COMMUNITIES

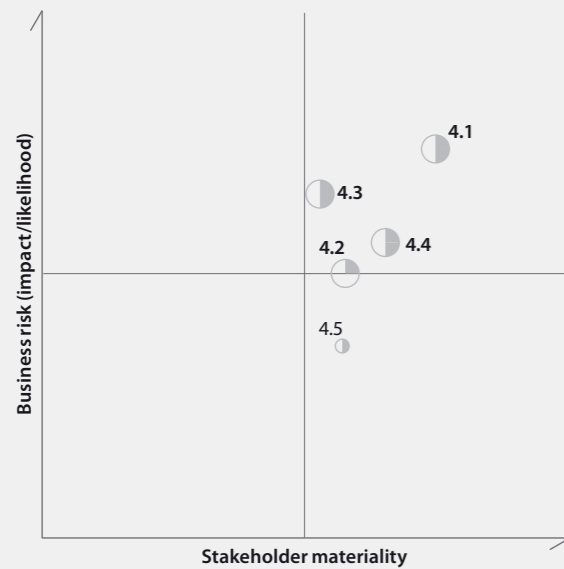
Dora and Esther Gumede received funding from De Beers Zimele to start their community tuck shop 'Sanni Banana' in the township of Galeshele, South Africa.

Communities

Our community engagement and investment is responsive to the needs and priorities of communities, and is intended to realise sustained benefit to local communities beyond the life of mine.

Communities Risks

In this section we report on our approach to key communities risks identified for 2011 through our risk materiality process (see p14-15), and displayed on the matrix below.



- 4.1 Effective community relations
- 4.2 Sustainable community social investment
- 4.3 Resettlement
- 4.4 Social impact of closures and transfer of assets
- 4.5 Managing land claims

KEY:

- Long-term ● Medium-term ● Short-term
- Risks explored in Report to Society 2011 ● Risks

A full description of each of these risks is provided in the 2011 Sustainability Risks Supplement.

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Effective community relations

The potential impacts of current or prospective mining operations on communities vary with the lifecycle stage of the mine. Possible impacts include the influx of workers from outside of the community during construction and initial operation, restrictions on 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. We seek to manage these impacts effectively through a range of community engagement and management processes. Effective management of these impacts is particularly important when operating in areas of socio-economic vulnerability or cultural sensitivity.

Our approach

Our approach to community engagement is reflected in our Group Community Policy which meets and exceeds international law and industry protocols relating to the rights of local communities and indigenous peoples, resettlement and compensation. Beyond the management of risk, we recognise opportunities can arise from the effective management of our impacts.

Our community strategy is threefold. 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. This strategy is supported by a number of management systems dealing with impact assessment, community-engagement processes, community social investment and closure planning. Co-ordinated by the Community Principal, practitioners across the Family of Companies deliver this strategy, sharing best practice through the Community Peer Group.

We have made a strategic commitment to roll out the Anglo American Socio-Economic Assessment Toolbox (SEAT), or a suitable equivalent, to help our operations to identify key local stakeholders and understand and manage their impacts on local communities. We also 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 conducted Social Impact Assessments (SIAs) for key projects. Some of our community engagement and social investment processes are governed by formal agreements with local communities and authorities, such as Impact Benefit Agreements (IBAs) in Canada and Social and Labour Plans (SLPs) in South Africa.

We report on our performance against commitments under both our IBAs and SLPs to regulators and communities. Compliance with both our own and external community-management requirements is also assessed through a number of assurance and review processes. These include mining requirements in the Best Practice Principles Assurance Programme (see p32), the annual business plan technical review process for mining operations, and project-finance approval processes at business and Group Board levels.

Performance in 2011

In 2011, we continued to rebuild and formalise our approach to managing community issues across the Family of Companies. This follows the adoption of a risk-based approach in 2009 due to resource constraints brought about by the global financial crisis. This risk-based approach prioritised the community relations most material to the sustainability of our operations.

In addition to progress in strengthening the community management approach, the successful resettlement of the Mulepe Community in Angola (see p52), the proclamation of Koingnaas in South Africa, and the near-completion of the proclamation of Oranjemund in Namibia (see p53), were milestones in 2011. Notable community incidents were reported in South Africa and Canada (see below and p50).

Management system developments

Progress was made on the roll-out of SEAT. DBCM undertook SEAT assessments at their Voorspoed and Kimberley operations, and plan to update the 2007 SEAT pilot undertaken at Venetia in 2012. Debswana began the process of SEAT roll-out, while Namdeb began an assessment of the need for SEAT given its portfolio of both land-based and marine mining operations. A gap analysis undertaken in Canada in 2010 showed a 90% overlap between SEAT and statutory Canadian reporting requirements. In 2011, De Beers Canada continued with a separate initiative to address these additional requirements.

Preliminary community impact assessments were undertaken as part of the development of the Mulepe Project in Angola, and formed the basis for the Resettlement Action Plan (RAP) that guided the relocation

of a small community to enable safe exploratory drilling. In Botswana, the 2009 Social Impact Assessment continued to be used for monitoring and managing the impacts of the Cut-8 extension project at Jwaneng Mine. In South Africa and Canada our community engagement and investment continued in line with the requirements of our SLPs and the seven IBAs in place between De Beers Canada and Aboriginal communities, respectively.

In 2011, capacity and capability gaps in delivering our Community strategy were identified across the Family of Companies, and partly addressed through strengthened Community Peer Group interaction. Three peer group meetings were held, along with a week-long Community Workshop which clarified core community-related accountabilities and processes, and training on SEAT.

Incident management

In South Africa, community and stakeholder organisations raised concerns regarding the proposed sale of Namaqualand Mines to another operator. These concerns focused on environmental liabilities and socio-economic opportunities (see p61). Throughout the year DBCM engaged with the community and other stakeholders on their concerns, with the sale following a rigorous and transparent process to select a buyer with sound broad-based BEE credentials and a strong socio-economic focus. During the year a Zimele Enterprise Hub (see p51) was opened in Namaqualand. The Hub will provide funding to support SMEs in Kleinsee and the surrounding region, and builds on De Beers' support for socio-economic development in the region, including in larger-scale mariculture projects (see below).



“Kleinsee Mariculture oysters go to the finest restaurants in the world, but the benefit is felt right here in Namaqualand. Of our 10 permanent employees, two have obtained tertiary diplomas in aquaculture, and we are sponsoring another. In this sparsely populated region, our decade of growth has had a big impact.”

Quiryn Snethlage
Owner and Manager of Kleinsee Mariculture

In Canada, the Attawapiskat First Nation Community, who are party to an IBA with De Beers Canada, declared a state of emergency in November due to long-term housing challenges. De Beers Canada assisted the community in constructing temporary housing, and with preparations for the installation of new housing scheduled for delivery on the 2012 winter road. Earlier in the year in 2011, members of two separate communities blockaded the winter road to Victor Mine on two separate occasions. Both blockades were resolved in less than five days through dialogue between the mine, the community leadership and the community members.

Objectives for 2012

In 2012, we will continue to focus on formalising our approach and align practice across the Group. We will work towards further embedding a robust community approach through revisiting the question of a universal roll-out of SEAT, 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.

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

Stakeholder question:

How does De Beers support communities when mining comes to an end, for example, when communities are dependent on it for services like water, jobs, education and other things?

The socio-economic impacts of mine closure can be significant. We aim to address these impacts through planning for closure early in the life of the mine. Using tools such as the International Council of Mining and Metals (ICMM) and Anglo American Closure Toolbox, and the Socio-Economic Assessment Toolkit we seek to identify and understand the impacts of our operations, and direct our activities during the life of the mine to support a sustainable post-mine legacy. Examples include hiring local people, supporting local enterprise in our procurement activity, and providing social investment to support both the immediate and longer-term development aspirations of the local community. We engage with stakeholders at all stages of this process to understand their priorities, and to work in partnership to deliver a shared vision of the community and environment post-mining.

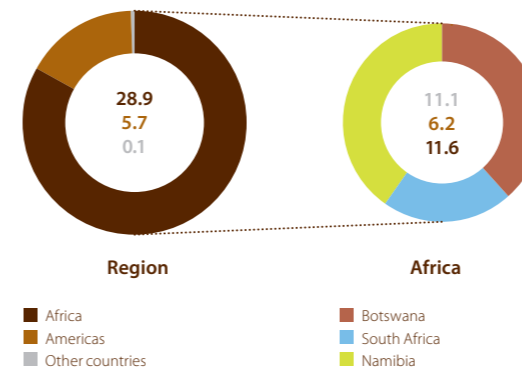
Diamond resources are often located far from urban areas. In these cases, we create closed towns to house our employees and others servicing the operations. Closure planning then includes consulting with the residents and the municipality to agree the preferred future of the town. If supported, we work with the local municipality to proclaim the town and transfer responsibility for its management, and the provision of its public services, to the state.



A The municipality will take on responsibility for the Oranjemund sports hall, post-proclamation.
B A consultation with rural communities on social investment priorities by Debswana, Botswana.

Fig. 15

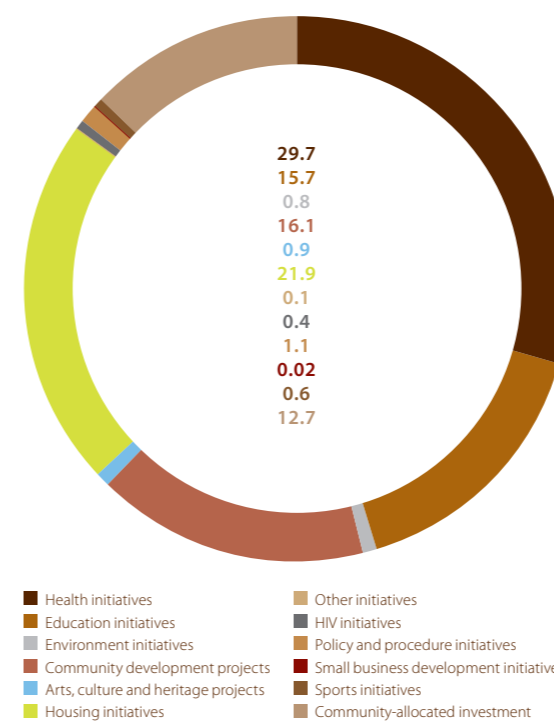
Social investment spend by region and (African) country, 2011 (US\$ million)



Data note: 2011 CSI data for Canada includes cash donations (US\$716,883), in-kind donations (US\$403,618) and community-allocated investment through our Impact Benefit Agreements (US\$4,405,394). 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. 16

Social investment spend by project type, 2011 (%)



Data note: Support for De Beers Zimele enterprise development is categorised under 'community development projects'.



Sustainable community social investment

Our community investment strategy looks beyond narrow philanthropic spending to focus on delivering long-term socio-economic benefits for local communities. Where relevant, we try to align our community investment activities with national, regional and local development programmes and priorities. In 2011, our overall social investment contribution totalled US\$34.7 million (2010: US\$33.5 million), 83.3% of which was focused in Africa (2010: 86.7%, see Fig.15). This increase reflects one-time social investments in Canada in 2010; year-on-year overall social investment from 2010 to 2011 remained broadly the same. This represents 2.7% of pre-tax profits of US\$1,290 million (2010: 3.3%, US\$894 million) and is significantly in excess of the international benchmark of 1%. This figure includes investment required under applicable legislative or contractual arrangements, as well as long-term, in-kind social investment, and incorporates both philanthropic and socio-economic programme expenditure.

In 2011, we continued to focus our investment on six broad areas:

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

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

HIV and Aids programmes, including testing, treatment and outreach services through company hospitals, and support for HIV and Aids programmes provided by other organisations through our social investment funds. These programmes are in addition to our internal HIV and Aids management programmes (see p43).

Social and Labour Plan (SLP) investments focus on infrastructure development, community development and poverty eradication in South Africa. US\$3.48 million was spent under SLPs in 2011 (2010: US\$1.66 million).

Under the terms of **Impact Benefit Agreements (IBA)** with First Nation communities and other Aboriginal groups in the vicinity of the Victor and Snap Lake Mines, De Beers Canada makes investments in a range of programmes. In 2011, social investment-related spend under the IBAs was US\$4.41 million (2010: US\$4.94 million)*.

Strategic philanthropy has a thematic focus on health, education, housing and community development, but aims to be responsive to community needs. It includes cash and in-kind support for small and large-scale development projects across a broad range of categories (see Fig. 16). Our strategic philanthropy is generally managed through dedicated social investment vehicles such as the De Beers Fund in South Africa, De Beers Fund Namibia and the Diamond Trust in Botswana.

* Data note: Data for 2010 has been restated from US\$29.8 million reported previously, reflecting the inclusion of community-allocated social investment made under the IBAs.

Resettlement

The resettlement of the Mulepe Community in the Lunda Norte region of Angola was completed in 2011. The relocation of the small, semi-rural community of 16 households comprising 72 people was undertaken to avoid placing the health and safety of the community at risk, given their close proximity to an exploration evaluation drilling site.

The relocation took place following an extensive consultation process conducted over nearly two years (see stakeholder engagement example below), and was undertaken in line with international benchmarks for best practice, including the International Finance Corporation's Performance Standards.

The Mulepe community was first relocated to a temporary site in April, while the houses were completed at a new site in the suburbs of Lucapa, decided in consultation with the community. In December, the

community moved into these new homes, equipped with separate kitchen and bathroom units, solar powered lighting and a 500 litre water tank serviced by a borehole. As agreed with the community through the process of developing a Resettlement Action Plan, community members received compensation for loss of access to crops, and were provided with a disruption/inconvenience allowance and replacement farm land. Continuing support is being provided to the community, including through an agricultural development programme, to ensure that we meet our ongoing obligations to the community.

In 2012, broader socio-economic baseline assessments will be undertaken as part of ongoing work to assess the economic and project feasibility of the kimberlite cluster at Mulepe. Engagement will continue with the Mulepe and other adjacent communities around the resource, local administration and government. This will aim to develop an effective, long-term strategic community development and social investment programme, should mining proceed.

We use a rigorous, inclusive and transparent set of criteria to select buyers for late-lifecycle mines, who are able to deliver sustainable benefit to the communities around the operations.

Social impact of closures, sales and asset transfer

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 and facilitates a smoother transition to a post-mining economy. A particular focus in closure planning is the process of transferring responsibility for infrastructure and public services from our operations to regional authorities, and proclaiming previously closed mining towns as self-governing municipalities.

The Family of Companies has also sold late-lifecycle mines to smaller operators who are better able to generate value and extend the productive life of these assets. We use a rigorous, inclusive and transparent set of criteria to select buyers that include not only the relevant technical and financial skills needed to successfully create value from the operation, but also to deliver sustainable benefit to the communities around the operations. In South Africa, Black Economic Empowerment (BEE) credentials have been a central requirement in these processes.

Integrated closure planning

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

During 2011, we reviewed the extent to which the social elements of our closure plans meet baseline benchmarks, and will look to address gaps in 2012. Formal integrated closure plans are in place at all our DBCM operations in South Africa as part of their SLP commitments. Integrated plans are also in place at our Canadian operations and for Namdeb Holdings' land-based operations. Social elements have yet to be fully integrated in closure plans in Botswana.

Town proclamation

Oranjemund has been managed as a company town since it was established in 1936. The proclamation of Oranjemund is a cornerstone of Namdeb Holdings' 'Positive Legacy Project'. Progress towards the proclamation of Oranjemund in Namibia continued in 2011, with the roadmap to proclamation 95% complete by year's end. Anticipated in early 2012, proclamation will be the culmination of a 10-year process of consultation and planning.

In South Africa, work on proclaiming the towns of Kleinzee and Koingnaas in the Namaqualand region continued in 2011. In August, the Kamiesberg Municipality and DBCM announced the proclamation of Koingnaas, with the proclamation of Kleinzee expected in early 2012. Work also began on planning for the proclamation of Orapa in Botswana.

Asset transfer

In South Africa, DBCM completed the sale of Finsch Mine to Petra Diamonds Limited, and agreed the sale of Namaqualand Mines to a subsidiary of Trans Hex with strong Black Economic Empowerment (BEE) credentials. This followed the sale of Jagersfontein Mine to a broad-based BEE holding company in 2010. Core to our conditions of sale in each case were a set of clear criteria aimed at creating sustainable local benefit through BEE equity-participation, employment creation, and a range of related community initiatives.

The resettlement of the Mulepe community

We engage with stakeholders at multiple levels of our business, every day, on sustainability issues (see p10-11). In 2011, a small semi-rural community of 72 people was relocated in the Lunda Norte region of Angola, to facilitate safe exploratory drilling on a kimberlite cluster adjacent to their village. The relocation took place following an extensive, two-year consultation process with the community, and involved engagement with a broad range of other stakeholders.

Internal

Working within multi-disciplinary teams, drawing on the technical expertise of external assurers, and providing assurance to internal stakeholders on sustainability issue management (see p12-13).

Regular co-ordination between management committee and project team.

Internal assurance provided to the Principles Committee, ECOHS Committee and Executive Committee by the project team and the Community Principal.

Regular co-ordination with external project assurance provider.

Review of draft Resettlement Action Plan (RAP) by Anglo American Resettlement Working Group.

Community

Ensuring that the communities in which we operate are involved in the making of decisions that affect them.

Regular face-to-face consultation with all community members on the process, preferred resettlement location, and compensation terms.

Resettlement plan presented to the local Catholic Bishop and advice sought on interactions with local community.

Co-ordination with local NGO mandated to represent community's interests.

Engagement with national NGOs on processes required.

Industry

Knowledge-sharing and partnering on research into new technologies and approaches, policy and planning, and sharing best practice.

Ongoing engagement with our joint venture partner, Endiama, on the resettlement plan.

Presentation of case study at conferences and corporate citizenship events.

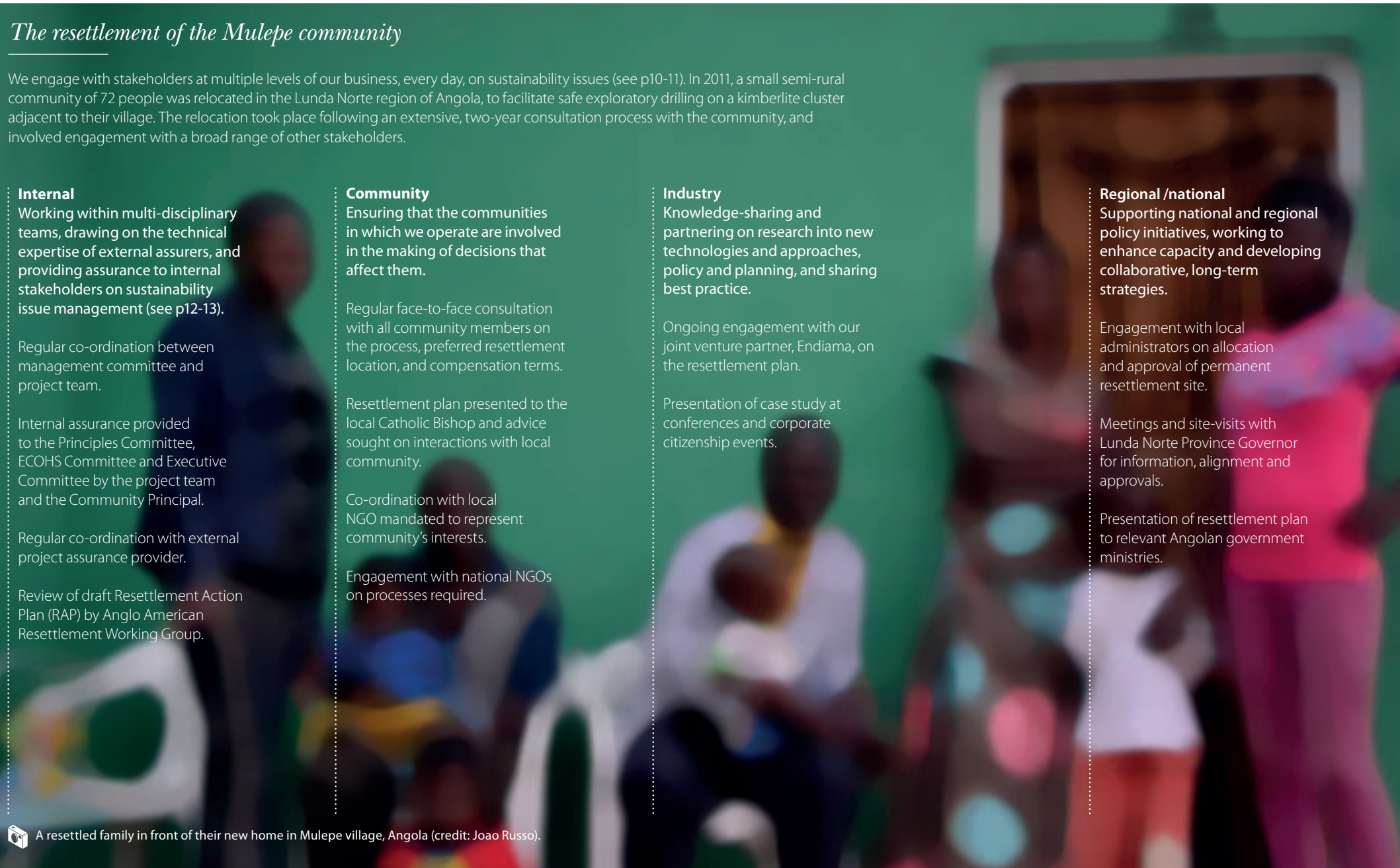
Regional/national

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

Engagement with local administrators on allocation and approval of permanent resettlement site.

Meetings and site-visits with Lunda Norte Province Governor for information, alignment and approvals.

Presentation of resettlement plan to relevant Angolan government ministries.

 A resettled family in front of their new home in Mulepe village, Angola (credit: Joao Russo).

Creating local value

We work with local communities and other partners to develop and deliver social investment programmes which generate value that endures beyond the life of a mine.

Mining can support the development of economically sustainable communities. In addition to providing revenues for national development, we engage with communities and local stakeholders

to identify and invest in projects that contribute to local needs and meet development aspirations.



Community Social Investment

2011 marked a decade of our support, through the De Beers Fund, for the National Field Band Championships in South Africa. Part of an innovative programme, music and movement are used to teach important life skills to disadvantaged young people, and foster greater tolerance, understanding and respect for other cultures. Around 1,000 young people participate in the four field bands we sponsor.

The De Beers Musina Field Band competes in 2011.

US\$34.7m

spent on Community Social Investment projects across the Family of Companies in 2011



Enterprise Development

We support a range of projects and organisations that create local jobs and help lay the foundations for diverse post-mining economies. In South Africa, De Beers Zimele supports Black Economic Empowerment and tackles poverty through the creation of sustainable small and medium sized enterprises (SMEs). In Namibia, the Namdeb Foundation has also historically supported SMEs, giving preference to those that are partly or wholly-owned by Historically Disadvantaged Namibians. De Beers also supports local enterprises and contributes to local economies through preferential procurement of goods and services where possible at both mine and corporate level.

Sophia's Driving School received De Beers Zimele support.

552

jobs created in South Africa since 2009 through De Beers Zimele funding of SMEs



Infrastructure and service provision

Our investment in communities often involves funding the development of local infrastructure and services such as roads, schools and hospitals. We aim to make these facilities available to the local community where possible. For example, through fully funded hospitals at Orapa and Jwaneng Mines which serve as district hospitals, Debswana provides essential public medical services to mine employees and the surrounding communities.

Students at a Debswana-supported school in Orapa.

75,000

people receiving essential medical services through hospitals run by Debswana



Employment of indigenous people

We actively employ and develop local talent at all levels of our business. In Canada, 37% of employees at Victor Mine and 27% of employees at Snap Lake Mine are self-identified Aboriginals, working across a full range of managerial, administrative and technical roles. We do our utmost to create workplaces that respect Aboriginal culture. All new employees and visitors to the mines receive cultural training as part of their induction and at each of our mines we have a cultural center where we celebrate Aboriginal traditions.

An apprentice mechanic at Snap Lake Mine, Canada.

90,000

out of a total population of 1.2 million Aboriginal people in Canada are employed in the mining sector, making it the largest Aboriginal employer in the country

Working within formalised frameworks

A number of formal regulatory frameworks guide our social investment, and our interactions with communities.

In South Africa, mining companies must submit a Social and Labour Plan (SLP) to the government before mining or production rights will be granted. SLPs aim to ensure that mining companies contribute to socio-economic development by creating local jobs, investing in education and health, providing HIV/Aids programmes and supporting small business development.

In Canada, Impact Benefit Agreements (IBAs) aim to ensure that mining delivers tangible benefits to Aboriginal Communities. De Beers is signatory to seven IBAs, four in the Northwest Territories and three in Ontario. IBA content varies but typically includes agreements

around hiring of local Aboriginal people, education and training, support for Aboriginal culture, environmental protection, and where appropriate, monetary compensation.

2.7%

of pre-tax profits of US\$1,290 million were invested in community social investment in 2011, including investment required under formal regulatory frameworks. This is significantly in excess of the international benchmark of one percent.



The sustainable management of the
NATURAL ENVIRONMENT
is vital to the future
PROSPERITY OF THE
countries in which we operate.
We are committed to
MANAGING OUR IMPACTS
on this shared resource
PROACTIVELY.

At the core of our management strategy is our commitment to leading environmental practices. We aim to build competence and consistency in our approach to environmental stewardship across the Family of Companies, and forge partnerships with local communities, governments and NGOs to address local and national issues of significance.

Environment Highlights

Environmental standards



86%

compliance with the six Family of Companies environmental standards by all operations (2010: 83%)

page 58

Water use



40.55m m³

of water used across all of our operations and facilities (2010: 38.1 million m³)

page 59

Carbon dioxide emissions



1.45m tonnes

CO₂-e (carbon dioxide equivalent) emissions (2010: 1.48 million tonnes)*

page 60

*CO₂-e emissions for 2010 has been restated, see p60.

Environment

ENABLING NATURAL HABITATS TO THRIVE

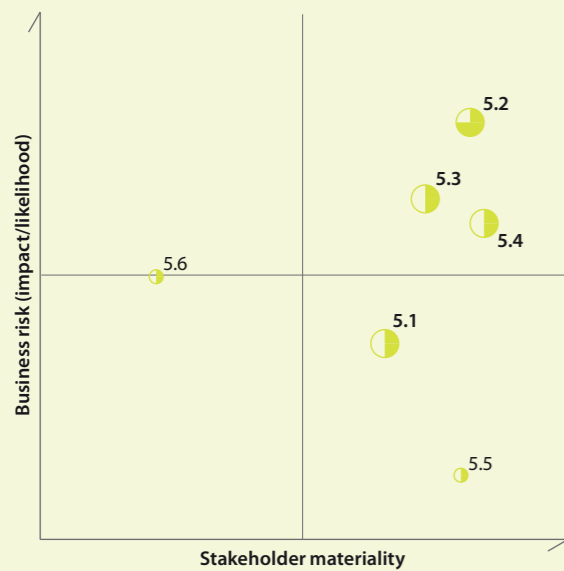
An Amethyst Fruit Chafer, *Leucocelis amethystina*, on the Ezemvelo Nature Reserve on the Diamond Route, South Africa.

Environment

We recognise that the living environment is as much a source of shared value as diamonds. We take a holistic view of environmental issues and endeavour to understand and mitigate environmental impacts at every stage in the mining lifecycle.

Environmental Risks

In this section we report on our approach to key environment risks identified for 2011 through our risk materiality process (see p14-15), displayed on the matrix below.



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

KEY:

- Long-term ● Medium-term ● Short-term
- Risks explored in Report to Society 2011 ● Risks

A full description of each of these risks is provided in the 2011 Sustainability Risks Supplement.

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Maintaining environmental standards

The Environment discipline is one of the four disciplines that make up our Environment, Community, Occupational Health and Safety (ECOHS) Programme (see p12-13). The Environmental Peer Group guides our work in this area and ensures continuous improvement in our approach.

The Environment Peer Group met four times by teleconference during the year and once at the environment and community workshop in August. Key topics covered by the Peer Group included environmental indicators and data, biodiversity action plans and assessment of 'no net loss of biodiversity', the new incident reporting system, climate change, and talent within the environment function.

Best practice is defined by our six Environmental Standards covering lifecycle planning, biodiversity, water, climate change, pollution prevention/waste management, and environmental reporting. The Standards benchmark the Family of Companies against leading mining companies and outline expected performance from our operations. A series of 13 Family of Companies guidelines along with 16 recommended external guides or toolkits support the Standards.

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

By the end of 2011, our compliance with the Environmental Standards, based on self-assessments by all operations, was 86% (2010: 83%). An emphasis on accuracy in conducting the self-assessments resulted in some operations revising their scoring downwards from 2010, but this is not considered a reflection of decreased performance on the ground. Areas for improvement remain the three key areas of embedding Biodiversity Action Plans (BAPs); ensuring integrated closure plans are in place for all sites at the right level of detail, and climate change mitigation and adaptation.

The Environmental Standards are integrated into our ISO14001 compliant Environmental Management Systems, which guide our operational environmental management. All mining operations and a range of other facilities retained ISO14001 certification in 2011.

Environmental incidents

Our incident reporting system monitors environmental incidents across the Family of Companies. Incidents are mainly pollution-related (spills, releases etc) and, to a lesser extent, are linked to resource wastage, biodiversity or archaeological impacts. Incidents are reported by severity and type (see Fig. 17).

During the year we had one provisional 'Level 4 – Major' incident relating to water pollution at Snap Lake Mine in Canada. In October, water with elevated nitrate concentrations seeped from the mine onto the shore and into the water of Snap Lake. The seepages were reported to the authorities and a spill response plan was activated including comprehensive monitoring to determine the potential impact of the spills. The monitoring highlighted the spills had the potential for short-term, localised effects on water quality but would not cause acute toxicity to aquatic life or affect drinking water. Following the spill and immediate response, an internal investigation has outlined corrective operational and engineering actions to address the root causes. Externally, Aboriginal Affairs and Northern Development Canada have started an investigation and the outcome, which is pending, may include fines.

Water and energy security in a changing climate

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

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.

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

Managing water risk and impacts

Balancing the need for reductions in water and energy use presents an ongoing challenge. There are often trade-offs, particularly in southern Africa, between water and energy efficiency, as further water reduction is often delivered by technological solutions, such as dewatering slurry from ore treatment, that require energy inputs and therefore increase our carbon footprint.

To help understand and resolve the dilemmas we face and to share good practice, we work with multi-stakeholder initiatives such as the United Nations Global Compact CEO Water Mandate. The Water Mandate commits members to support six commitments in the areas of water policy, management, performance and community engagement. We submit an annual Communication on Progress outlining how we are meeting these commitments.

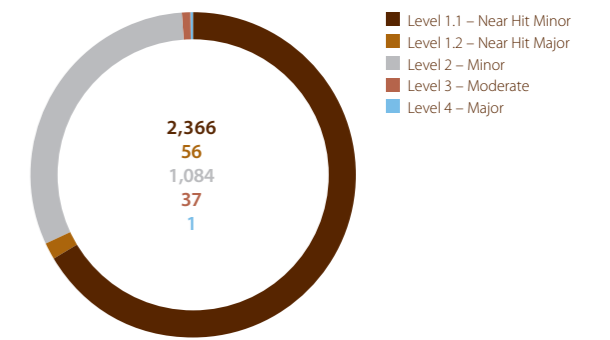
Water also presents a social challenge, as we need to balance our ambition to create value from diamond resources for producer countries, with the water needs of local communities near our operations. In the face of reduced water availability resulting from climate change, the risk of potential competition and conflict with local communities over water resources increases.

In 2011, we published an Issue Brief as part of our Diamond Dialogues series (see p10-11) that explores in detail the issue of water in relation to our operations and the wider communities in which we operate. Both the Brief and our annual Communication on Progress to the CEO Water Mandate can be downloaded at www.debeersgroup.com.

Using water efficiently and sustainably

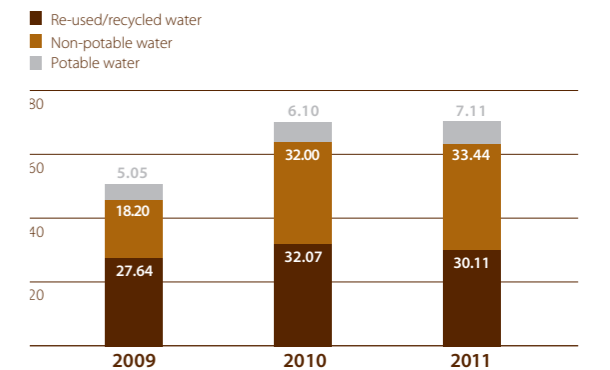
In 2011, we used 40.55 million m³ of new (potable and non-potable) water across all of our operations/facilities (2010: 38.1 million m³ – see Fig. 18). This is an increase of 6.4% year-on-year, reflecting increases in water use at mining operations with larger total water footprints.

Fig. 17 Environmental incidents, 2011



Total near-hit incidents 2011=2,422; Total incidents 2011=1,122

Fig. 18 Fresh water use, 2009-2011 (million m³)



Data note: 2009 and 2010 water figures have changed slightly from the data reported in our 2010 Report to Society. This restatement takes into account improvements in data reporting and is more accurate.



Measuring the water level near the Gahcho Kué project site, Canada.

Fig. 19
Direct and indirect energy use,
2009-2011 (million Gigajoules)

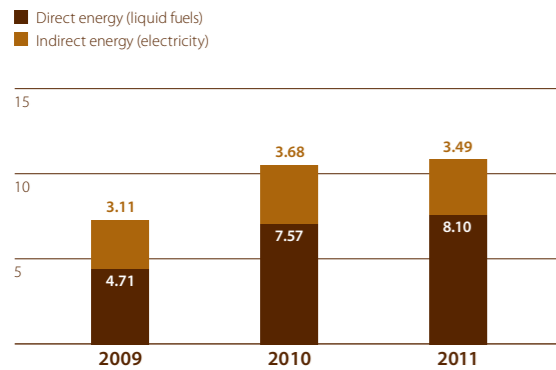
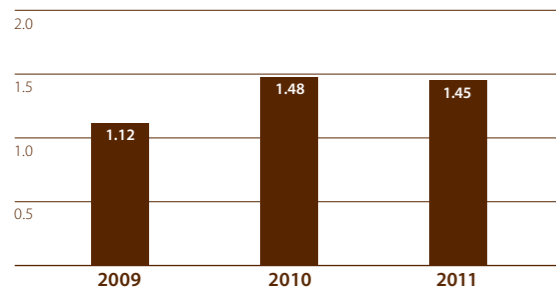


Fig. 20
CO₂ equivalent emissions,
2009-2011 (million tonnes CO₂-e)*



* Data note: 2009 and 2010 total CO₂-e and indirect emissions figures have changed slightly from the data reported in our 2010 Report to Society. This restatement takes into account improvements in data reporting and is more accurate.

The use of recycled process water at our southern African mines which are in arid areas remained relatively constant at approximately half of total fresh water use at 46% (2010: 50%). We also used 16.63 million m³ of sea water (2010: 20.19 million m³) at our west coast mining operation in Namibia.

Tackling climate change

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

To respond meaningfully to climate change, particularly in Africa, we believe it is also important to focus on adaptation to the effects of climate change. We are aware that the impacts of climate change, such as temperature increases and water shortages, will be felt most acutely in the communities where we operate because they are often both arid and in less developed regions that are least equipped to cope. Operationally, predicted temperature increases will require planning for more cooling at underground mines and for health-related responses. We have also assessed the impact of the proposed South African carbon tax on the Family of Companies.

Energy efficiency and emissions reductions

In 2011, our direct and indirect energy consumption amounted to 11.59 million Gigajoules (GJ), a 3.1% increase over 2010 (11.24 million GJ – see Fig. 19). Our total CO₂-e (carbon dioxide equivalent) emissions remained relatively constant at 1.45 million tonnes in 2011 (2010: 1.48 million tonnes – see Fig. 20).

Almost 61% of these emissions are associated with the electricity we purchase from national providers. These indirect emissions amounted to 0.93 million tonnes (2010: 0.99 million tonnes – see Fig 20). Direct emissions from fuel use (mainly diesel) amounted to 0.60 million tonnes (2010: 0.56 million tonnes).

A review of the energy and water targets across our mining operations in 2011 demonstrated that these are specific to the type of mining operation, such as mining vessel, west coast alluvial mine, open pit mine and, as a result, we do not set Group-wide targets for energy and water use.

Supporting renewable energy generation

In South Africa, DBCM has made land available to a range of renewable energy companies for wind farms at Namaqualand, and for solar parks in the Kimberley region. Planning and environmental impact assessments for a number of wind and solar projects in those areas are underway. Providing there are no delays in obtaining operating licences, construction of the first wind farm and solar park will be well advanced by the end of 2012. This will promote the use of renewable energy in South Africa and create job opportunities in these impoverished areas.

Looking ahead

In 2012, we plan to:

- Maintain tracking of appropriate water targets for all operations, both in water-stressed areas in southern Africa and the water abundant Canadian operational areas;
- Ensure climate change risks are assessed and included, where appropriate, in the Group-wide risk logs; and
- Maintain tracking of energy performance against targets and hence carbon emissions with reduction in the latter dependent on energy mix and use.

Lifecycle planning

Mining activities can have significant impacts on the environment. We are committed to adopting a 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 two key requirements:

- All phases of the mining lifecycle 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 4).

Namaqualand Mines sale

The process of the sale of Namaqualand Mines in the Northern Cape of South Africa continued through 2011. Rehabilitation of the area disturbed (under 4% of the total mining right area) during many decades of mining is ongoing, with significant earthmoving work completed in the past few years at an average cost of US\$3.5 million per year since 2008. During this time, 24 million cubic metres of earth have been moved to address the largest voids and highest dumps, and to ecologically restore 550 hectares of the most disturbed land. As part of the closure planning processes, the environmental management programme and the associated rehabilitation liabilities were revised to take account of rehabilitation work done to date, changes in rehabilitation philosophy, and to include restoration techniques developed in the area over the past few years. Together with their plans to continue operations at the mine, the new owner assumes all legal obligations contained in the environmental rehabilitation programme. The Company has had ongoing and extensive engagements with a range of outside parties to work through the issues relating to environmental and community aspects associated with the sale.



Recycling is a core element in Environmental Management Plans at our mines.

Mining activities can have significant impacts on the environment. We are committed to mitigating our impacts at every stage of the mining lifecycle.

Table 4: Lifecycle planning at each stage of the mining lifecycle

Phase	Activity	Objective	2011 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	Mulepe project in Angola
Pre-Feasibility	Scoping	To gather and evaluate information and undertake specialist studies for the Environmental and Social Impact Assessment (ESIA)	Namdeb Southern Coastal Unconstrained Beach Accretion (SCUBA) Project
Feasibility	Undertake Environmental and Social Impact Assessment, and prepare 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	DBCM Venetia Underground Project Namdeb Sendelingsdrif Project De Beers Canada Gahcho Kué Mine Project Namdeb Red Area Complex (RAC)
Construction or commissioning		To ensure inclusion of all requirements of the EMP for the operational phase, for smooth transition to the operational phase	Namdeb Elizabeth Bay Optimisation
Operations	Environmental Management Systems (EMS)	To ensure ISO14001 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	All ISO14001 certified operations retained their certification
Closure/Disposal	Closure planning	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 of Finsch Mine Sale of Namaqualand Mines (ongoing) Closure of the decommissioned Lobatse Sample Treatment Centre with a water and soil sampling programme (ongoing)



The Debmarmar Atlantic at night, off the southwestern coast of Africa.

Corporate Contribution to Conservation Award

In 2011, the Diamond Route was awarded the South African National Parks Kudu 'Corporate Contribution to Conservation' Award. In announcing the Award, the judges stated:

"This award is a fitting acknowledgement of the outstanding contribution the Oppenheimer family and De Beers are making to environmental conservation in our beautiful country. This award recognises those who strongly promote a culture of sustainable use and conservation of our natural heritage. This project also highlights that fact that conservation is as much about people as it is about conserving nature for generations to come."



A petroglyph of the sun at Rooipoort, Diamond Route, South Africa (credit: Erwin and Nicoleen Niemand).

Promotion and maintenance of biodiversity and ecosystems

Much of our mining footprint covers sensitive, biologically diverse environments and biodiversity is one of our most significant environmental issues. As a result, we place particular focus on biodiversity in environmental planning and impact management during exploration and development, mining and closure of our mines.

Biodiversity strategy

Our biodiversity strategy consists of a number of approaches that help to deliver a valuable and recognisable contribution to biodiversity conservation by the Family of Companies.

Biodiversity Overlap Assessments

We undertake to respect legally designated Protected Areas and key biodiversity areas and we do not operate within World Heritage Sites. Our annual Biodiversity Overlap Assessment (BOA) assesses the extent to which our operations overlap with these types of protected areas. The 2011 BOA confirmed we are adhering to our policy commitment.



A herd of muskoxen near Snap Lake Mine, Canada.

Our Venetia Mine does have water abstraction points and a water pipeline that runs through a section of the Mapungubwe National Park and World Heritage Landscape. Some exploration licences also overlap with portions of known IUCN Category I-IV Protected Areas in South Africa, Namibia, Angola and India. No exploration activities are conducted on these overlap areas.

Biodiversity Action Plans

We manage biodiversity risks through our existing Environmental Management Systems at our mines and have enhanced this using Biodiversity Action Plans (BAPs). These are in place for most of our mining operations and are used to develop a coordinated and holistic approach to biodiversity stewardship, supported by management objectives and actions. These BAPs still require full integration into the Environmental Management Systems to allow for ongoing monitoring and management.

'No net loss of biodiversity' policy commitment and protected area contributions

The Family of Companies committed to achieving 'no net loss of biodiversity' in 2009. A global stakeholder workshop held in 2010 helped develop the concept for De Beers and much groundwork has been done to date. High-level retrospective assessments for all existing mining areas and any associated conservation areas are underway and our three greenfield mine developments – Gahcho Kué, Mulepe and Sendelingsdrif – are required to incorporate this commitment.

We continue to make contributions to protected area development, including:

- South Africa: Land leased to SA National Parks at Venetia and Namaqualand, which extends existing protected areas. Considering legal protection of conservation areas of the Diamond Route as part of the National Protected Area Expansion Strategy;
- Namibia: All operations fall within the Sperrgebiet National Park and closure plans are aligned to meet Park objectives and land-uses, such as nature- and mining-based tourism;
- Botswana: Orapa and Jwana Game Parks are not legally protected but contribute significantly to biodiversity conservation in the country;
- Angola: Significant logistic and operational support for two scientific expeditions (2009 and 2011) for development of one of 10 proposed protected areas in the country.

Our land-based mining licences cover 941,601 hectares (ha), only 39,361 ha of which (4.2%) is disturbed by our actual mining footprint. An area of 195,640 ha is set aside for conservation, so we continue to manage roughly five hectares of land for biodiversity conservation for every hectare of land disturbed by mining.

Diamond Route

Land set aside for conservation includes properties that form part of the Diamond Route. The Diamond Route is an award-winning, cross-provincial, multi-site initiative that covers nine sites of biodiversity and heritage interest across southern Africa (see box, p62). A partnership between De Beers, E Oppenheimer & Son and Ponalaha Holdings, it aims to promote local economic development through tourism and education, and promote biodiversity through active conservation and vital scientific research.

To date, the Diamond Route has created over 260 permanent jobs and supports over 140 research projects. In 2011, the Diamond Route won three further awards: the 'Contribution to Conservation Award' from South African National Parks; the Eco-logic 'Biodiversity' Award; and a Bronze International Green Award in the 'Best Green Conservation and Biodiversity Award' category.

We also hosted the second Diamond Route research conference in August 2011, at which 33 presentations and 32 poster presentations were delivered by researchers from 66 national and international institutions. In addition, a new Diamond Route website was developed during the year – www.diamondroute.co.za.

Looking forward

In 2012, we plan to focus on finalising BAPs for all mining operations and implementing these through integration with our existing EMS.

In 2011, the South African National Biodiversity Institute and the Diamond Route launched the Biodiversity Fund, celebrating the Year of Biodiversity.

"We value our partnership with the Diamond Route in the Biodiversity Fund. Together we aim to continue to build knowledge of our nation's biodiversity and develop mechanisms to protect, restore and rehabilitate South Africa's valuable natural capital, and make a meaningful contribution towards powering the green economy."

Dr Tanya Abrahamse
CEO, South African National Biodiversity Institute (SANBI)

Fig. 21
Our mining footprint, 2011 (%)

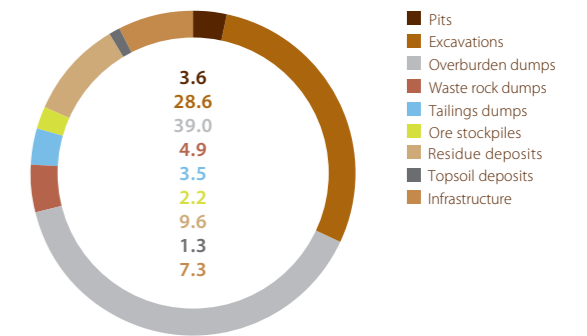
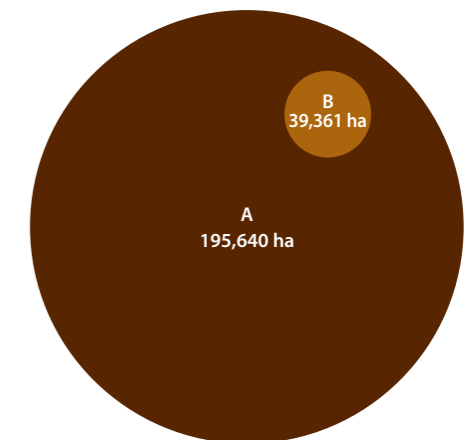


Fig. 22
Our ratio of conservation area to mining area (5:1)

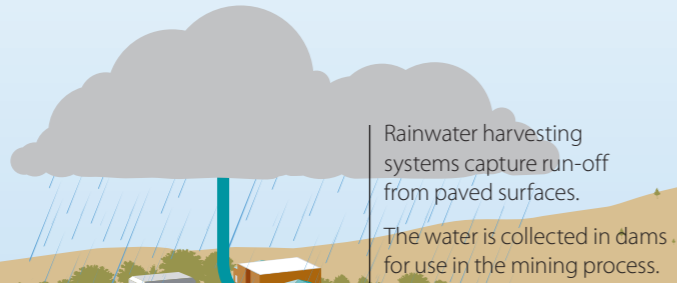


A Our conservation footprint
B Our mining footprint

Managing our water use

Water is essential for our mining and processing operations. Water reduction strategies, re-use and recycling methodologies, and the development of alternative sources are critical to our ability to use this resource efficiently.

Debswana works with the Government of the Republic of Botswana and the UN Development Programme to promote long-term, integrated water resource planning throughout Botswana.



Recycled water from the treatment of sewage effluent at Orapa town is used in the treatment plants and for other uses.

Water is recovered from the fine residue deposits that remain once the diamonds are extracted from the ore.

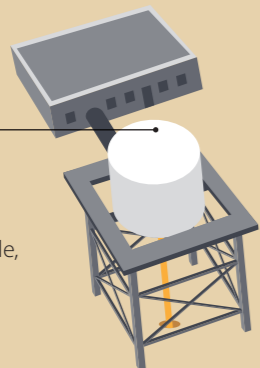
Rain and groundwater that collects in the mine pit is pumped out for use in the treatment plants.

Vertical boreholes are also sunk around the pit. These extract water, helping to keep the pit slopes stable and safe, and control water seepage.

46%
water used at southern African mines is from recycled sources external to the treatment process.

2009
De Beers signs up to the UN Global Compact CEO Water Mandate, committing to responsible water stewardship.

Traditionally, water used in mining processes comes from 'new' sources – groundwater aquifers or rivers. Where possible, we use non-potable sources, such as saline water and other alternative sources.



Alternative sources
We seek alternative water sources, rather than relying on freshwater sources like rivers or boreholes.

Reducing and recycling
We aim to improve water efficiency and re-use, or recycle water as much as possible.

Protecting and improving water quality
We ensure that the water we discharge is of the same or better quality than it was originally.

HOW WE USE WATER
At our mines, water is mainly used in the processing of kimberlite – the diamond-bearing ore.

Mining
1 Blasting, waste removal and ore extraction
Water is used in the pit to dampen dust created by mining activities to extract the kimberlite ore. This aids visibility and reduces risks to health.

2 Processing
Crushing
In the first stage of processing, the kimberlite is crushed to the best size for extracting diamonds. Water is not used here, except for dust containment.

3 Scrubbing/washing
Scrubbers 'wash' the crushed ore in preparation for sizing. Saltwater, or water recovered from the pit sump or other sources may be used.

4 Screening
The diamond rich material is recovered. Small pieces pass straight through, while larger pieces go through another round of crushing, scrubbing and filtering.

5 Separation
The screened and washed material is fed into dense media separator cyclones to separate out the diamonds. Water is recovered from this process.

6 Recovery
The final stage of recovering individual diamonds by X-ray or hand-sorting, treats low volumes of material which is dried. Small amounts of high quality water are required.

7 Fines deposit
Excessive water is recovered using a 'thickening' process. Before depositing the fine processed kimberlite into dams, any additional water, as well as rain water, is returned to the treatment process.

2

4

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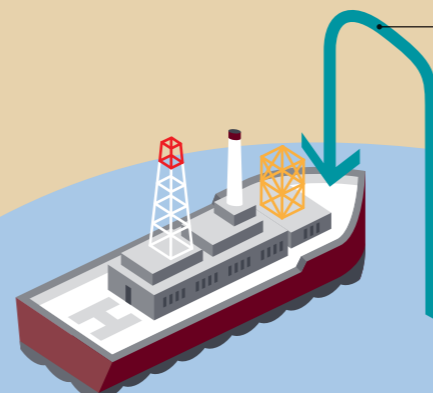
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Used water is purified before discharge. All mines have comprehensive biodiversity programmes to monitor and report on the biological impacts of mining.

Marine vessels use seawater for processing, and desalinated freshwater for onboard domestic freshwater requirements. We partner in scientific research to determine rates of recovery of seabed biodiversity from marine mining.

Onshore alluvial mining operations use seawater for processing.



Assurance statement

SGS United Kingdom Ltd's report on sustainability activities in the De Beers Report to Society 2011.



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 2011. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text and 2011 data in accompanying tables contained in this Report.

The information in the Report to Society 2011 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 2011. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all De Beers' stakeholders.

The assurance scope has been approached as follows:

GRI G3 (2006) – We have evaluated the content of the Report to Society 2011, GRI Contents page on the website and the Operating and Financial Review.

AA1000AS (2008) – This is based on the contents of the Report to Society 2011 and the management systems supporting that.

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

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

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

The assurance comprised a combination of pre-assurance research, interviews with relevant employees in the UK (London offices) and South Africa (Cape Town and Johannesburg offices), documentation and record review, and the observation of the Multi-Stakeholder Forum in December 2011.

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

Statement of Independence and Competence

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

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

Verification/Assurance Opinion

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the Report to Society 2011 verified is accurate, reliable and provides a fair and balanced representation of De Beers sustainability activities in 2011.

The assurance team is of the opinion that the Report to Society 2011 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 2011 fulfils 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

De Beers continues to involve stakeholders at all levels and the processes for feedback on stakeholder issues is very sophisticated. This is a core part of the company's risk management and the development of the stakeholder mapping tool in 2011 means that De Beers now has a formalised framework against which they can review the methods of stakeholder engagement and ensure that these are appropriate and functional, and use this to further demonstrate how stakeholders have input into the development of engagement methods that no stakeholder groups are excluded.

Materiality

The risk identification and management systems are very thorough and continuous. They are reviewed regularly and the review process and risk matrix demonstrate the prioritisation of material issues. The review of short, medium and long-term issues/risks demonstrates the understanding of the changing priorities of the identified issues. Material issues are identified using internal and external expertise and priorities are re-evaluated as the maturity of the issues is considered. The production of the Report to Society as one document has ensured that all issues considered material have been included in one document.

Although De Beers have comprehensive internal approaches to benchmarking, these are not evident in the report, which affects the context and comparison of performance. This was a comment included in the assurance statement for 2010 and remains an improvement point.

Responsiveness

With a well-developed materiality identification system, the challenge is to continue to improve it. De Beers should continue to test its systems using stakeholder engagement to ensure that risks and materiality are a response to all stakeholder needs.

Accessibility of the report was commented on in the 2010 assurance engagement and De Beers should demonstrate they have considered the reporting needs of all stakeholders, including those traditionally excluded from consultation. Future report development should consider the wider issues of stakeholder reporting and to what extent there needs to be specialised reporting to under-represented groups. In addition, De Beers should continue to explore how stakeholder opinion on the responsiveness of the organisation to the stakeholders' needs can be collected.

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

In our opinion, the De Beers Report to Society 2011 meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.0 Application Level A+.

Principles

In our opinion the content and quality of the Report has been produced in line with the 10 GRI Principles. Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- Stakeholders opinions on the company's performance would be better informed if targets and goals for the forthcoming years were included in the Report and used to evaluate the current reporting year's performance;
- The Report has been produced using a sophisticated approach to material issues, however it could be further improved by including more detailed information on stakeholder participation and identification;
- Formalised data collection and evaluation systems using document control would enhance data collation processes in the production of the report; and
- Planning for future reports should include the information needs of stakeholders at all levels to ensure the Report is accessible to all.

Signed:
For and on behalf of SGS United Kingdom Ltd

Jan Saunders

UK Systems and Services Certification Business Manager
London, April 2012

 www.sgs.com



Further information

Three guiding Principles

Three guiding Principles define the way we do business, inform our understanding of what is right and wrong, and describe what is important to us. These are supported by an extended set of specific Principles that cover the economics, ethics, employees, community and environment aspects of our activities.

Sustainable development through partnership

The Family of Companies is committed to operating in accordance with national legislation and towards the goal of sustainable development. This means ensuring that we consider and take responsibility for the longer-term economic, social and environmental implications of the decisions we make today – not only for our own business but also for the broader societies in which we operate. We will work with our partners in government to ensure that diamonds, a finite resource, are transformed into economic wealth and improved quality of life and wellbeing for all those stakeholders touched by our business along the diamond pipeline.

Diamond dreams and development

We will work to address the poverty and socio-economic deprivation that affects many of the communities where we operate. We will work with governments to help realise their long-term visions and, through education, training and shared decision-making, to ensure the success of programmes that help build the capabilities of their citizens. In particular, we will partner with our stakeholders to address the priority of HIV and Aids. We will also work meticulously through the Kimberley Process, the industry's System of Warranties, and our Principles to ensure conflict diamonds are eliminated from world diamond flows.

Accountability and 'living up to diamonds'

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

Acknowledgments

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Acronyms

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

Environmental information

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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 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 tip-off anonymous country toll free number:

De Beers – South Africa	0800 003 518
De Beers – Namibia	0800 003 518 or 061 309058
De Beers – Botswana	71119753 (Mascom)
De Beers – United Kingdom	0808 234 2168
De Beers – Canada	18664511590
De Beers – Israel	1809455111
De Beers – Japan	00531270008
De Beers – Belgium	080075977
De Beers – Angola	+27 (0) 31 571 5772
De Beers – DRC	+27 (0) 31 571 5773
De Beers – India	+27 (0) 31 571 5775
De Beers – China	+27 (0) 31 571 5776

In writing

In writing with details regarding the background and history of the information being disclosed, giving names, dates and places where possible. Disclosures made in writing should be posted to:

South Africa (FreePost) KZN 138, Umhlanga Rocks 4320, South Africa	Other countries (postage not paid) KZN 774, Umhlanga Rocks 4320, South Africa
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Email, website and fax

Written disclosures may also be submitted via:

Email: debeers@tip-offs.com

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

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