

*2011 Sustainability  
Risks Supplement*

**REPORT TO SOCIETY**

**DE BEERS**  
FAMILY OF COMPANIES



This Supplement provides additional information on the production and content of the De Beers Family of Companies 2011 Report to Society. De Beers is committed to reporting transparently and accurately on its financial and non-financial performance. We engage with stakeholders on a continuous basis to identify and understand their expectations of us as a business, including our approach to reporting.

This Supplement describes our risk-based approach to reporting, and details the sustainability risks that we identified for prioritisation in the 2011 Report to

Society. Additional information on the processes we undertook in 2011 to shape and inform the content of the Report to Society, additional assurance on the information in the report, and a Global Reporting Initiative (GRI) Compliance Table are provided in the 2011 Assurance and Compliance Supplement to the Report to Society.

In their independent assurance of the Report to Society, SGS UK Ltd were of the opinion that De Beers reporting was in line with Application level A+ of the Global Reporting Initiative (GRI) (see below).

---

### Reports referenced



Report to Society  
2011



Operating  
and Financial  
Review 2011



2011 Assurance and  
Compliance  
Supplement

These documents are available for download from [www.debeersgroup.com](http://www.debeersgroup.com).

---

### Independent Assurance Statement



"SGS United Kingdom Ltd was commissioned by De Beers to conduct an independent assurance of the De Beers Report to Society 2011.

In addition we have carried out a full evaluation of the GRI Application Level against GRI G3 (2006) and the requirements of the GRI Mining and Metals Sector Supplement. This evaluation includes the contents of the Report to Society, the GRI compliance table contained in this Supplement, and the Operating and Financial Review 2011.

We are of the opinion that De Beers' reporting is in line with Application level A+.

Our full assurance statement can be found in the De Beers Report to Society 2011, p66-67."

---

### Feedback

We appreciate your feedback on the 2011 Report to Society or any other aspect of our sustainability performance. Please contact us at:

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

**E** [livinguptodiamonds@debeersgroup.com](mailto:livinguptodiamonds@debeersgroup.com)  
**T** +44 (0) 207 404 4444  
[www.debeersgroup.com](http://www.debeersgroup.com)

# 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 p3) 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.

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 to check that our assessment fits with stakeholder concerns and expectations. We then modify the matrix as necessary, based on this stakeholder feedback.

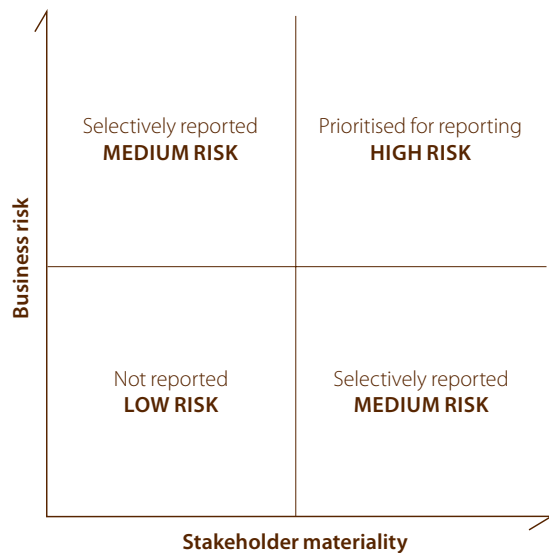
## Material risks in 2011

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. 1). Business risk includes both the likelihood of a risk manifesting itself, as well as the impact that such a manifestation would have on our business (i.e. direct risk). Stakeholder materiality is based on the degree to which an issue is considered relevant and material by stakeholders, and the ability of such stakeholders to impact upon our business (i.e. indirect risk).

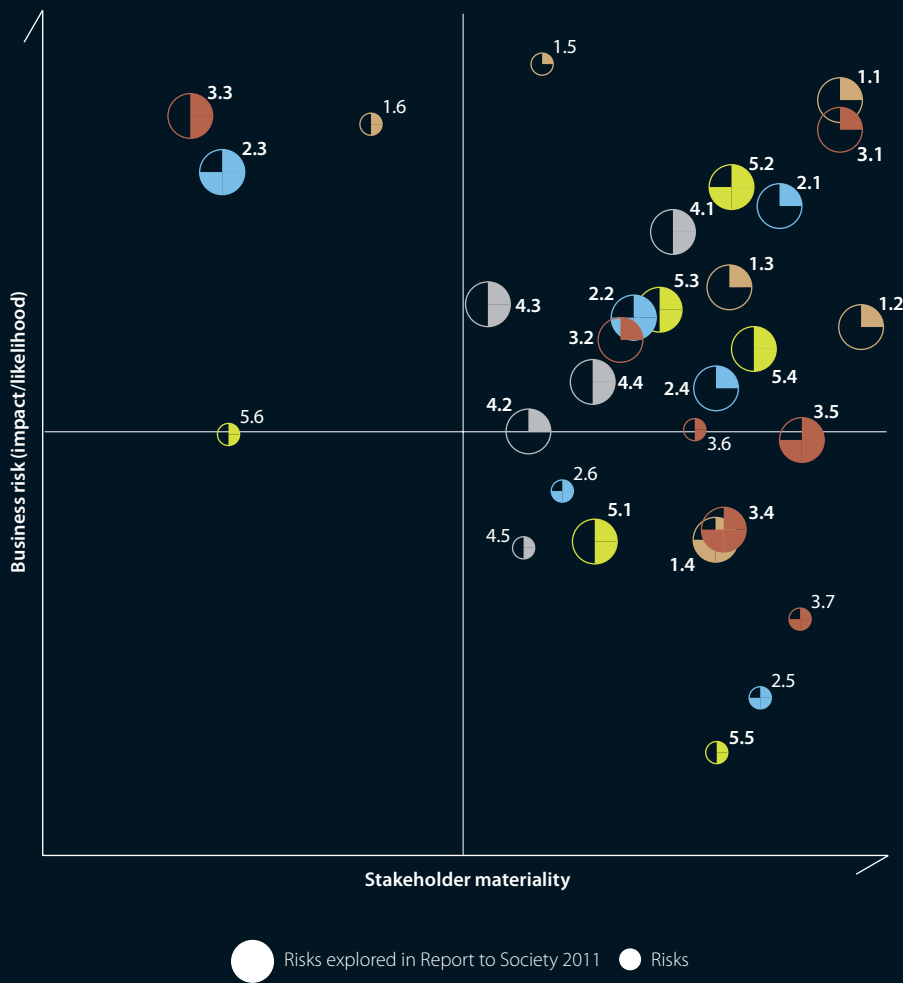
In 2011, we identified a total of 30 sustainability risks through our risk analysis and stakeholder engagement processes. These are shown in the sustainability risk matrix on the following page. We have prioritised 22 of these risks across all five sustainability areas for discussion in this report. 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.

Fig. 1

## Our risk matrix approach to reporting



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 this Supplement.



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 on in the 2011 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

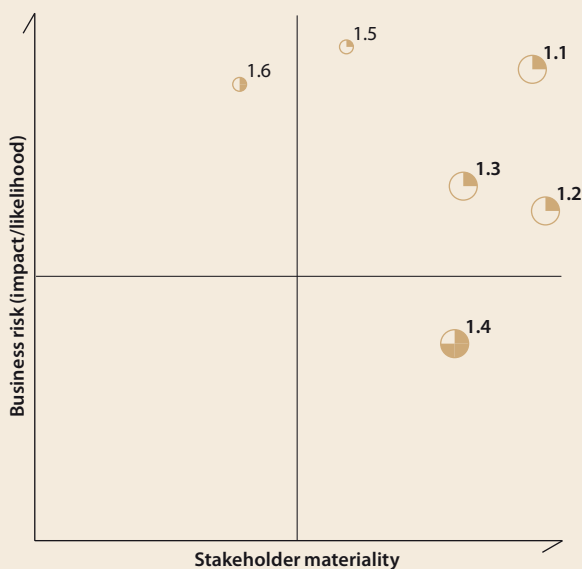
*Environment*

- 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**

# 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



### KEY:

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

De Beers approach to managing prioritised risks (the risks in bold), and our performance against these risks, is provided in the 2011 Report to Society and its accompanying 2011 Assurance and Compliance Supplement.



[www.debeersgroup.com](http://www.debeersgroup.com)

### 1.1 Delivering value to producers

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

### 1.2 Governance and revenue transparency

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

### 1.3 Success of beneficiation

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

### 1.4 Driving local growth, diversification and capacity building

Failure to create additional economic activity around our mines places our social license at risk. Supporting local growth, economic diversification and capacity building helps assure our local license to operate.

### 1.5 Driving and maintaining demand

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

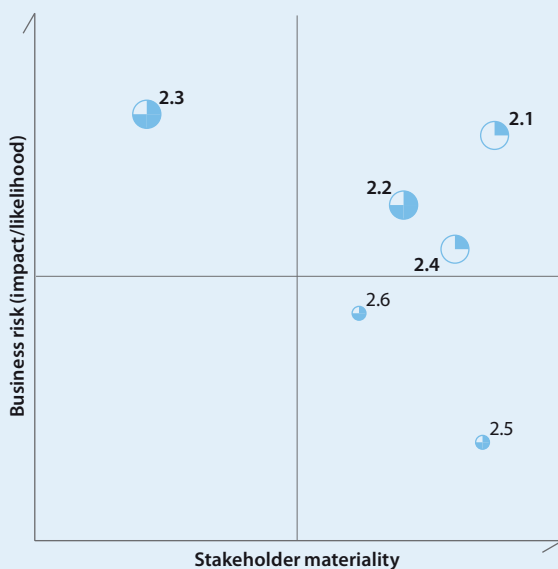
### 1.6 Access to new reserves and sustainable relationships in new territories

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

# Ethics

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

## Ethics Risks



### KEY:

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

De Beers approach to managing prioritised risks (the risks in bold), and our performance against these risks, is provided in the 2011 Report to Society and its accompanying 2011 Assurance and Compliance Supplement.



[www.debeersgroup.com](http://www.debeersgroup.com)

<sup>3</sup> 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.

### 2.1 Kimberley Process and System of Warranties credibility

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

### 2.2 Anti-corruption

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

### 2.3 Illicit Trade and Diamond Security

Product theft at our operations and the illicit trade in diamonds are multi-faceted risks. They impact our own revenues and those of our partner governments, as well as exposing communities and employees to the harmful activities of criminal syndicates. As a result, there is a common benefit in combating these risks, which also protects our own reputation and helps maintain diamond equity, thereby maximising the revenues available to producer governments.

### 2.4 Maintaining pipeline and sector standards

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

### 2.5 Legal compliance, e.g. competition law, tax law etc.

De Beers is committed to ensuring compliance with competition and anti-trust laws and regulations in all of the jurisdictions in which we operate. We maintain a 'zero-tolerance' stance towards any non-compliance.

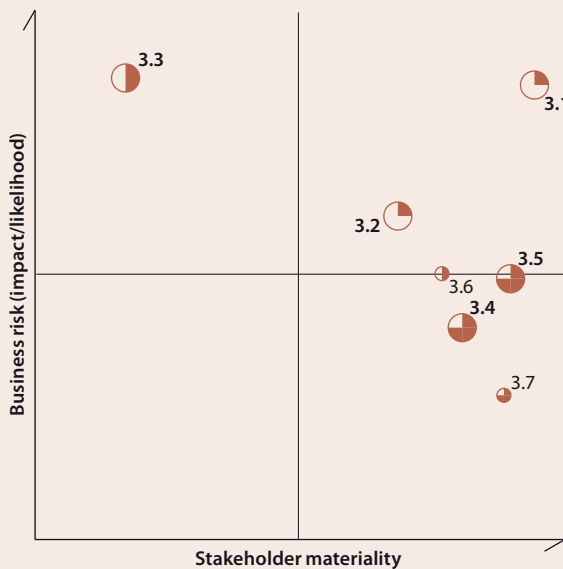
### 2.6 Human Rights

Human Rights violations associated with the diamond sector have the potential to undermine consumer confidence in our product. De Beers' commitment to respect human rights is embodied in a range of policies and processes, and our engagement in relevant multi-stakeholder initiatives.

# 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



### KEY:

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

De Beers approach to managing prioritised risks (the risks in bold), and our performance against these risks, is provided in the 2011 Report to Society and its accompanying 2011 Assurance and Compliance Supplement.



[www.debeersgroup.com](http://www.debeersgroup.com)

### 3.1 Safety performance

The effective management of hazards protects our people from harm, promotes efficiency and ensures our business complies with regulatory and legal standards. As a result, embedding a zero-harm safety culture in how our employees and contractors work remains one of our top priorities.

### 3.2 Managing organisational change

To remain competitive, businesses must be responsive to broader economic drivers. Ongoing volatility in the global economy can have a profound impact on employees in terms of staffing levels, use of contractors and remuneration. We remain committed to responsibly managing the size of our workforce through changing market conditions and across the project lifecycle of our operations in order to mitigate a range of risks relating to employee recruitment, retention, motivation and skills.

### 3.3 Attracting and retaining talent

Our ability to remain responsive to changing market conditions is dependent on our ability to attract and retain talented professionals in an increasingly competitive global employment market. Retaining and supporting the development of all our employees is important to us.

### 3.4 Occupational health and wellbeing

The health of employees has wide-ranging impact both inside and outside the workplace. Occupational diseases reflect past, not current, workplace exposures to health hazards, and may manifest long after employment has ended. Protecting employees from health hazards and maximising their physical and mental wellbeing are the cornerstones of our occupational health focus.

### 3.5 HIV and Aids management

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

### 3.6 Diversity and inclusion

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

### 3.7 Compliance with international labour standards

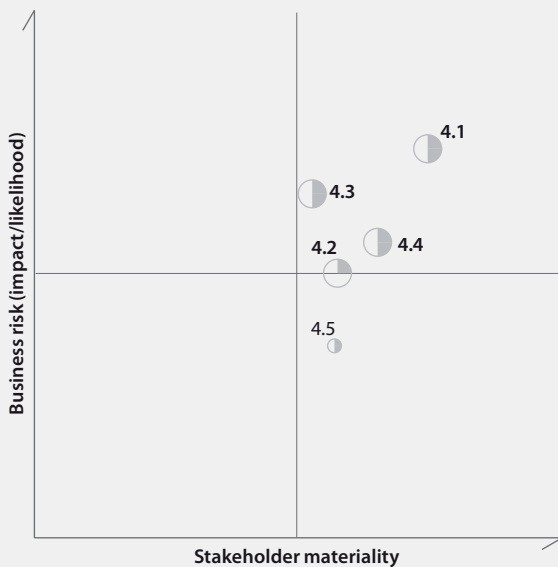
Ensuring a safe, respectful and fair workplace is a priority across all business units. We aim to meet or exceed all relevant global labour standards in addition to respecting the right of employees to associate freely and bargain collectively. Compliance serves as a foundation for employee engagement,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



# 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



### KEY:

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

De Beers approach to managing prioritised risks (the risks in bold), and our performance against these risks, is provided in the 2011 Report to Society and its accompanying 2011 Assurance and Compliance Supplement.



[www.debeersgroup.com](http://www.debeersgroup.com)

### 4.1 Effective community relations

Conflicts or disagreements with any of our mining communities could damage the reputation of the local business unit, with impacts for the group as a whole. Constructive, frank and stable relationships with local communities and other interested parties are key to our efforts to generate socio-economic benefits at a local level that last beyond the life of mine.

### 4.2 Sustainable community social investment

Social investment enables us to assist mining communities in meeting short term development challenges and goals. An opportunity to benefit the community beyond the life of our operations is lost if this investment is not aligned with a broader strategy for creating a diversified local post-mining economy, in line with broader regional and national development goals. Sustainable community social investment therefore maintains our social licence to operate, supports a positive legacy from mining, and protects against future risks to reputation.

### 4.3 Mulepe resettlement

The resettlement of the Mulepe Community without adequate consultation, conducted on the principles of informed consent and mutual respect, could have created unresolvable tensions; raised the expectations for other communities residing in any possible future mining area; and reduced the eligibility of the project to secure finance from Equator Principles signatory banks.

### 4.4 Social impact of closures and transfer of assets

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

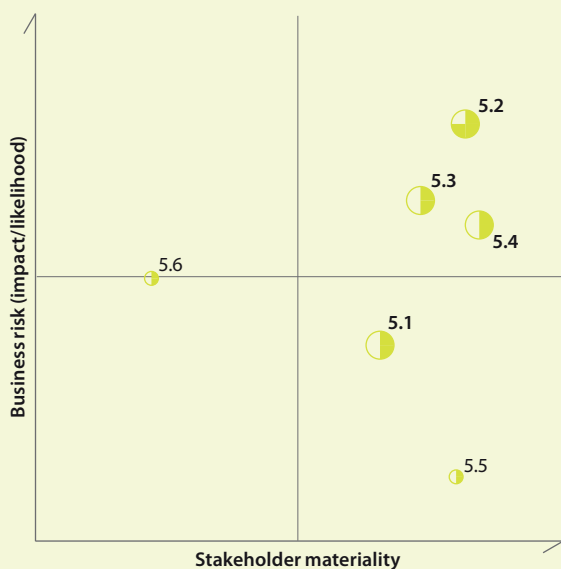
### 4.5 Managing land claims

We are committed to ensuring that the legal rights of all mining-affected communities are upheld at all times. A number of communities in South Africa have made formal land claims to areas in which we operate under the Restitution of Lands Act.

# 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



**KEY:**

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

De Beers approach to managing prioritised risks (the risks in bold), and our performance against these risks, is provided in the 2011 Report to Society and its accompanying 2011 Assurance and Compliance Supplement.

 [www.debeersgroup.com](http://www.debeersgroup.com)

### 5.1 Maintaining environmental standards

Poor environmental management undermines our license to operate. We remain committed to having environmental policies, systems, programmes, resourcing and training approaches equal to those of the world's leading mining companies.

### 5.2 Water and energy security in a changing climate

Our mines in Africa are located in water-stressed environments. Shifting rainfall patterns will increase the challenge of water access for our operations and local communities, presenting operational risks and potentially undermining our social licence to operate. Further reductions in our water use frequently require more energy, increasing our carbon footprint. Reducing energy and water use, while balancing the need for both of these resources, remains a key focus.

### 5.3 Lifecycle planning

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

### 5.4 Promotion and maintenance of biodiversity and ecosystems

Many of our operations are in sensitive or biologically diverse environments. Managing biodiversity is rarely straightforward and requires that we take a sophisticated approach that also considers ecosystem services.

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

We respect legally designated Protected Areas and key biodiversity areas and we do not operate in World Heritage Sites. We aim to minimise the disturbance of ecosystems through responsible planning and biodiversity stewardship – from exploration through to the post-mining phase – in order to meet legal requirements, mitigate current and future risks from environmental impacts and reputational damage. We make key biodiversity and heritage contributions through our dedicated conservation areas.

### 5.6 Management of waste and pollution prevention

While diamond mining itself does not require the use of hazardous substances, as it is mostly a physical process, hazardous substances are used in exploration and mining treatment processes. We are focused on ensuring that all operations and facilities manage effluents, wastes, emissions and hazardous substances to prevent pollution.



