

BUILDING FOREVER

REPORT TO SOCIETY 2016



BUILDING FOREVER

Today, more than ever, every business is expected to 'do the right thing'. It is part of being a good corporate citizen.

For De Beers, doing the right thing has long been a business imperative – but it is much more than that.

There are three main reasons.

1. There is a powerful mutual interest in all our working partnerships: we rely on access to our partners' natural resource, and our partners rely on our ability to drive revenue and create socio-economic benefit from that resource.

2. When our partner countries prosper, we benefit as well: their prosperity creates a more predictable environment to invest in, an effective supply chain and a robust infrastructure.

3. Consumers must always be able to trust a diamond from De Beers: consumer demand is our primary source of value.

We must therefore work to maintain the support of our partners, to be in a position to help them prosper and to ensure our customers and consumers are proud of their diamonds.

That means doing everything we can to make certain that all our activities leave a lasting, positive legacy.

We call this 'Building Forever'.

About this report

This report presents performance data for those businesses that De Beers either owns or has a significant shareholding in, and that have economic, social and environmental impacts. Prior to March 2017, De Beers Diamond Jewellers was an independently managed joint venture company. It is therefore not included in the scope of this 2016 report. Use of 'De Beers', 'our' or 'we' in this report relates to The De Beers Group of Companies, a collective term used for both wholly-owned and joint venture business entities that De Beers has a significant shareholding in.

The 2016 Report to Society has been prepared in accordance with the core option of the Global Reporting Initiative Fourth Generation Guidelines (GRI G4). A GRI Index is included online at www.debeersgroup.com/publications for additional information. For the purposes of our data reporting, we provide figures to one decimal place, except where it is necessary to use two decimal places for more accurate reporting. Any inconsistencies between the data, charts or percentage changes reported are due to this rounding. All performance data for joint ventures included in this publication is reported on a 100 per cent basis unless otherwise stated.

De Beers engaged KPMG LLP to undertake an independent limited assurance engagement. KPMG LLP's full statement is available on page 50.

Disclaimer

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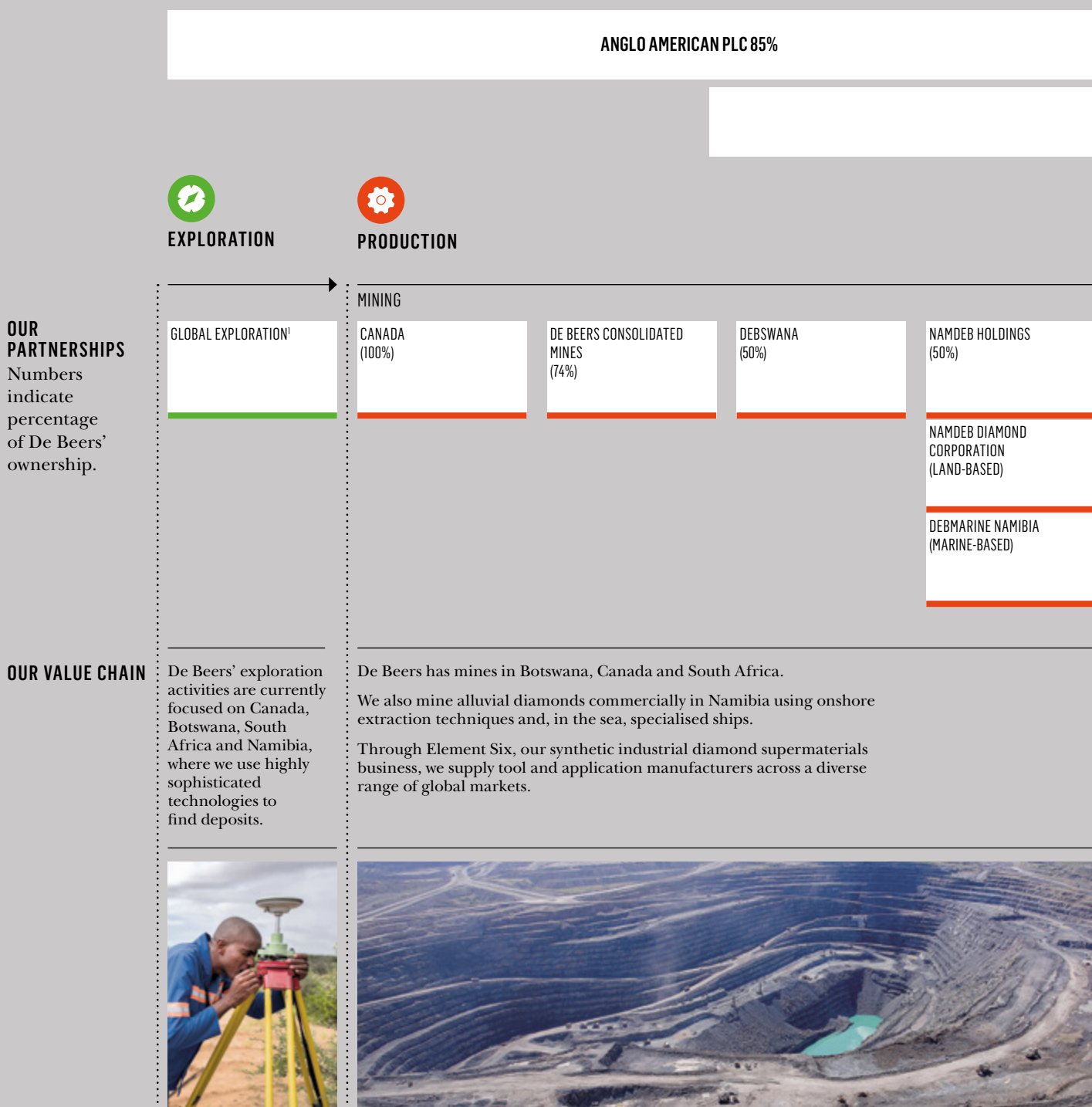
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OUR BUSINESS AT A GLANCE

De Beers was established in 1888 and is a member of the Anglo American plc group. We are the world's leading diamond company, with unrivalled expertise in the exploration, mining, sorting, valuing, selling and marketing of diamonds. We believe that diamonds are a catalyst for creating value and delivering socio-economic benefit in the countries and communities where we operate.

FIGURE 1: A COMPANY BUILT ON PARTNERSHIP

Partnership sits at the heart of our business, through a number of 50/50 joint ventures with the governments of Botswana and Namibia, and our 74/26 Black Economic Empowerment partnership with Ponahalo Holdings in South Africa.



¹ Exploration is undertaken through a number of wholly-owned and joint venture entities.

² Ownership increased from 50 per cent to 100 per cent on 21 March 2017.

GOVERNMENT OF THE REPUBLIC OF BOTSWANA 15%

DE BEERS GROUP OF COMPANIES



ROUGH DIAMOND SALES



BRANDS/RETAIL

SUPERMATERIALS

ELEMENT SIX:
TECHNOLOGIES
(100%)
ABRASIVES
(60%)

GLOBAL SIGHTHOLDER SALES
(100%)

AUCTION SALES
(100%)

FOREVERMARK
(100%)

DE BEERS DIAMOND
JEWELLERS
(100%)²

SIGHTHOLDER SALES SOUTH
AFRICA
(74%)

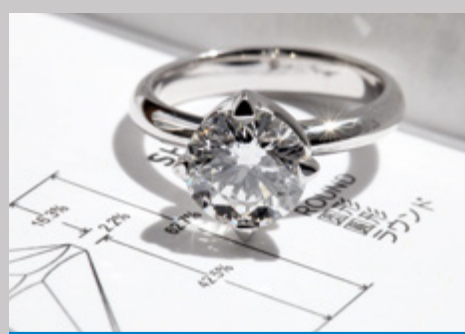
DTC BOTSWANA
(50%)

NAMIBIA DTC
(50%)

De Beers sells its rough diamond production via long-term contract sales to customers, known as Sightholders and Accredited Buyers, and also via online rough diamond auctions.

As part of our long-term contract sales, the majority of De Beers' diamonds are aggregated and sold at 10 Sights (or selling events) each year, with the remainder being sold via online auctions.

De Beers markets polished diamonds to consumers through Forevermark, which promises consumers that their diamond is beautiful, rare and responsibly sourced; and retails diamond jewellery through De Beers Diamond Jewellers.



Geophysics field operator setting up a GPS base station for a gravity survey in the Tsabong exploration project area, Botswana.

View of Venetia mine, South Africa.

Global Sightholder Sales entrance hall, Gaborone, Botswana.

Forevermark diamond ring.

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For more information, go online
www.debeersgroup.com/buildingforever

CHAIRMAN'S AND CEO'S STATEMENTS

SUSTAINABLE LEADERSHIP



MARK CUTIFANI

Chairman

As a global business, our activities impact hundreds of communities and touch hundreds of thousands of lives.

It is undeniable that mining leaves behind a social and environmental footprint. We have to ensure the socio-economic benefits from what we do have a sustainable impact and are a catalyst for growth and national benefit.

Working in partnership with our stakeholders is the only way we believe we can create a lasting positive community legacy. For De Beers Group, partnerships defined 2016 and sharpened our focus for the future.

Diamonds and relationships are inextricably linked. Relationships, and the role a diamond has within them, drive every decision that the business makes. When your only source of value is a consumer's desire for diamonds, you understand why.

Last year was a significant one for De Beers Group. Despite facing challenging market conditions in 2015, our commitment to our partners, communities, employees and the environment never wavered. We saw the results of this commitment in a stable operating performance and strong financial results in 2016. Further, at year end, we are positioned to continue nurturing our industry and our leadership role in helping make sure we share a positive future.

Our partnerships keep us focused and offer the potential to generate mutual success. Ensuring we continue to work together safely and sustainably will always remain front of mind. Our partners expect this of us – and we demand it of ourselves.

Ultimately, for us, there is no alternative.

Mark Cutifani



BRUCE CLEAVER

CEO

What do we want to be remembered for?

As I come to the end of my first year as CEO of De Beers Group, this is a question I have thought about a lot.

We are the world's leading diamond company and, therefore, we have a responsibility that reaches far beyond our bottom line. First and foremost, that responsibility is to the people working with us and in the communities around us.

Sadly, there were two fatalities at our operations in Botswana and Namibia last year. They provided a stark reminder that we should never lose focus on keeping safety as our top priority at all times. No one should ever come to harm when at work.

We must all work together to deliver on a commitment of creating shared value with everything we do, in a safe and sustainable way.

With this in mind, we take a multi-faceted approach to socio-economic development, from creating local employment and procurement opportunities, to promoting enterprise and skills development.

Equally important when mining nature's treasures is our treasuring of nature. We now maintain 164,000 hectares for conservation, an area five times larger than that affected by our mining activities.

But none of our work is possible without strong partnerships. In 2016, we renewed our focus on strengthening these and, in the process, made around US\$5 billion in payments to stakeholders, including partners, joint ventures and suppliers, across the world.

Through all of this, we continue to generate value for the societies around us and will leave behind far-reaching benefits that will continue to be realised long after our mines close.

This should be our legacy and it is one worth being remembered for.

Bruce Cleaver

YEAR IN NUMBERS

2016 IN NUMBERS

LOST TIME INJURY FREQUENCY RATE
(LTIFR)

0.09

(2015: 0.15)



PREFERENTIAL PROCUREMENT
AS A PROPORTION OF TOTAL SPEND
(PER CENT)

57

(2015: 56)



PAYMENTS TO STAKEHOLDERS (USD)

4.9BN

Including partners, joint ventures,
governments, suppliers, employees,
shareholders and other finance
providers (2015: 3.9bn)



TOTAL WORKFORCE

20,557

(2015: 21,910)



DIRECT EMPLOYEES BASED
IN AFRICA (PER CENT)

83

(2015: 81)



PEOPLE ACROSS THE DIAMOND
PIPELINE COVERED BY DE BEERS'
BEST PRACTICE PRINCIPLES (BPPs)

345,000

(2015: 320,000)



PERCENTAGE OF DE BEERS'
WORKFORCE THAT IS FEMALE
(PER CENT)

24

(2015: 24)



INVESTMENT IN TRAINING AND
DEVELOPMENT (USD)

16.4M

(2015: 24.3m)



TOTAL SOCIAL
INVESTMENT SPEND (USD)

24.9M

(2015: 28.2m)¹



FRESH WATER CONSUMPTION
(METRES CUBED)

23.4M

(2015: 37.9m)



ENERGY SAVINGS SINCE 2014
(GIGAJOULES)

0.8M

(2015: 0.5m)



LAND SET ASIDE FOR CONSERVATION
(HECTARES)

164,000

For every hectare of land disturbed
for mining, five are protected for
conservation (2015: 170,785)



¹ Restated from previously reported figures in the 2014 Report to Society.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

We continued to reinforce our commitment to Building Forever in 2016 and strengthened our resolve to create a lasting, positive legacy across everything we do.



Top right: A sorter assessing the internal quality of a rough diamond using a hand loupe, DTC Botswana.

Above: Geophysics field operators in the Tsabong project area, Botswana.

The decisive action we took last year meant we experienced a considerable improvement in trading conditions compared with those faced in 2015.

As a result, we delivered a strong financial and operating performance in 2016.

Revenues increased 30 per cent to US\$6.1 billion and EBITDA increased 42 per cent to US\$1.4 billion.¹ This enabled our continued progress on long-term investment projects, including Cut-8 at Jwaneng mine in Botswana, the Venetia underground project in South Africa and Debmarine Namibia's new diamond exploration and sampling vessel, the SS Nujoma, in Namibia.

We remained unwavering in our commitment to Building Forever by working in partnership, raising consumer confidence and investing in innovation.

WORKING IN PARTNERSHIP

De Beers holds a unique position with its employees, consumers, customers and producer country communities. These partnerships are the cornerstone of our business. They have secured our past successes and will shape our future.

Last year was defined by partnerships for De Beers. We signed our longest-ever sales agreement with the Government of the Republic of Namibia; together

with Mountain Province Diamonds, we opened Gahcho Kué, the world's largest new diamond mine for 13 years, and we collaborated with the Government of the Republic of Botswana to celebrate 50 years of the country's independence.

We worked hard to increase returns to our partners. Higher revenues meant we were able to increase the amount we returned from US\$3.9 billion in 2015 to US\$4.9 billion in 2016. We also increased the total value of rough diamonds retained in our producer countries for beneficiation to US\$1.4 billion – a more than 70 per cent increase.

RAISING CONSUMER CONFIDENCE

Consumer demand for diamonds is our principal source of value. Across the business, we are vigilant in sustaining and driving this demand and safeguarding consumers' confidence in diamonds.

Throughout 2016, we went beyond compliance to ensure that consumers can be proud to wear our diamonds.

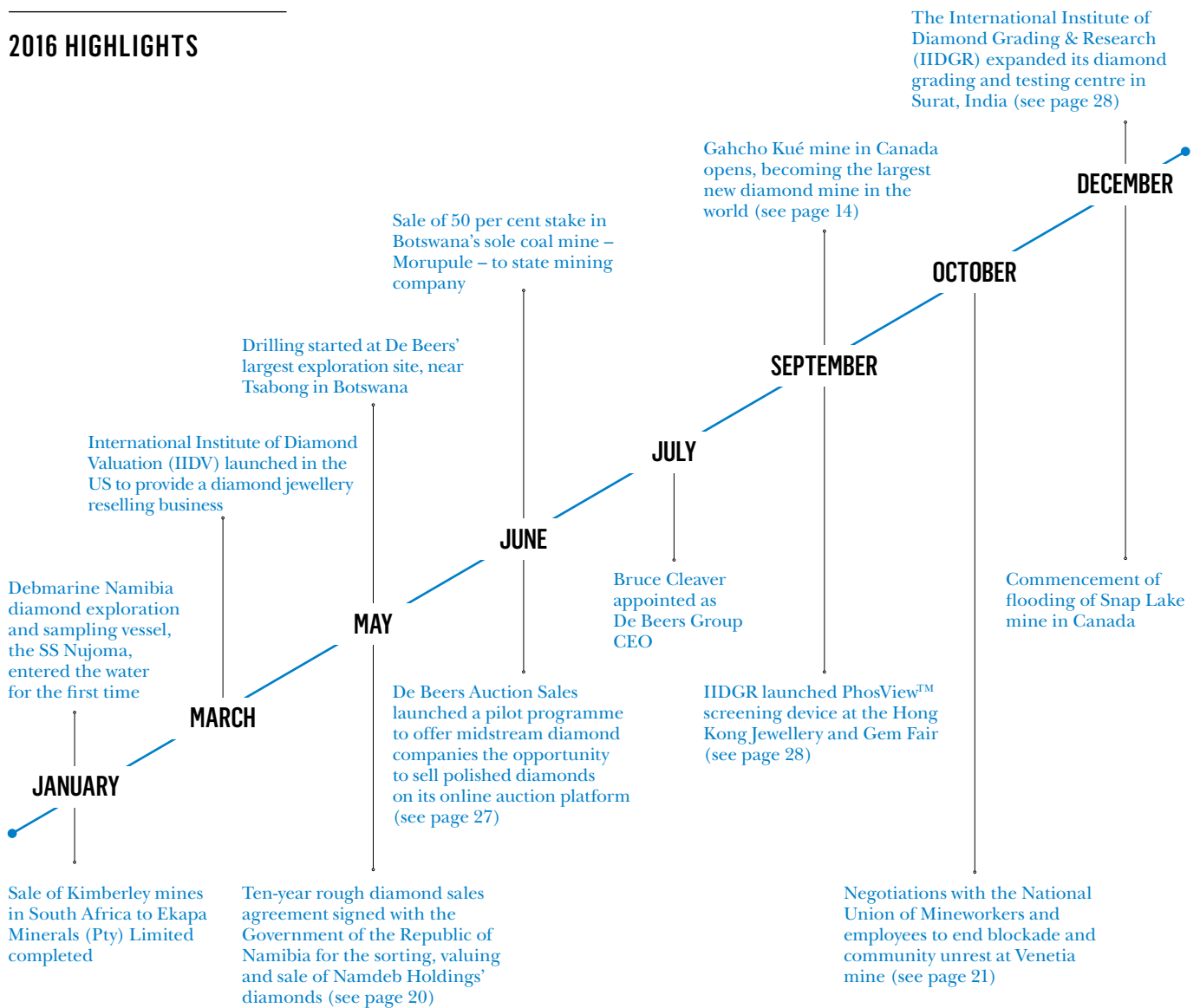
We invested approximately US\$25 million in social initiatives and supported around 650 jobs through our enterprise development programmes.

And we marked 15 years of our pioneering HIV/AIDS programme, which has helped to reduce the fatality rate

¹ This includes our share of joint ventures and associates.

EXECUTIVE SUMMARY

2016 HIGHLIGHTS



among our employees in southern Africa who are HIV positive from 31 per cent to less than one per cent in 2016.

We also continued to raise consumers' confidence in our diamonds by investing US\$5 million to expand our International Institute of Diamond Grading & Research's centre in Surat, India, which, for the first time, will enable smaller diamonds to be screened.

INVESTING IN INNOVATION

It is an inescapable fact that mining has an impact on its surroundings.

However, we are constantly striving to find ways to generate a net positive impact from our activities, both through creating value from them and minimising any negative impacts.

In 2016, we focused on finding new ways to do this.

This included a programme researching the potential of carbon-neutral mining, as well as the launch of Element Six's Diamox waste water treatment system, which uses diamond technology to purify highly contaminated waste water without chemicals.

And our technology teams are rolling out innovative solutions to make our existing techniques more efficient. This includes a new diamond sorting system, which both improves recovery rates and substantially cuts energy and water use.

As a result of our efforts to mitigate the environmental impact of our operations, we have saved 0.3 billion litres of water, 0.8 million gigajoules of energy and 73,000 tonnes of CO₂ emissions since 2014. We have also managed 164,000 hectares of land for conservation – an area five times larger than that affected by our mining activities.

2016 was a strong year for De Beers, both financially and operationally. With our focus on working in partnership across the value chain, safeguarding consumer confidence in our diamonds and continuing to pioneer innovative solutions, we are well positioned to safely and effectively manage tomorrow's challenges.

OUR APPROACH

DELIVERING BUILDING FOREVER: OUR APPROACH

We use several closely related and interlinked goals, plans and programmes to help guide our delivery of Building Forever. Here are a few examples.



1 THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

We believe that contribution to the SDGs gives us the opportunity to drive positive change throughout our own organisation and across our value chain.

In 2016, through the Best Practice Principles programme, we benchmarked activities across the value chain that are already supporting the SDGs, and analysed the scope we and our partners have to focus their delivery more effectively.

Looking forward, we aim to identify strategic ways the diamond industry can engage with the SDGs through the 2030 development agenda.

Senior Plant Monitor,
Venetia mine, South
Africa.

OUR APPROACH

2 GOOD TO GREAT

Good to Great (G2G) is our improvement plan, running from 2013 to 2018, which spans safety, occupational health, environmental and social performance disciplines. Its overall aim is to help us place excellence in sustainability management at the heart of every business decision.

The short-term objectives and internal mechanisms developed under G2G have already helped us to achieve step changes in our sustainability performance since 2012. These include:

- A 103 per cent improvement in reporting High Potential Incidents
- A 156 per cent improvement in HIV reporting (since 2013)
- A 121 per cent improvement in energy saved (since 2014).

As we start to look towards phase five of G2G, which looks ahead to 2018 and beyond, our focus will be on how we address systemic challenges to help us make the transition to a sustainable future.

To do this, we are partnering with the Future Fit Foundation, a UK-based non-profit organisation. We joined its Council in November 2016 and will benchmark our business against its 21 goals during 2017. We aim to develop our own goals and targets as we move forward.

3 ENGAGING WITH OUR STAKEHOLDERS

We try at all times to understand and respond to our stakeholders' interests. Doing so helps us be a good neighbour, an effective partner and a sustainable operator.

It is also one of the most important tools we have to support consumer confidence.

This is why we do all we can to engage with our many different stakeholders, including local communities, employees, governments, trade unions, suppliers, industry bodies and civil society including NGOs, academia, shareholders and consumers.

Some of the many ways we engage and consult with our stakeholders include:

- Direct correspondence and conversation
- Community fairs and meetings
- Forums and conferences
- De Beers' 'Diamond Dialogue' meetings
- Presentations and newsletters
- One-to-one consultations
- Focus groups on specific topics of interest
- Social media
- Community and school tours of our operations
- Open 'town hall' meetings in our host communities.

We do not participate in party politics or make political donations.



View over Venetia mine, South Africa.



Ice road to Gahcho Kué mine, Canada.

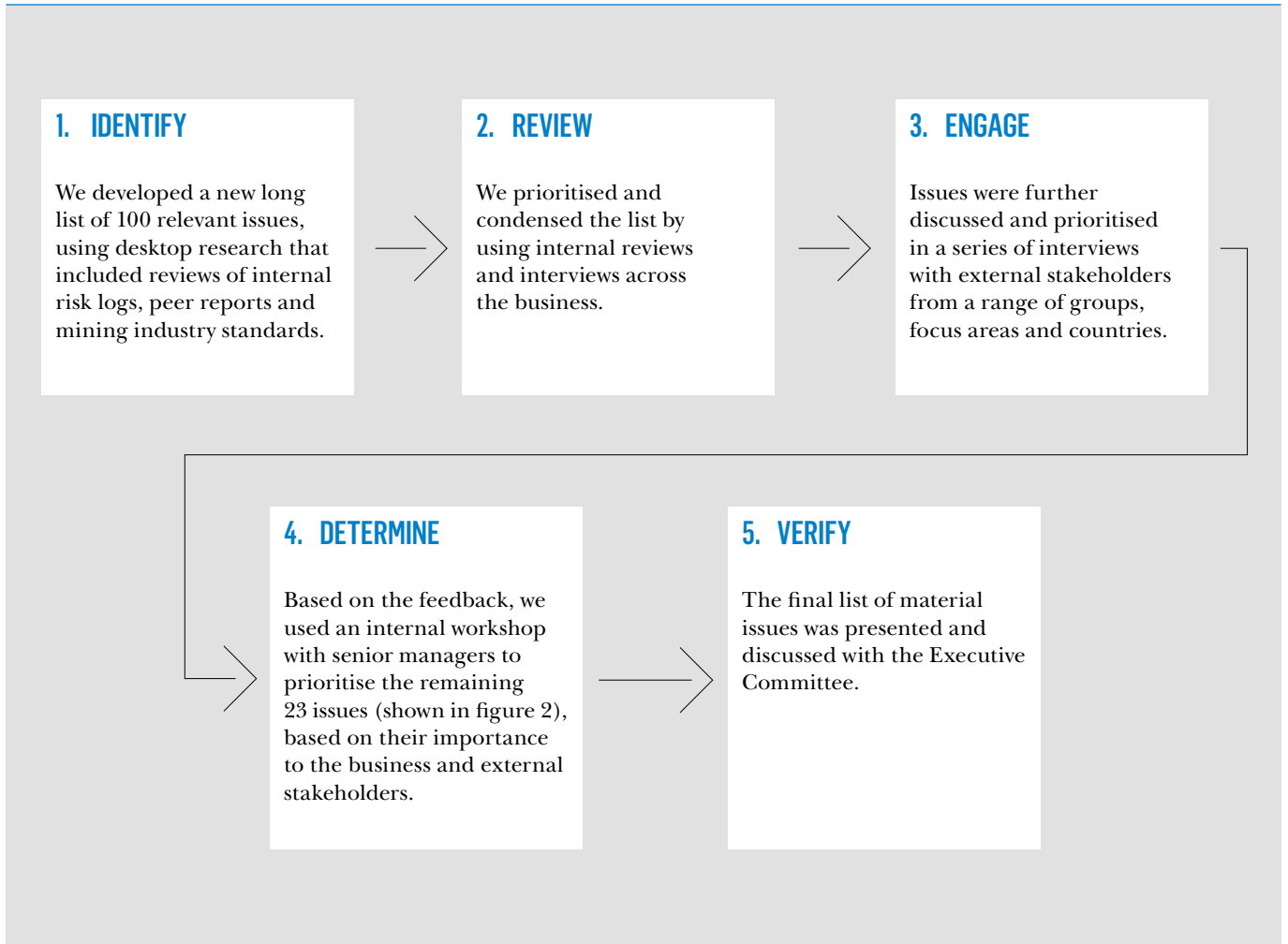
OUR APPROACH

REPORTING ON BUILDING FOREVER

This report describes how we responded during 2016 to the issues that are most material to our stakeholders and our business.

To determine their materiality, we used a multistage engagement process with stakeholders from across all our countries of operation, our focus areas and our pipeline.

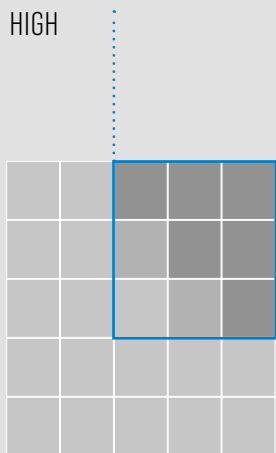
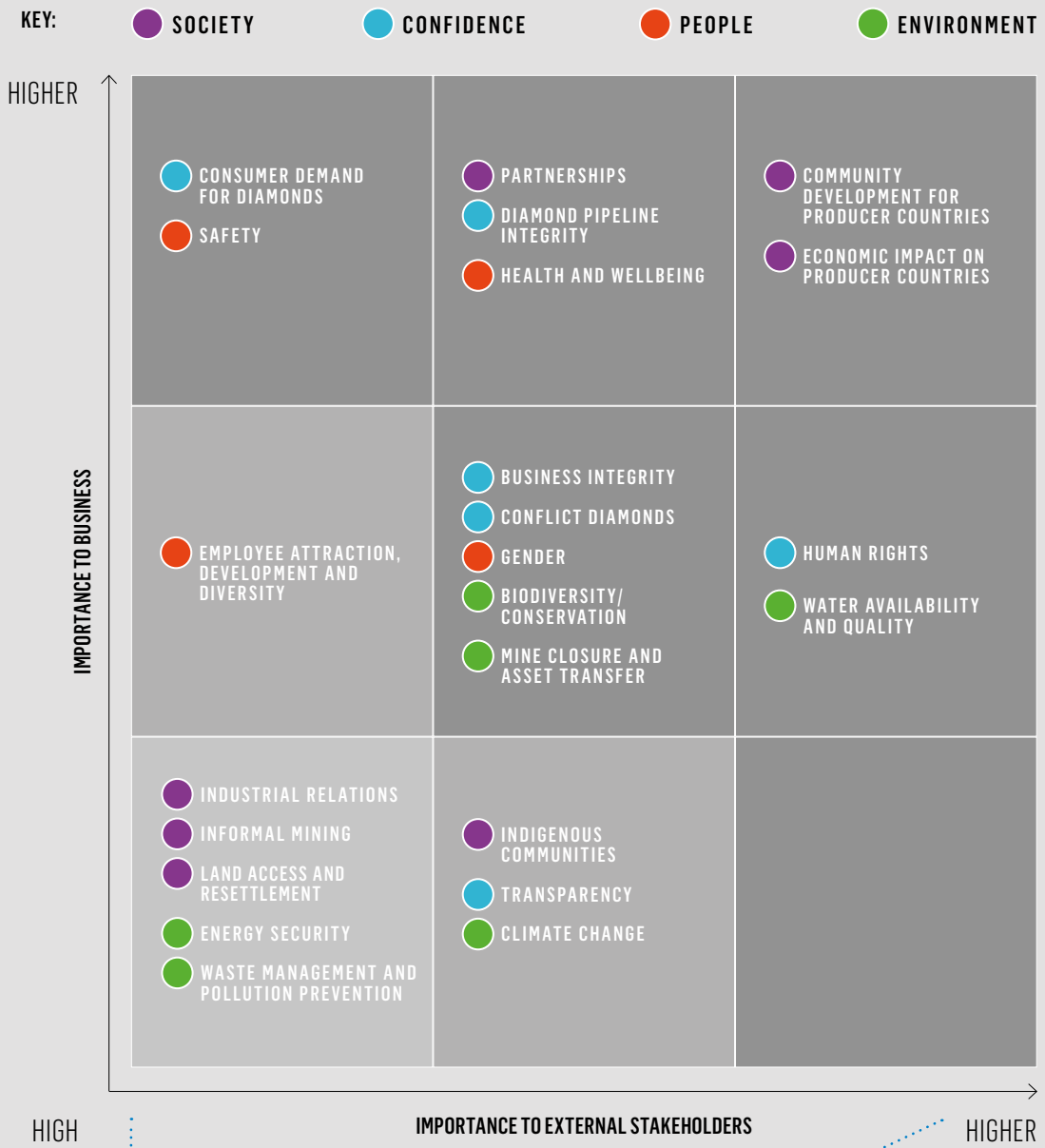
In doing so, we followed this process:



Preparing the ice road to Gahcho Kué mine, Canada.

OUR APPROACH

FIGURE 2: MATERIALITY MATRIX



- COVERED ONLINE ONLY**
Industrial relations has been included in the report due to changes in 2016.
- COVERED ONLINE AND IN THIS REPORT IN BRIEF**
- KEY FOCUS AREAS FOR THIS REPORT**

To streamline this report and increase its accessibility, we have focused on reporting 2016's main stories from the most material issues (above). Further information about all these issues can be found online at www.debeersgroup.com/materialissues.

SOCIETY

Partnerships are the cornerstone of our business. We work closely with our partners to build trust and realise shared aspirations.



Supporting the long-term development of the countries and communities where we operate has always been important for our business.

This has never been more pertinent than now, with trust in business declining and expectations intensifying about the role of businesses in addressing 21st century societal challenges and their contribution to initiatives such as the SDGs.

We are therefore focusing more sharply than ever on the need to ensure that our host countries and communities derive the greatest possible value from their diamond wealth.

This chapter describes some of the ways we worked in partnership in 2016 to help deliver socio-economic benefits to our partners for today and a lasting positive legacy for the future.

OUR PERFORMANCE IN 2016

MATERIAL ISSUES COVERED IN THIS SECTION

- 1 — PARTNERSHIPS
- 2 — ECONOMIC IMPACT ON PRODUCER COUNTRIES
- 3 — COMMUNITY DEVELOPMENT FOR PRODUCER COUNTRIES
- 4 — INDUSTRIAL RELATIONS



Covered in more detail online
www.debeersgroup.com/materialissues

- Indigenous communities
- Informal mining
- Land access and resettlement

PAYMENTS TO STAKEHOLDERS (USD)

4.9BN

(2015: 3.9bn)

TOTAL SOCIAL INVESTMENT SPEND (USD)

24.9M

(2015: 28.2m)

SPENDING ON PROCURING GOODS AND SERVICES FROM LOCAL SUPPLIERS (USD)

1.1BN

(2015: 1.1bn)

PREFERENTIAL PROCUREMENT AS A PROPORTION OF TOTAL SPEND (PER CENT)

57

(2015: 56)

DURING 2016, WE:

- Signed our longest-ever sales agreement with the Government of the Republic of Namibia, increasing the annual value of rough diamonds for beneficiation to US\$430 million
- Opened Gahcho Kué, the world’s largest new diamond mine, contributing around US\$5 billion to Canadian Gross Value Added (GVA) over its lifetime
- Collaborated with the government and the people of Botswana to celebrate 50 years of independence – marking the success of the past 50 years and the nation’s future aspirations
- Introduced evergreen contracts aimed at supporting indigenous suppliers in Canada.

Participant of the Zimele Enterprise Development Programme, farming moringa trees known for their nutritional and medicinal benefits, Blouberg, South Africa.

1

WORKING IN PARTNERSHIP

Our relationships with our partners are at the heart of our business. They enable us to generate profits for our shareholders while striving for the greatest possible socio-economic benefits for our host countries and communities.

And 2016 was a year defined by partnerships.

We signed our longest-ever sales agreement with the Government of the Republic of Namibia, we launched the world's largest new diamond mine for 13 years in partnership with Mountain Province Diamonds (see the case study on page 14) and we celebrated the unique role diamonds have played in Botswana's development in its 50 years since independence.

2016 WAS A YEAR DEFINED BY PARTNERSHIPS

The 50th anniversary of Botswana's independence was an important time of reflection for us at De Beers. In 1966, Botswana was one of the least developed countries in the world with just 40 tertiary graduates at independence.

Now, it has more than 15,500 tertiary graduates annually.¹ It offers free public healthcare and free primary and junior secondary education. It also has one of the fastest per capita growth rates globally and is ranked as one of the world's most attractive investment locations.²

The partnership between Botswana and De Beers has played an important role in this transformation.

Both parties have consistently understood the importance of managing the country's finite diamond resource with a long-term view. This has been underpinned by Botswana's strong governance, political stability and prudent investment philosophy.

Like all strong partnerships, it continues to deliver clear benefits for both parties. We gain from a supportive and secure operating environment, which in turn enables us to invest in capital projects, skills development and technology innovation.

JOB IN BOTSWANA
SUPPORTED BY THE
PARTNERSHIP IN 2016

6,041

(2015: 6,812)

AMOUNT INVESTED THROUGH
SOCIAL INVESTMENT SPEND
IN BOTSWANA IN 2016 (USD)

11.4M

(2015: 11.4m)

CARATS EXTRACTED
IN BOTSWANA IN 2016

20.5M

(2015: 20.4m)

¹ Based on 2014 figures included here: <http://www.statsbots.org/bw/sites/default/files/publications/Tertiary%20Education%20%20AT%20A%20Glance%202015.pdf>

² New York University's Altman Baseline Profitability Index: <http://foreignpolicy.com/2013/05/07/introducing-the-baseline-profitability-index/>



Local artist commissioned to paint artwork for Tsabong exploration camp, Botswana.

During 2016, as part of the anniversary celebrations, we partnered with the government on a number of initiatives, targeting the national focus areas of youth and economic diversification.

We partnered with the Botswana Innovation Hub and the Ministry of Youth, Sport and Culture to host the first Youth Innovators Conference, bringing together young people from across the country to ignite their entrepreneurial spirit. And, in a business opportunity roadshow across the US, we showcased Botswana’s unique offering to business leaders in New York, San Francisco and Chicago.

Looking ahead to the next 50 years, we understand that the accelerating pace of change means we cannot meet tomorrow’s challenges with yesterday’s solutions.

That’s why, in Namibia, Botswana, South Africa and Canada, we work with partners at government and community level to identify effective new ways of creating value.

UNDERSTANDING COMMUNITY PRIORITIES

We ensure our activities are in line with societal needs by following the requirements of the Social Way, our governing framework for social performance.

This sets out clear requirements for sites to ensure that policies and systems are in place to engage with affected and interested stakeholders, avoid or mitigate adverse social impacts and maximise development opportunities.

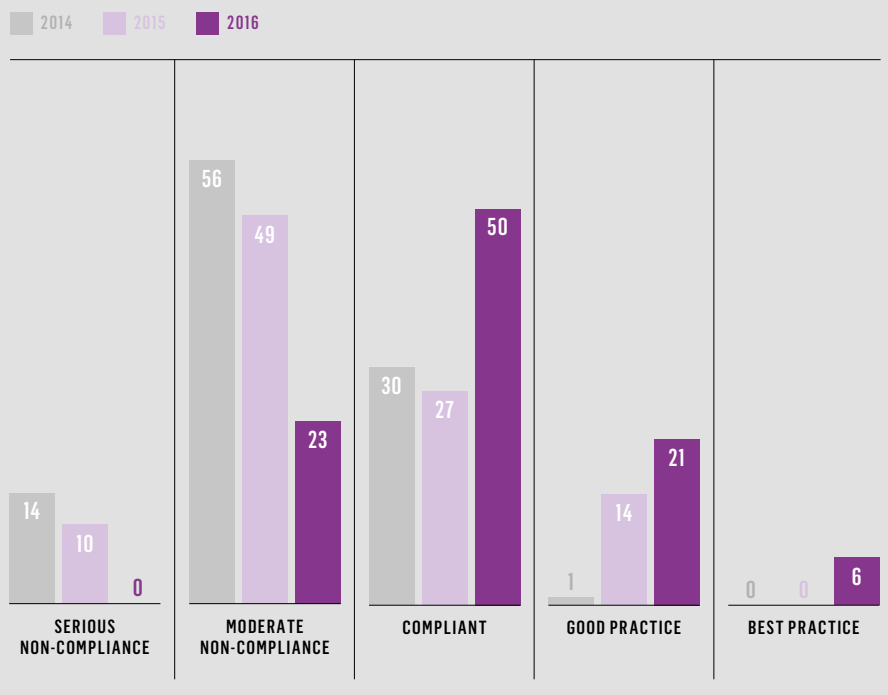
One of the requirements of the Social Way is that each operation carries out an in-depth assessment of its impacts on local communities every three years, using a process laid out in our Socio-Economic Assessment Toolbox.

This helps us to understand and respond to community priorities and concerns and to continuously improve our approaches to impact mitigation and socio-economic development.

Over the past two years, as a result of implementing the Social Way, our approach to managing social risks and opportunities has improved – but we’re keenly aware that nothing stands still.

We can only continue to enhance local relationships by working to build transparent and responsive engagement processes and by ensuring that the way development programmes are planned and developed is fully participative.

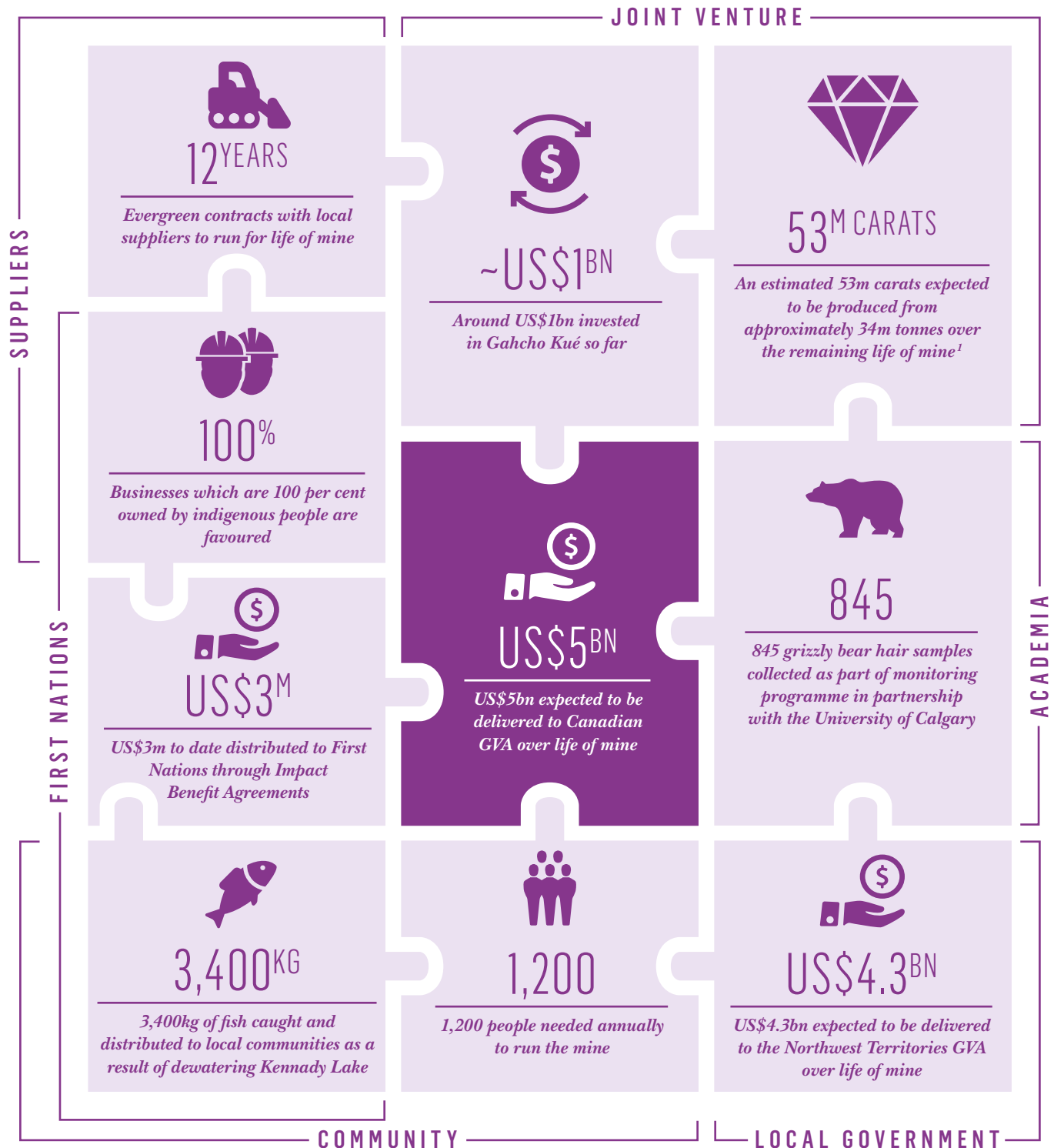
FIGURE 3: SOCIAL WAY ANNUAL ASSESSMENT SCORES 2014 – 2016³ (PER CENT)



³ Graph indicates the percentage of requirements assessed across all De Beers Group operations scoring at each assessment level.

GAHCHO KUÉ PARTNERSHIPS

In 2016, we opened the Gahcho Kué mine in Canada, the world's largest new diamond mine for 13 years. Twenty years in the making, and at a cost of around US\$1 billion, the mine was made possible through partnerships with a range of stakeholders. The impacts of some of these are highlighted below.



¹ For further information, refer to the Anglo American Ore Reserves and Mineral Resources Report 2016.



TOGETHER WE'RE WATCHING THE LAND

An example of partnership in action is the Ní Hadi Xa forum set up in Canada around Gahcho Kué mine.

During the development of the mine, De Beers recognised the need for effective communication with host indigenous communities in building trust and realising shared ambitions.



“OUR CITIZENS ARE BUILDING HOMES, DRIVING VEHICLES AND THEY HAVE JOBS. THEY ARE HAPPY AND THAT’S WHAT WE WANT FOR OUR CITIZENS, JUST LIKE EVERYBODY ELSE.”

Tłı̨ch̨o First Nation Grand Chief Edward Erasmus²

De Beers and Ní Hadi Xa colleagues monitoring conditions on the ice road to Gahcho Kué mine, Canada.

More case studies online →
www.debeersgroup.com/stories

In partnership with five indigenous groups, an environmental stewardship forum was established in 2014 called Ní Hadi Xa (NHX), a Chipewyan name meaning ‘For Watching the Land’.

This forum is governed by a representative from each indigenous group and will be funded by De Beers until a year after the mine closes.

The central aim of NHX is to combine traditional knowledge with innovative practices to minimise the impact of the mine on the land, water, wildlife, plants and, in particular, the indigenous people and their way of life.

The forum combines three main workstreams. First, environmental monitoring is conducted by an NHX employee as the ‘eyes and ears’ of NHX. This person spends half their working time at Gahcho Kué, operating with and observing the mine’s environmental staff.

Second, traditional monitoring is carried out at a cabin 35 kilometres north of the mine. The cabin is now owned and operated by the indigenous groups, both to monitor migratory caribou and to house a family travel programme that aims to help community members exercise their right to hunt, trap, fish and gather in the area around the mine.

Third, the NHX forum completes technical reviews of Gahcho Kué’s environmental monitoring and management plans.

Following the opening of the mine in September 2016, the value of engagement has been acknowledged by all parties.

² Source: <http://economictimes.indiatimes.com/news/international/business/largest-diamond-mine-outside-south-africa-opens-in-canadas-far-north/articleshow/54470835.cms>

2

INVESTING IN OUR PARTNERS





One of the most significant impacts we can have on the socio-economic development of our partner countries is through investment.

Underpinning all our activities are the investments we make every year in developing our operations.

We invested US\$526 million in expansion capital expenditure globally in 2016

(2015: US\$697 million),¹ and a further US\$29 million in exploration.

In addition, we continued investing in the following projects:

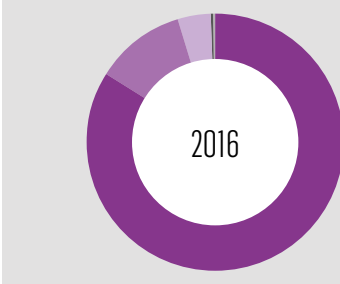
PROJECT INVESTMENTS OVER LIFETIME		
 <p>SOUTH AFRICA</p>	Transforming Venetia mine into an underground operation US\$2BN	1,500 JOBS SUPPORTED DURING CONSTRUCTION
 <p>BOTSWANA</p>	Extension of Jwaneng mine (Cut-8) US\$2BN	US\$31BN ESTIMATED TO BE DELIVERED TO THE NATIONAL ECONOMY DURING OPERATIONS
 <p>CANADA</p>	Opening of Gahcho Kué mine in 2016 with Mountain Province Diamonds ~US\$1BN	US\$5BN IN WAGES AND REVENUES ESTIMATED TO BE CONTRIBUTED TO CANADIAN GVA OVER LIFE OF MINE
 <p>NAMIBIA</p>	Development of SS Nujoma, the world's most advanced marine diamond exploration and sampling vessel APPROXIMATELY US\$150M	140 LOCAL JOBS CREATED

With improved trading conditions, our rough diamond sales increased 37 per cent to US\$5.6 billion (2015: US\$4.1 billion).

This led to a 30 per cent increase in total revenue to US\$6.1 billion in 2016 (2015: US\$4.7 billion).²

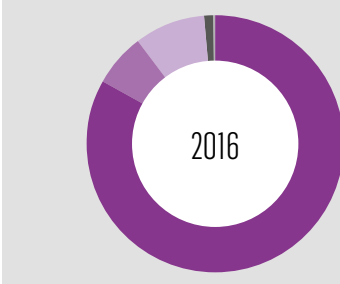
This meant we were able to increase returns to our producer countries, with US\$4.9 billion returned (2015: US\$3.9 billion).

FIGURE 4: DE BEERS' PAYMENTS TO STAKEHOLDERS (CONSOLIDATED ACCOUNTING BASIS)



Partners, joint ventures and suppliers US\$4,159m
 Employees US\$558m
 Government taxation US\$207m
 Finance providers US\$14m
 Dividends to shareholders US\$11m

FIGURE 5: REGIONAL BREAKDOWN OF DE BEERS' PAYMENTS TO STAKEHOLDERS (CONSOLIDATED ACCOUNTING BASIS)



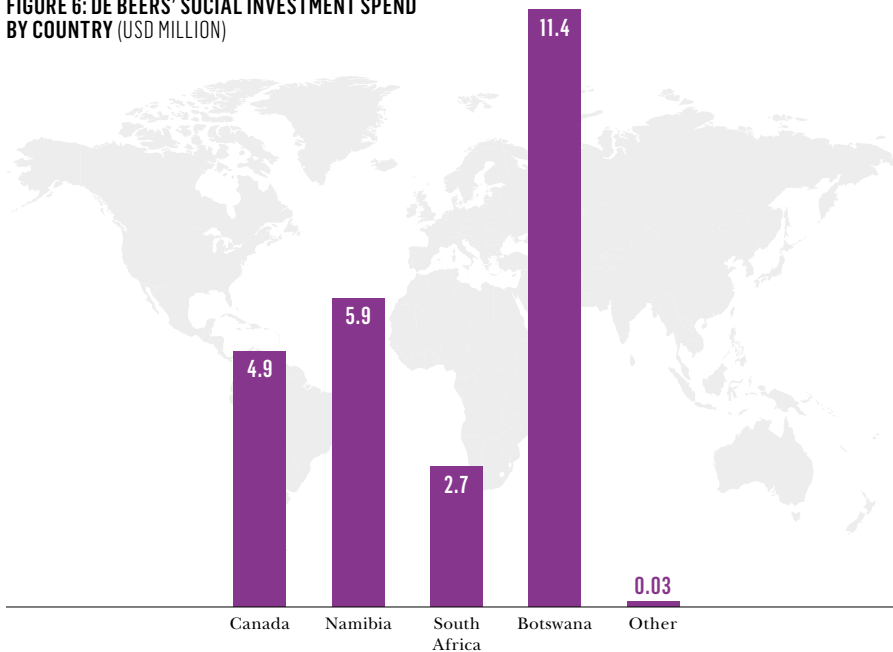
Africa US\$4,122m
 North America US\$321m
 Europe US\$444m
 Asia US\$61m
 Other US\$1m

¹ Capital investment spend provided on a consolidated accounting basis.

² 2015 revenue figure has been restated from the 2016 printed Report to Society to include joint ventures and associates.

SOCIETY

FIGURE 6: DE BEERS' SOCIAL INVESTMENT SPEND BY COUNTRY (USD MILLION)

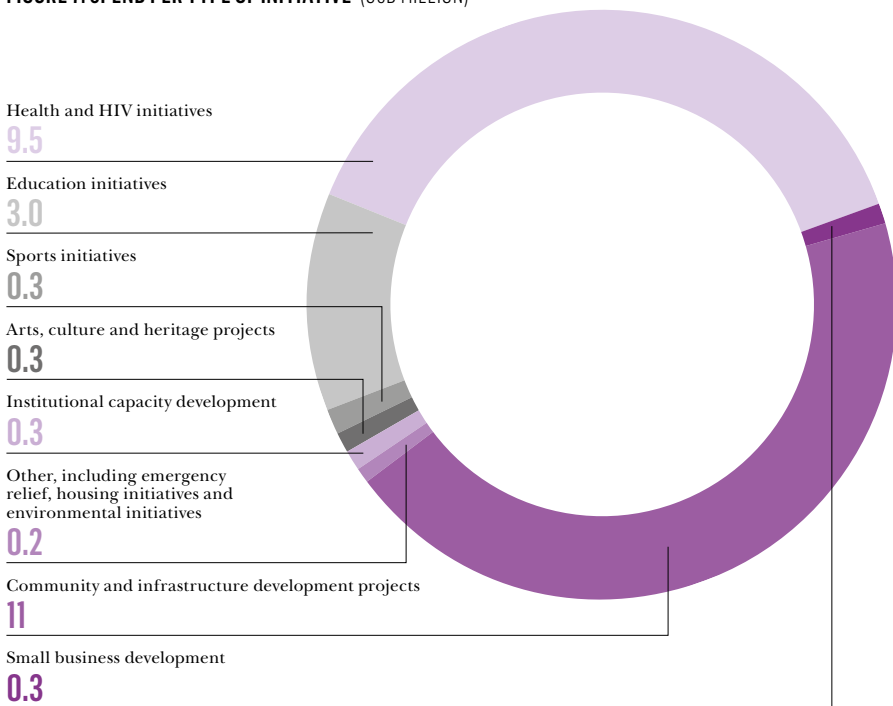


OUR TOTAL SOCIAL INVESTMENT IN 2016 (USD)³

24.9M

(2015: 28.2m)

FIGURE 7: SPEND PER TYPE OF INITIATIVE⁴ (USD MILLION)



³ Our social investment spend decreased from US\$28.2 million in 2015 to US\$24.9 million in 2016. This was due primarily to a decrease in social investment spend in South Africa where we reduced donations to a Public Benefit Organisation because of lower tax benefits.

⁴ Inconsistencies between initiatives and the total social investment spend are due to rounding.

Out of our total social investment of US\$24.9 million in 2016 (2015: US\$28.2million),³ our main spend was on health initiatives through our mine hospitals, educational initiatives and community development projects. These were designed to bring new skills and opportunities to individuals and their communities.

TOTAL VISITORS TO MINE HOSPITALS

181,000

(2015: 186,000)

VISITORS WHO ARE COMMUNITY MEMBERS (PER CENT)

50

(2015: 47)

PARTNERING WITH THE UNIVERSITY OF NAMIBIA

After consultations with stakeholders, it was agreed that one of the most effective social investment contributions we could make in Namibia was to provide support for underprivileged children in the country.

In February, De Beers announced a partnership with the University of Namibia, promising to invest N\$10 million (US\$650,000) over five years in its southern campus.

The partnership aims to complement two of the government's national priorities: first, supporting Namibian children from communities to fulfil their academic potential and, second, supporting gender equality by ensuring that at least 50 per cent of the beneficiaries are female.

During 2016, we supported 87 students at the university – 54 per cent of whom were female – through scholarships, grants and funds for books and hostels.

3

PARTNERING WITH LOCAL BUSINESSES

We focus on creating lasting socio-economic benefit wherever we operate. This means we look beyond cash investments to deliver maximum benefit.

Our approach is centred on our seven pillars for socio-economic development (SED):

SOCIO-ECONOMIC DEVELOPMENT PILLARS

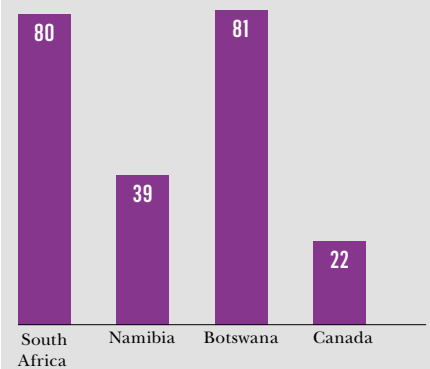
Harnessing our core business activities to increase local impact.

- 1 **LOCAL PROCUREMENT**
Supporting local Small and Medium Enterprises (SMEs) delivering goods and services to De Beers. Includes mentoring support and health and safety training, as appropriate.
- 2 **LOCAL EMPLOYMENT**
Supporting local community members, especially young people, to access employment opportunities at De Beers and elsewhere.
- 3 **EMPLOYEE VOLUNTEERING**
Supporting our employees who want to get involved in SED programmes and share their skills with local community members.
- 4 **EXTERNAL CAPACITY DEVELOPMENT**
Supporting local institutions to improve their social programme delivery through capacity building and empowering local populations to enforce their rights.
- 5 **ENTERPRISE DEVELOPMENT**
Supporting SMEs to grow and deliver employment opportunities, through mentoring, finance, mapping access to supply chains, and identifying partnering opportunities.
- 6 **SYNERGIES WITH INFRASTRUCTURE**
Covering extra costs generated by changing infrastructure design to reach beneficiary communities.
- 7 **CORPORATE SOCIAL INVESTMENT**
Yearly spend in social investment.

In 2016, our work continued to be focused around social investment, enterprise development and infrastructure support, with a specific emphasis on local procurement.

The local (or preferential) procurement approaches that we have in place across South Africa, Namibia, Botswana and Canada are tailored to the needs and laws of each country.

FIGURE 8: PREFERENTIAL PROCUREMENT AS A PROPORTION OF TOTAL SPEND (PER CENT)



GROUP TOTAL PREFERENTIAL PROCUREMENT AS A PROPORTION OF TOTAL SPEND (PER CENT)

57
(2015: 56)

In Canada, for example, we prioritise the purchase of goods and services from companies that are owned by indigenous people.

Based on feedback from communities around our Canadian mines, we changed the way we award contracts. We recognised that short-term contracts were failing to maximise opportunities for local employment due to the limited scope they allow for long-term planning or investment in capacity.

Now, wherever possible, we seek to establish evergreen contracts. Provided their terms are met, these are awarded for the lifetime of the operation.

The first of these contracts to be agreed was with the Bouwa Whee Catering Company, a community-based company that is 100 per cent owned by indigenous people. They have been appointed to deliver catering and other site services at Gahcho Kué mine from December 2016.

WORKING TOGETHER WITH INDIGENOUS PARTNERS



Bouwa Whee Catering, a company fully owned by indigenous people, contracted to provide all catering for the life of Gahcho Kué mine, Canada.

Working in partnership and ensuring local communities benefit from mining have always been important aspects of our Impact Benefit Agreements (IBAs) with indigenous communities around De Beers' operations in Canada.

These IBAs provide a framework for our commitments to communities. They are regularly tracked and reported on. We currently have three IBAs at Victor mine and six at Gahcho Kué mine. Following extensive engagement, the four IBAs at Snap Lake mine were put on hold while the mine is under extended care and maintenance.

Over and above IBA conditions, De Beers seeks to award contracts to companies owned by indigenous people and to create local employment and training opportunities.

Our enterprise development programmes, including Zimele in South Africa and Tokafala in Botswana, form another important part of our local business support.

Through Tokafala, we continued to deliver business management workshops in 2016. These workshops focused on tailored advisory and implementation support, including financial record-keeping, financial management, investment, marketing and HR.

Through the help of Tokafala, the businesses it supports recorded an average of 39 per cent growth in revenues.¹

In 2016, Zimele focused on providing bespoke mentorship to its growing number of small businesses, and improving the loan recovery rate of the funds provided as part of the Supplier and Enterprise Development Strategy. It has also been linking the enterprises to De Beers' Supply Chain to provide:

- Funds to support further enterprises
- A closer working relationship to identify businesses requiring further mentorship and support
- Consistent and predictable business opportunities to assist with planning and cash flow.

“THERE ARE SOME THINGS YOU CAN'T DO ON YOUR OWN. ZIMELE, TOGETHER WITH DE BEERS, HAS HELPED US TO GO ON WITH THIS PROJECT. LIFE HAS JUST CHANGED TREMENDOUSLY.”

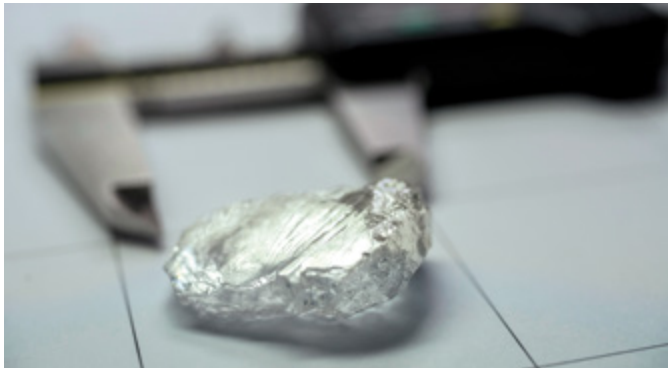
Mma Kgoshi Esther Leboho, supported by Zimele, is farming moringa trees, the leaves of which are known for their nutritional and medicinal benefits

“I WAS ONE OF THOSE FORTUNATE PEOPLE WHO CAME ACROSS TOKAFALA. I LOOK AT THINGS DIFFERENTLY NOW. THE WAY I THINK, THE WAY I PLAN, THE WAY I EXECUTE MY BUSINESS HAS CHANGED.”

Nkata Seleka, owner of Sleek Foods, who is working with Tokafala to upscale her production levels by nine times. This follows the recent award of a contract to supply all Botswana's KFCs with chakalaka (local chutney)

	TOKAFALA		ZIMELE	
	Since inception	Additional in 2016	Since inception	Additional in 2016
JOBS SUPPORTED	2,097	574	3,054	69
ENTERPRISES SUPPORTED	267	108	262	10
NUMBER OF ENTERPRISES THAT ARE FEMALE/CO-OWNED	38%	45%	32%	

¹ Percentage revenue growth for 2016 based on 2014 and 2015 average revenue growth.



Measuring a rough diamond.

BENEFICIATION

One of the most significant ways we extend the benefits of diamond mining is through our local (in-country) beneficiation strategy.

As part of our approach, we make available an agreed proportion of rough diamond production to Sightholders based in our producer countries for cutting and polishing in the country of origin. This promotes in-country economic activity and skills development by supporting diamond-related activities.

In 2016, we signed a new 10-year sales agreement with the Government of the Republic of Namibia, the longest ever between the two partners.

Now, the value of rough diamonds that are made available for beneficiation in the country has risen to up to US\$430 million per year, further enhancing Namdeb Holdings' status as the country's largest earner of foreign exchange.

The new agreement stipulates that all 'special stones' from Namibia (those unusual for their size or colour) will be made available for sale in Namibia.

The new agreement secures De Beers' supply of diamonds from Namibia and provides the government with a reliable route to market for the country's diamonds.

“THIS NEW AGREEMENT CEMENTS NAMIBIA'S POSITION AS AN IMPORTANT INTERNATIONAL DIAMOND PLAYER AND WILL PROVIDE FURTHER STIMULUS TO ADVANCE OUR DOWNSTREAM INDUSTRY. DE BEERS AND NAMIBIA HAVE A LONG-STANDING AND SUCCESSFUL PARTNERSHIP, AND I AM PLEASED WE WILL CONTINUE WORKING TOGETHER FOR THE BENEFIT OF NAMIBIA AND THE DIAMOND INDUSTRY.”

Obeth Kandjoze, Namibia's Minister of Mines and Energy¹

PROMOTING HISTORICALLY DISADVANTAGED ENTREPRENEURS

As part of our beneficiation programme, we promote the economic advancement of historically disadvantaged citizen groups.

In South Africa, no Sightholder companies are currently owned by historically disadvantaged South Africans.

To help address this, we launched a beneficiation initiative in 2016 to help five historically disadvantaged entrepreneurs, three of whom are female, develop their own cutting and polishing businesses.

While they are participating in the programme, we supply the entrepreneurs with rough diamonds, as well as technical and production support around rough diamond purchasing, manufacturing, business management skills and distribution. On completion, they will be eligible to apply for De Beers' Accredited Buyer status before potentially being eligible to become full Sightholders.

ROUGH DIAMONDS SOLD TO LOCAL SIGHTHOLDERS AS A PERCENTAGE OF TOTAL ROUGH DIAMOND SALES (PER CENT)

25

(2015: 20)

TOTAL ROUGH DIAMOND SALES [USD]

5.6 BN

(2015: 4.1bn)

LOCAL SIGHTHOLDERS QUALIFYING FOR THE CURRENT CONTRACT PERIOD

BOTSWANA	19
NAMIBIA	11
SOUTH AFRICA	6
CANADA	1

(2015: Botswana 20, Namibia 9, South Africa 8, Canada 1)

4

INDUSTRIAL RELATIONS

We work closely with labour unions and employee associations, which have a strong presence at most of our mining operations.

Employees involved in a toolbox talk before starting their shift, Venetia mine, South Africa.



Debswana continued to enjoy a good relationship with the Botswana Mining Workers Union during 2016, working in partnership to identify issues and agreeing an action plan to resolve them.

Members of the union and Debswana management were also trained in needs-based collective bargaining.

At Namdeb, a dispute occurred during the year about the implementation of a housing allowance. This was resolved by third-party intervention as provided for by Namibian legislation.

In South Africa, De Beers Consolidated Mines (DBCM) engaged in consultations with the National Union of Mineworkers about the restructuring of DBCM and

the implementation of an Employee Share Option Scheme.

In October, we hosted a Relationship by Objectives workshop to enable us to agree clear objectives and timelines for managing the relationship ahead of wage negotiations during 2017.

The objectives included setting an agreement to take a new approach to wage negotiations, with the aim of concluding this as early as possible in 2017.

During late October and early November 2016, however, there were several days of illegal protest at Venetia mine. This was related to shares in the company's Ponahalo Equal Allocation Scheme.

The trust is part of Ponahalo Investments,

the 26 per cent Black Economic Empowerment shareholder in DBCM since May 2006.

The illegal protest action was in spite of all unit holders being made aware of the financial position of the Equal Allocation Trust, and correspondence being sent to each unit holder detailing the initiatives undertaken during 2016 to redeem the units and the progress made in this regard.

Following engagements with the National Union of Mineworkers and employees, De Beers finalised a solution for the repurchase of the units, bringing the illegal protest action to an end.

CONFIDENCE

The diamond industry relies on consumer confidence for its survival. We are vigilant in protecting and certifying the integrity of diamonds to build consumer confidence.



CONFIDENCE

The importance of public trust in business has never been higher. This is partly due to the emerging influence of the Millennial generation (those born between 1981-2000), which puts a great premium on authenticity and transparency.

Trust is the foundation of consumers' confidence in diamonds.

And it is dependent on our ability to ensure that consumers can be fully confident in both the literal and the metaphorical purity of the diamonds they buy.

Here, we explain our approach to ensuring that consumers can trust the provenance of our diamonds and the behaviour of our people.

OUR PERFORMANCE IN 2016

MATERIAL ISSUES COVERED IN THIS SECTION

1 ——— CONSUMER DEMAND FOR DIAMONDS

2 ——— DIAMOND PIPELINE INTEGRITY

3 ——— HUMAN RIGHTS



— Covered in more detail online www.debeersgroup.com/materialissues

- Business integrity
- Conflict diamonds
- Transparency

TOTAL NUMBER OF PEOPLE TRAINED ON ANTI-CORRUPTION

751

(2015: not reported)

NUMBER OF HOURS OF HUMAN RIGHTS TRAINING

4,259

(2015: 2,496)

TOTAL NUMBER OF PEOPLE COVERED BY BPPs

345,000

(2015: 320,000)

KIMBERLEY PROCESS COMPLIANCE (PER CENT)

100

(2015: 100)

DURING 2016, WE:

- Launched the Melee Assurance Protocol to help maintain integrity among the highest-volume category of diamonds
- Launched a pilot project to sell third-party diamonds via De Beers Auction Sales' online platform, supported by industry-leading ethical provenance requirements
- Completed a full set of risk assessments in accordance with the requirements of the Voluntary Principles on Security and Human Rights.

Sorter assessing the internal quality of a rough diamond using a hand loupe, DTC Botswana.

1

CONSUMER DEMAND FOR DIAMONDS

Consumer demand for diamonds is the foundation of our business – without it we would have no opportunity to create value. So we must be in a position to understand, shape and respond to consumer trends.



Image from the Real is Rare marketing campaign, run by the Diamond Producers Association.

“COMPANIES THAT EXEMPLIFY PURPOSE AND INNOVATIVE SOCIALLY AWARE VALUES WILL FIND THEMSELVES AT THE HEART OF SOCIAL AND ECONOMIC CHANGE, MEETING THEIR CUSTOMERS' DESIRE FOR PROGRESSIVE, INCLUSIVE VISION AND DRIVE: QUALITIES THAT WILL BE NEEDED IN 2017.”

2017 Predictions for the Luxury Industry: Adapt to Succeed report created in a partnership between Positive Luxury and Forevermark²

We need to be able to respond to rapid changes in consumer preference, to stimulate demand and to continue ensuring confidence in our products.

This is especially relevant today. The Millennial generation, which increasingly values authenticity and transparency, already represents 45 per cent of the total retail value of new diamond jewellery across the main consumer geographies.¹

They also represent a primary source of future value for the diamond sector.

RESPONSIBLE SOURCING

When asked in 2015 about the features of diamond engagement rings on which they were least willing to compromise, 36 per cent of single US Millennials selected responsible sourcing. This compared with 27 per cent among older single consumers.¹

During 2016, we invested around US\$120 million in marketing across our core countries and regions. Initiatives focused on proprietary and partnered campaigns, including a co-funded programme in India alongside the Gem and Jewellery Export Promotion Council.

We also supported the Diamond Producers Association (DPA) on developing the new, global Real is Rare campaign. The DPA is a representative body that De Beers co-founded in 2015 with a mandate to maintain and enhance consumer demand for, and confidence in, diamonds.

Real is Rare is the first diamond industry campaign in more than seven years and the first ever to involve the DPA. It was informed by research undertaken among 75,000 Millennials for the De Beers Diamond Insight Report. This showed that there is an opportunity for diamonds to represent the rare, precious and real connections that Millennials crave.

It also highlighted that Millennials tend to look for more from the goods they buy, including a positive societal impact. They also actively seek out brands they can trust. Such findings strengthen our commitment to responsible sourcing and pipeline integrity.

¹ De Beers Diamond Insight Report 2016: <http://www.debeersgroup.com/en/reports/insight/insight-reports/insight-report-2016/overview.html>

² Source: <https://www.positiveluxury.com/about/intelligence/>

2

DIAMOND PIPELINE INTEGRITY

During 2016, we strengthened the scope and rigour of our BPPs, our robust requirements that help ensure consumers can rely on the professional and ethical standards of diamonds that come from De Beers, our Sightholders and Accredited Buyers.



Sightholder examining diamond facets during the cutting and polishing process, Gaborone, Botswana.

TOTAL NUMBER OF PEOPLE COVERED BY BPPs

345,000

(2015: 320,000)

TOTAL NUMBER OF COUNTRIES COVERED BY BPPs

76

(2015: 72)

TOTAL NUMBER OF MAJOR DE BEERS INFRINGEMENTS

0

(2015: 0)

RESPONDING TO EMERGING RISKS

We update our BPP standards regularly in response to emerging risks. Some of the key changes made in 2016 included:

- Enhancing the requirement in the Mining Supplement to align with the terminology used in the Anglo American Social Way for social performance management
- Adjusting terminology to align with that in the ISO 18323 standard on 'Jewellery – Consumer confidence in the diamond industry', released in late 2015
- Updating the voluntary section on Corporate Social Investment and Business Impact to gather information from across the De Beers value chain on social and environmental initiatives that support the SDGs.

We require that all our own operations, our Sightholders, Accredited Buyers and substantial contractors abide by the BPPs through participation in the associated BPP assurance programme. For Sightholders and Accredited Buyers, failure to do so could lead to the suspension of supply or contract termination.

The year's most significant change to the BPP programme was the introduction of the Melee Assurance Protocol.

This Protocol helps address the risks of undisclosed synthetic diamonds deliberately or inadvertently being incorporated in parcels of melee diamonds (those below 0.18 carats). Until recently, a lack of failsafe detection equipment for identifying synthetic diamonds of 0.01 carats or less has left this segment of the industry at particular risk.

Led by De Beers, this new Protocol marks a step change in maintaining diamond integrity at the lowest-value but highest-volume end of the range of diamonds.

CONFIDENCE

Now, any De Beers Sightholder or Accredited Buyer manufacturing diamonds of this weight has to adhere to the Protocol. For the first time, this requirement also covers ‘non-substantial’ contractors (ie those generating less than 75 per cent of their diamond-related turnover in value or volume from a De Beers Sightholder or Accredited Buyer).

Among other obligations, the Protocol requires them to:

- Implement security procedures preventing the theft and substitution of diamonds
- Provide offsite contractors with tamper-evident packaging in which they must return all melee diamonds
- Provide evidence of full testing at a reputable laboratory.

These requirements provide confidence that appropriate systems and measures are in place to prevent undisclosed synthetic diamonds from entering the pipeline.



Sightholder boxes used to transport diamonds.

ENSURING A SUPPLY CHAIN FREE OF CONFLICT DIAMONDS



Sightholder examining a De Beers diamond as part of the cutting and polishing process, Gaborone, Botswana.

Ensuring our supply chain is free from conflict diamonds is critical to maintaining consumer confidence in the industry.

And it is why we remain committed to the Kimberley Process.

Under the chairmanship of the United Arab Emirates in 2016, intersessional and plenary meetings were held in Dubai. De Beers participated in these meetings as a member of the World Diamond Council delegation. Australia was named Chair for 2017.

In 2016, the Plenary welcomed the Bolivarian Republic of Venezuela as it resumed participation in the Kimberley Process. It also acknowledged the progress made by the Central African Republic toward the full resumption of rough diamond exports.

The Kimberley Process is supported by a collection of working groups. In 2016, the plenary accepted the decision of the Working Group on Monitoring (WGM) to select South Africa as the incoming WGM Chair and Botswana as the incoming Vice-Chair.

All De Beers diamonds are certified conflict-free and our audit processes confirmed 100 per cent compliance with the Kimberley Process for 2016.

For more information on the Kimberley Process, visit: www.kimberleyprocess.com

“TO FACILITATE THE SALE OF THIRD-PARTY DIAMONDS VIA THE DE BEERS PLATFORM, WE APPLY THE DE BEERS AUCTION SALES DIAMOND TRADING STANDARD. THIS IS A LEADING SET OF CRITERIA THAT ENSURES WE FULLY UNDERSTAND A SELLER’S CREDENTIALS AND WHERE THE STONES HAVE COME FROM. IT ALSO VALIDATES THAT THEY ARE NATURAL AND UNTREATED.”

Neil Ventura, Executive Vice President, Auction Sales

NEW AUCTION SALES STANDARDS

In response to customer demand, De Beers launched a pilot project in 2016 to sell third-party rough and polished diamonds via its online auction platform.

As it is essential that buyers have full confidence in the provenance of diamonds sold in this way, we put in place strict requirements.

Part of these requirements includes an obligation for all sellers to be members of the Responsible Jewellery Council (RJC). In turn, the RJC certifies all provenance claims.

We also require sellers to observe a range of further ethical standards.

These support the following:

- Seller Integrity: ensuring compliance with the BPPs
- Source of Origin Provenance Claim: establishing strict provisions on the provenance of rough and polished diamonds, building on the Kimberley Process to ensure diamonds have not contributed to conflict or human rights violations
- Product Disclosure: ensuring through a rigorous screening process that there are no smuggled, conflict, undisclosed synthetic or treated diamonds on the platform.



De Beers Auction Sales is headquartered in Singapore.



NEW INVESTMENT BOOSTS CONSUMER CONFIDENCE IN DIAMONDS

De Beers has invested in innovation at its grading and testing centre in India, with a significant expansion designed to support growth in the country's diamond sector and increase consumer confidence.



IIDGR, established by De Beers in 2008 to offer a new standard in diamond grading and testing, opened its US\$10 million centre in Surat in 2015.

The facility almost doubled in size in 2016, through a US\$5 million expansion. The centre now offers grading and testing for all diamonds, with customers including the world's largest diamond cutting and polishing businesses, global high-street retailers and emerging diamond investment exchanges.

Using some of the world's most advanced technology, IIDGR grades diamonds according to criteria based on the 4Cs: colour, cut, carat and clarity. It also carries out testing to verify that each diamond is natural and untreated.

More case studies online
www.debeersgroup.com/stories



Below: IIDGR centre entrance hall, Surat, India.

Bottom: IIDGR employee examining a diamond, Surat, India.

On passing the robust screening process, each diamond is given a detailed report. All diamonds over 0.1 carats are inscribed with a unique number, invisible to the human eye.

With the recent expansion, the range of services offered at the centre has been widened to include melee testing. This now enables some of the world's smallest diamonds, traditionally the hardest to screen, to be tested.

Also in 2016, IIDGR launched PhosView™. Developed in response to industry demand, this compact screening device is designed to quickly and accurately analyse parcels of polished stones and some jewellery for HPHT (high pressure, high temperature) synthetic diamonds.

PhosView™ costs a fraction of the cost of other high-quality screening tools, allowing it to be used widely across the industry.

Looking forward, there are plans for IIDGR to launch its first-ever education service in 2017. Courses will cover subjects including the lifecycle of a diamond, polished diamond grading techniques and the identification of synthetic diamonds.

Through IIDGR, De Beers is investing in innovation to help ensure that the sector has the skills and tools required to safeguard consumers' confidence that their diamonds are accurately graded and tested.



INTERNATIONAL INSTITUTE OF DIAMOND GRADING & RESEARCH

Launched in 2008, IIDGR offers a new standard in diamond grading and testing. It helps to reinforce consumer confidence by using proprietary technology unique to the industry and a rigorous testing and grading process.

WORLD-CLASS STANDARD IN DIAMOND TESTING AND GRADING

DIAMOND CUTTING AND POLISHING BUSINESSES

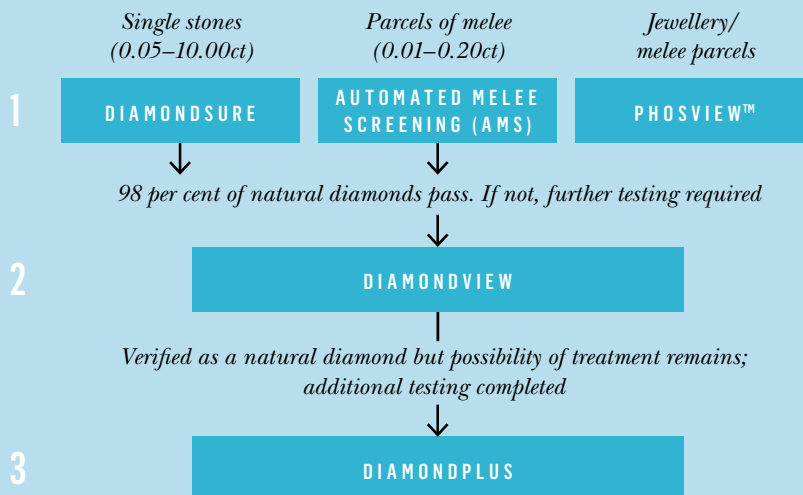
GLOBAL HIGH-STREET RETAILERS

EMERGING DIAMOND INVESTMENT EXCHANGES



GOODS ARE RETURNED TO CUSTOMERS WITH RESPECTIVE REPORTS

SCREENING WORKFLOW BOTH WITHIN IIDGR AND THROUGH ITS PROPRIETARY EQUIPMENT SALES



KEY BUSINESS INTEGRITY FIGURES

To help us maintain and promote our high standards of business integrity, in 2016 we carried out the following actions:

1 ANTI-CORRUPTION

PEOPLE TRAINED THROUGH ANTI-CORRUPTION WORKSHOPS

321

(2015: 416)

PEOPLE TRAINED THROUGH OUR ONLINE ANTI-CORRUPTION TRAINING

751

(2015: not reported)

BUSINESS UNIT BUSINESS INTEGRITY SELF-ASSESSMENT AUDITS COMPLETED

12

(2015: 3)

2 COMPETITION LAW

PEOPLE COMPLETED ONLINE COMPETITION LAW TRAINING

1,534

(2015: 1,452)

3 WHISTLEBLOWING AND SPEAK UP

REVIEWED REPORTS MADE THROUGH OUR CONFIDENTIAL WHISTLEBLOWING FACILITY AND INTERNAL INVESTIGATION PROCESSES

319

RESULTING IN

45 dismissals

(2015: 394 allegations and 46 dismissals)

RAISING SECURITY



Security procedures in place at Gahcho Kué mine, Canada.

As part of our security strategy, we completed a key three-year programme during 2016, successfully raising security at the majority of our operations to a 'proactive' state. This means we now have in place most of the systems and controls we need to help us prevent diamond theft from our sites.

The benefits of our security approach extend beyond De Beers.

For some years, the CapeRay Medical company in South Africa has been exploring the use of low dose X-ray technology in detecting early-stage cancer in 'dense' breast tissue. The technology was first developed by De Beers during the 1990s to help spot attempted diamond theft.

CapeRay has now tested its 'Aceso' system in trials at the University of Cape Town and the city's Groote Schuur Hospital.

The signs are positive – not only is the machine better at identifying early-stage cancer, it is also faster than normal screening, causes less physical discomfort and reduces patients' exposure to radiation.

3

HUMAN RIGHTS

When it comes to human rights, we integrate external principles into our internal standards to ensure that we fulfil all our own expectations, as well as those of our stakeholders.

External principles include the UN Guiding Principles on Business and Human Rights (GPBHR) (which provide guidance to governments and companies on understanding and addressing human rights risks associated with business activities) and the Voluntary Principles on Security and Human Rights (VPSHR).

Internally, we have integrated processes for human rights due diligence into the Social Way and BPPs.

A cross-functional Human Rights Working Group reviews the implementation of human rights due diligence across our pipeline to identify and prioritise areas for improvement.

SECURITY AND HUMAN RIGHTS

Our implementation of the VPSHR includes:

- Annual risk assessments against the VPSHR and security effectiveness reviews to support continuous improvement
- Pre-employment screening for all security employees and private service providers
- Inclusion as a standard in all contracts with private security service providers, that involvement in human rights abuses will be reason for immediate contract termination
- Annual training across all relevant teams: in 2016, we delivered 18 workshops to a total of 216 trainees and completed our portfolio of refresher e-learning modules for security personnel, supervisors and managers
- Public security and members of the community attending classroom sessions.

NUMBER OF HOURS OF HUMAN RIGHTS TRAINING

4,259

(2015: 2,496)

NUMBER OF PEOPLE TRAINED IN HUMAN RIGHTS

2,437

(2015: 1,023)

HUMAN RIGHTS DUE DILIGENCE AT OUR MINING OPERATIONS

The Social Way requires our operations to apply a human rights 'lens' in assessing and managing social risks and impacts. It also requires them to implement grievance mechanisms that align with the UN GPBHR.

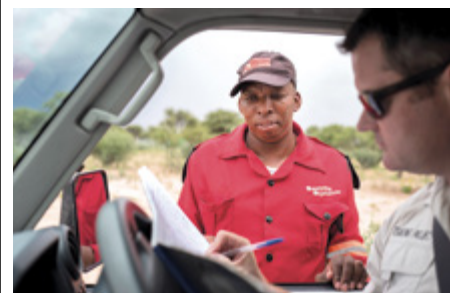
As part of implementing the Social Way, our mining operations have conducted multidisciplinary human rights risk assessments and training. They have updated management plans accordingly to address any gaps. And all our sites have grievance mechanisms in place.

We have developed additional guidance to help them integrate human rights into the scope of their socio-economic impact assessments from 2017.

MODERN SLAVERY ACT

De Beers is due to make its first statement under the UK Modern Slavery Act 2015 in 2017. The Act has provisions on slavery, servitude and forced or compulsory labour and on human trafficking, including provision for the protection of victims.

In accordance with the Act, there will be a link to the statement on our website homepage.



Security guard at the Tsabong exploration camp, Botswana.

PEOPLE

We continue to ensure our foundations are robust while increasingly looking beyond our own organisation to help others benefit from our experience, resources and solutions.



PEOPLE

No diamond is worth discrimination, illness or injury. Zero harm is our aim.

We therefore strive to ensure the fundamentals are in place for safety, health and wellness.

We are increasingly looking beyond compliance and our own operations to help others learn from our experience, resources and solutions, while also ensuring that we can learn from theirs.

We seek to apply this approach in two ways.

First, wherever we can, we use our knowledge and commitment to improve safety, health and wellness in our operations and our local communities.

And, second, we strive to create access to opportunity for all our people, while ensuring that the make-up of our workforce reflects the communities in which we operate.

OUR PERFORMANCE IN 2016

MATERIAL ISSUES COVERED IN THIS SECTION

- 1 SAFETY
- 2 HEALTH AND WELLNESS
- 3 EMPLOYEE ATTRACTION, DEVELOPMENT AND DIVERSITY
- 4 GENDER



Covered in more detail online www.debeersgroup.com/materialissues

LOSS OF LIFE INCIDENTS IN THE WORKPLACE

2
(2015: 0)

EMPLOYEES WHO KNOW THEIR HIV STATUS (PER CENT)

82
(2015: 26)

INVESTMENT IN TRAINING AND DEVELOPMENT (USD)

16.4M
(2015: 24.3m)

WOMEN IN THE WORKFORCE (PER CENT)

24
(2015: 24)

DURING 2016, WE:

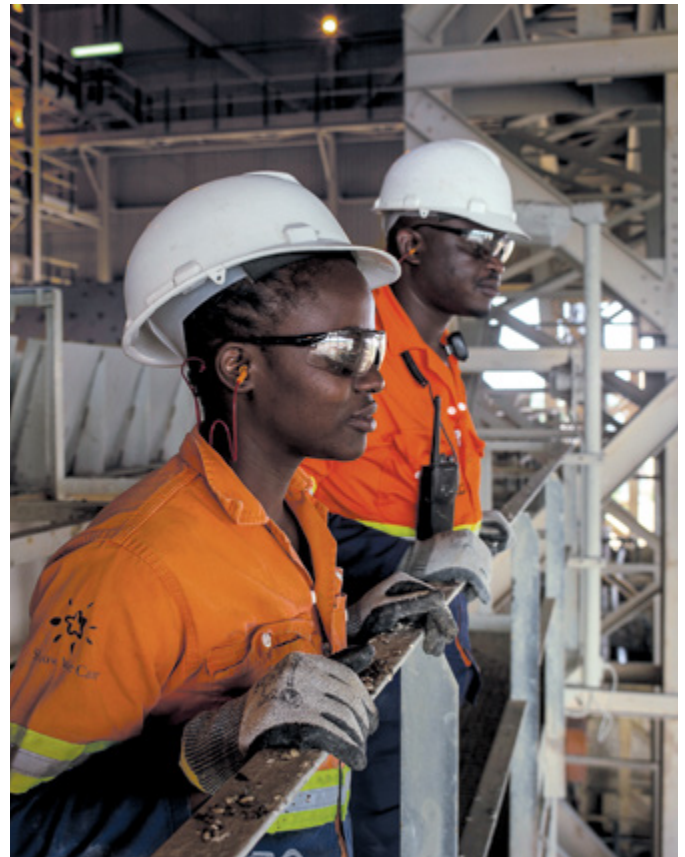
- Initiated detailed investigations into the two fatalities experienced at Debswana and Namdeb
- Ran major communications exercises to promote safety both within and beyond our operations, including the 'My reason for staying safe' and 'Choose life' campaigns
- Increased the proportion of employees who know their HIV status from 26 per cent in 2015 to 82 per cent in 2016, restating our commitment to achieving 100 per cent
- Developed a new gender position statement and committed to actions including gender diversity plans at all business units.

Workshop mechanic, Venetia mine, South Africa.

1

SAFETY

The safety and wellbeing of our employees is paramount. We strive for zero harm across all our operations, with committed leadership and clear goals at the heart of our approach.



Plant monitors overlooking the process plant, Venetia mine, South Africa.

We are deeply saddened by the two fatalities that took place at De Beers operations during 2016, our first loss of life since 2012.

Onkabetse Ramooki (26), a contract rigger operative of Shoba Steel, was fatality injured while conducting maintenance work at our Jwaneng mine on 5 October. He received immediate first aid and initial treatment at the mine hospital, but sadly succumbed to his injuries at the Bolamoso Private Hospital in Gaborone.

Likius Shetunyenga (51) was a multiskilled bulldozer operator working for Namdeb’s Southern Coastal Mines. He died on 12 December when the crosswall he was working on collapsed.

Our first priority was to support Mr Ramooki’s and Mr Shetunyenga’s families and co-workers. It is also essential that we learn from what happened and reinvigorate our efforts to work with no loss of life, injury or occupational illness.

The tragic fatalities of 5 October and 12 December 2016 provide a stark reminder of how quickly incidents can occur. They emphasise the importance of having an unrelenting focus on meeting our commitment to safe production.

Detailed investigations are being conducted following both incidents. Key findings and learnings will be shared, and corrective and preventative actions implemented.

An initial step was running a CEO Safety Summit in January 2017 to reflect on our upstream (mining and exploration) performance and our improvement efforts. This posed the question: ‘Are we doing enough?’

As a result, we have initiated a specific workstream focusing on leadership, behaviour and culture. Our Group CEO, the business unit CEOs and business leaders made a pledge following the event that sets out what is important to us, how we plan to build an ever-improving safety culture and what can be expected of us in the future (see panel).

This is all part of our work on our ongoing improvement plan, Good to Great (G2G), which focuses on the basics of workplace safety and creating a zero harm culture (see page 7).

SAFETY PLEDGE

We value the safety of our people and pursue it without hesitation or compromise. In every situation, on every site, around every corner, at home and in every decision we take, we will seek out risks to our people and address them relentlessly and with urgency. We will always put the wellbeing of our people before production and profit and we celebrate our safety heroes who demonstrate that their personal safety and the safety of their colleagues are their most important responsibility.

In 2017, we will demand more of ourselves and those around us to ensure we remain safe and that every diamond we produce represents our care for, and commitment to, one another.

PEOPLE

SAFETY STATISTICS

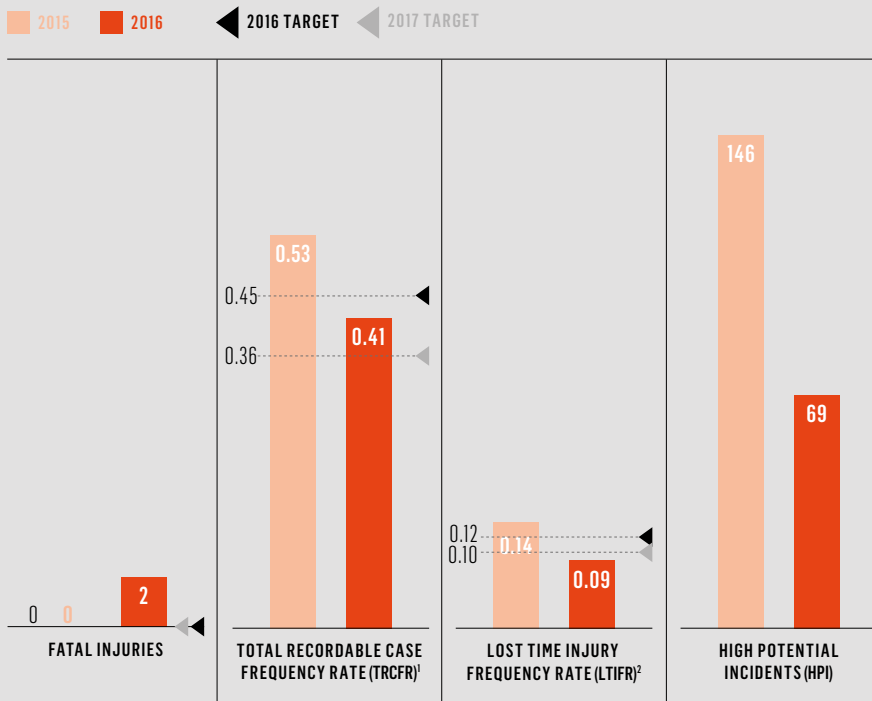
A focused implementation of the G2G improvement framework during 2016 led to some improvements in our safety performance over the previous year (see figure 9).

Incidents related to transportation (33 per cent), falling objects (25 per cent), fire and explosion (17 per cent) and moving machinery (12 per cent) make up the majority of our High

Potential Incidents. These are closely linked to our key safety risks:

- Transport-related risk
- Fatigue-related incidents
- Falling objects
- Working at heights
- Fall of ground.

FIGURE 9: SAFETY



1 TRCFR = number of recordable cases multiplied by 200,000, divided by the number of hours worked.
 2 LTIFR = number of injuries resulting in lost time, multiplied by 200,000, divided by the number of hours worked.

GAINING RECOGNITION

In Namibia, Namdeb was declared the winner of the 2015 Chamber of Mines Safety Competition, recognising the company’s safety commitments and achievements. The award was presented at the Chamber of Mines Mining Expo in April 2016.

In October, we received recognition for our efforts on safety when the Yellowknife Chamber of Commerce in Canada presented our Gahcho Kué mine with its Workplace Health and Safety Award.

This award is given to an organisation that has gone beyond normal expectations, either by demonstrating leadership in its commitment to improve health and safety, or by implementing innovative solutions to create a safer and healthier working environment.

And, in South Africa, a safety video shot at Voorspoed mine as part of a major worker-safety communications campaign, was entered in the Cannes Film Festival and the Loerie Awards.

The campaign – ‘My reason for staying safe’ – was greeted as “a classic case study in how to talk to employees” by South Africa’s Saturday Star newspaper. In it, we aimed to stop focusing on the ‘how’ of safety, concentrating instead on ‘why’ staying safe matters. More than 80 per cent of mine employees responded with personal reasons. The most popular reason was returning home safely to their families.

Now, a constant reminder of why our people want to stay safe is displayed on posters, printed templates and even stitched into work overalls throughout our South African operations.



Morning safety briefing, Gahcho Kué mine, Canada.



PROJECT SALUS: ROAD TO SAFETY RUNS BEYOND THE MINE GATE

More case studies online →
www.debeersgroup.com/stories

Transportation is one of the leading causes of incidents for De Beers, so road safety is a priority focus area for all staff and contractors. In 2016, the 'Choose life' road safety pilot was launched in the communities neighbouring Venetia mine in South Africa, extending safety knowledge and understanding beyond our own gates.

Road safety is a major concern in South Africa. According to a report from the World Health Organization, the country's road fatalities per 100,000 people stood at 25.1 in 2015, putting South Africa 23rd out of the 50 African countries included in the report.¹

In 2016, in partnership with the Limpopo Department of Transport, De Beers launched a road safety campaign pilot called 'Choose life,' with 700 supporters from the communities across Musina and Blouberg attending the formal launch event.

The main objective was to influence driver behaviour and ensure all road users understood how the choices they made on the roads could save lives.

Working with relevant government agencies, school children, pedestrians, taxi drivers and local municipalities were all engaged through billboards, posters, newspaper adverts, banners, bumper stickers, bus branding and social media. A six-part community radio drama series was also launched.

The campaign followed the Morwa family, their colleagues, friends and community members, who all make many choices around road safety every day.

The partnership with Limpopo Province has proved successful and discussions are now under way with the Department of Transport to launch a schools intervention programme in 2017.

Moving forward, there will be a stronger focus on developing road infrastructure partnerships and acting as a facilitator in bringing together interested parties.



Community members gathered at the launch of the 'Choose life' campaign in South Africa.

"WE BELIEVE THIS CAMPAIGN WILL HELP MANY PEOPLE, AND THAT EDUCATION AND AWARENESS WILL GO A LONG WAY TO CREATING SAFER CONDITIONS FOR ALL ROAD USERS."

Kaizer Phiri, Musina Taxi Association Chair²

¹ WHO Report (2015): http://who.int/violence_injury_prevention/road_safety_status/2015/en/
² Mining CSI magazine, Issue 13, (2016): <http://chamberofmines.org.za/industry-news/publications/mining-magazine>

2

HEALTH AND WELLNESS

Alongside safety, occupational health is a major part of our commitment to zero harm. We run a number of programmes throughout the business to support hearing conservation, fatigue management, and musculoskeletal and respiratory protection.

We also identified a set of unwanted priority events on which we need to focus our preventative efforts. These events include:

- Noise
- Airborne pollutants (Respirable Crystalline Silica, and coal dust)¹
- Musculoskeletal diseases.

Our business units will assess their performance against these during 2017.

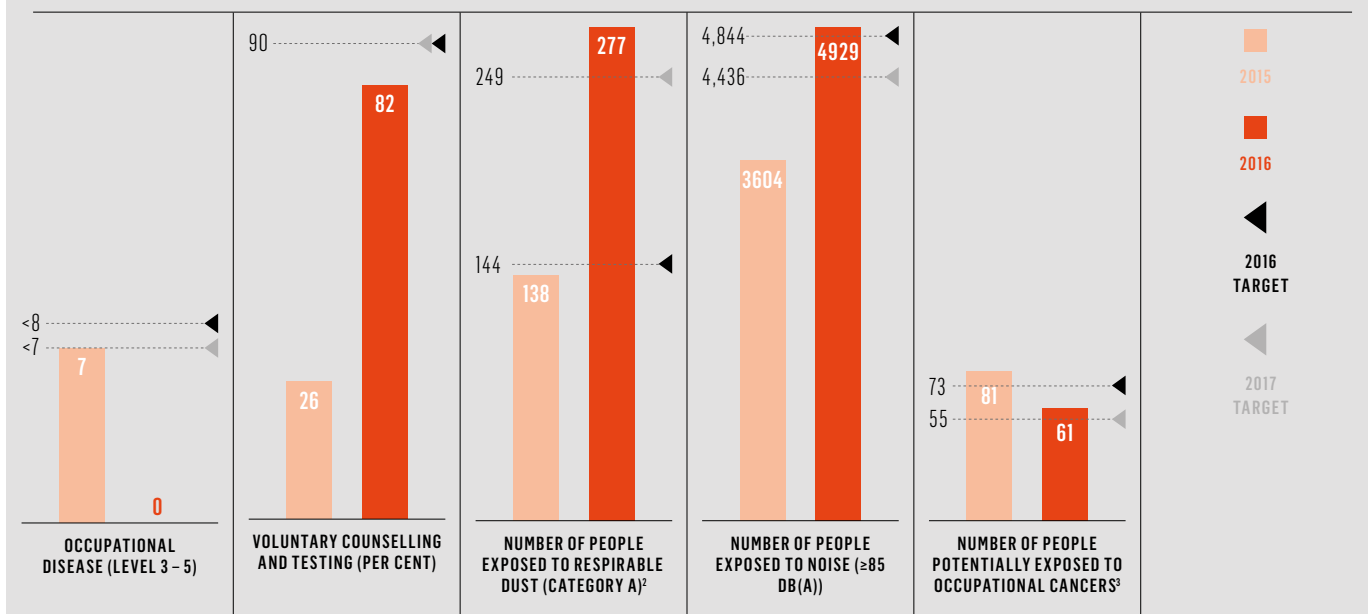
HEALTH PERFORMANCE STATISTICS

Absenteeism related to ill health decreased to 1.91 per cent compared with 2.18 per cent in 2015. This change is attributed to improved participation in wellness programmes, a better Voluntary Counselling and Testing uptake and a focus on managing stress in the workplace.

Further performance improvements against targets are listed in figure 10. The proportion of our workforce exposed to occupational health hazards above the occupational exposure limit has increased by three per cent since 2015.

Increases are largely due to improvements in our occupational hygiene capacity and our ability to identify exposure cases that have not been identified in the past.

FIGURE 10: HEALTH



¹ Morupule coal mine was part of our business until its sale in September 2016.
² Includes respirable dust and coal dust.
³ Includes exposure to silica (Category A = 16, Category B = 16) and Diesel Particulate Matter (Category B = 29). Potentially exposed employees operate in an environment with controls, not limited to personal protective equipment, to manage and mitigate risk.

PEOPLE

GOING BEYOND COMPLIANCE TO ADDRESS HIV/AIDS

Our presence in southern Africa means that the threat of HIV/AIDS is an everyday fact of life for our employees and people living in the communities around our operations.

In 2001, we launched our pioneering HIV/AIDS workplace programme in Debswana. Today, we continue to go beyond compliance to deliver an advanced programme built on four pillars: prevention, treatment, care and support.

Overall, our efforts to reduce the direct impact of HIV/AIDS within our business have been effective, but we still have a long way to go.

Fifteen years ago, the prevalence of HIV among employees stood at 29 per cent. Today, that figure stands at 11 per cent, which compares favourably with the national prevalence rates of 19 per cent in South Africa, 13 per cent in Namibia and 22 per cent in Botswana.

We are committed to driving down the rate of infection among our people further. One tool we use is the World Health Organization’s 90 90 90 ‘Know your Status’ campaign. This means we aim for:

- 90 per cent of our employees to be aware of their status
- 90 per cent of HIV-positive individuals to be on a treatment plan
- 90 per cent of those on a plan to be achieving viral suppression.

While the proportion of employees knowing their status rose from just 26 per cent in 2015 to 82 per cent in 2016, we still are not satisfied.

De Beers’ Executive Committee led by example, getting tested in 2016. And once again they used World AIDS Day to communicate the importance of participation to all employees, regardless of seniority, location or business unit.

KEY HIV STATISTICS IN 2016

PREVALENCE OF HIV AMONG EMPLOYEES (PER CENT)

11

NUMBER OF EMPLOYEES TESTED FOR HIV STATUS IN SOUTHERN AFRICA

9,362

NEW CASES OF HIV AMONG EMPLOYEES IN SOUTHERN AFRICA

170

NUMBER OF EMPLOYEES ON HIV WELLNESS PROGRAMMES

1,260



Laboratory technician working at the Jwaneng hospital, Botswana.

“IT IS CLEAR TO SEE WHEN I VISIT OUR OPERATIONS THAT WE HAVE HEALTHIER, HAPPIER AND MORE PRODUCTIVE EMPLOYEES. BUT WE ARE NOT DONE YET. CHALLENGES REMAIN AND REQUIRE OUR ONGOING COMMITMENT AND ACTION.”

Dr Tshepo Sedibe, Senior Occupational Health Manager, De Beers

DE BEERS' PIONEERING WORKPLACE HIV PROGRAMME

Fifteen years ago, Debswana pioneered the first HIV/AIDS workforce programme anywhere in the world. The decision to provide free life-saving antiretroviral medication, care and support to our people and their families has had a dramatic impact.

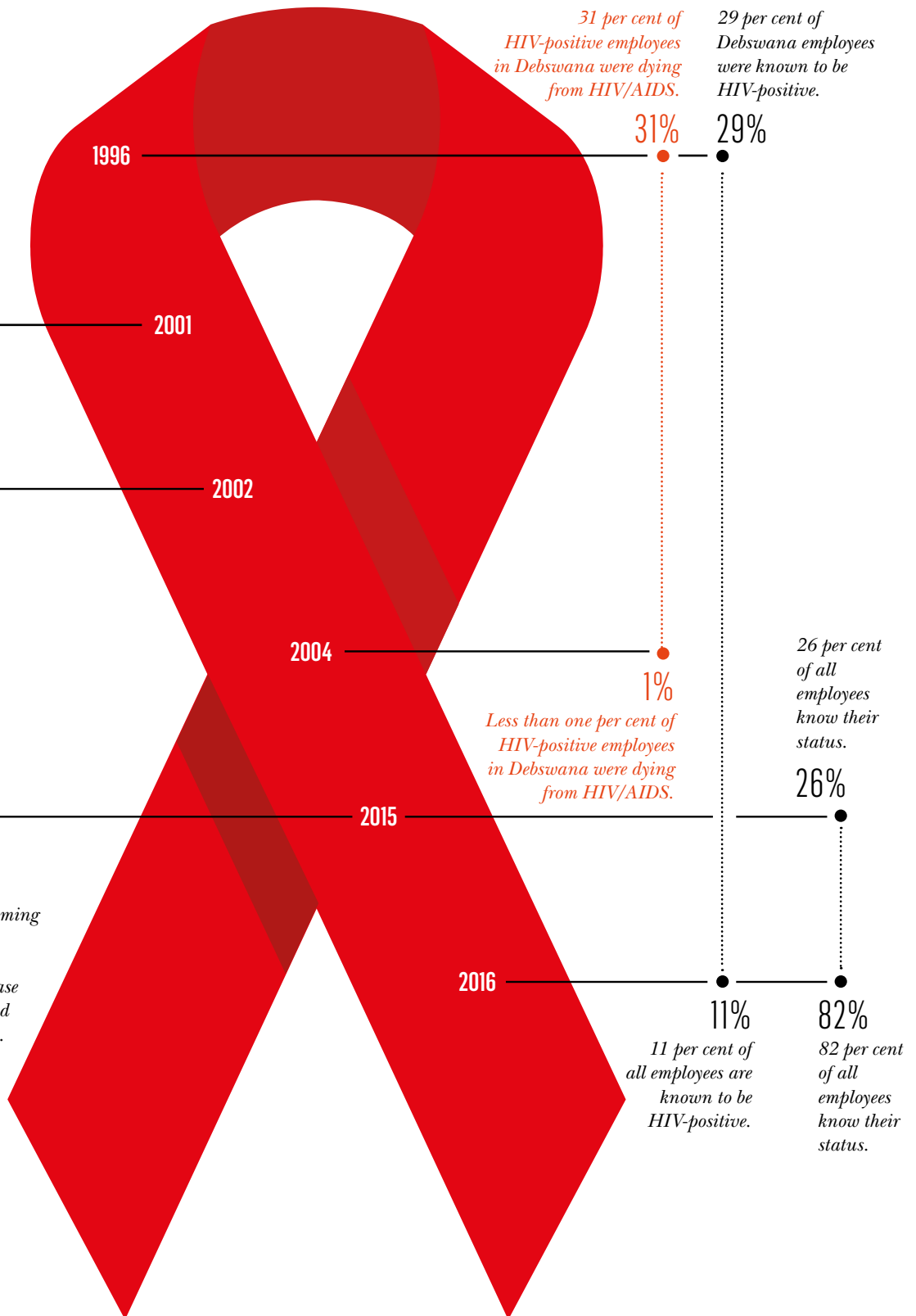
1ST

Innovative HIV disease management programme rolled out in Debswana to provide antiretroviral treatment, care and support.

Workplace programme rolled out to the rest of our operations in southern Africa.

90 90 90

De Beers adopted the international commitment aiming for 90 per cent HIV testing, 90 per cent of HIV-positive colleagues enrolled on a disease management programme, and 90 per cent viral suppression.



3

EMPLOYEE ATTRACTION, DEVELOPMENT AND DIVERSITY

Supporting local employment and career development is one of the most important ways we can contribute to the long-term development of the countries in which we operate.

In 2016, Anglo American completed a group-wide review of support functions to identify opportunities for efficiencies and better ways of organising the Group.

De Beers recognised that this review had the potential to cause anxiety for our employees. We therefore ensured that everybody was kept up to date with events through a communications programme, delivering regular information throughout the company.

Despite the changes, we continued to focus our attention on attracting and retaining a world-class workforce, creating opportunities through training and performance management.

The majority of the business is now using our online performance management tool first introduced in 2015. This tool ensures that our people are set clear objectives and provides a number of opportunities for them to check in with their line managers.

WORKFORCE REVIEWS

During the year, our workforce reduced by around 1,900 employees, due to factors including placing Snap Lake mine on care and maintenance, the sale of Kimberley mines and divestment of Morupule mine, as well as general efficiency improvements.

Damtshaa mine is also on care and maintenance. However, 40 of the original 264 employees are still employed at the mine. The other staff have all been redeployed to Orapa and Letlhakane mines.

TRAINING SPEND (USD)¹

16.4M

(2015: 24.3m)

TOTAL NUMBER OF HOURS OF TRAINING COMPLETED DURING 2016 ACROSS THE GROUP

750,000

(2015: not recorded)

LEADER AS A COACH

We launched our 'Leader as Coach' programme in 2015 to help address areas identified for improvement, including communication and leadership, following our employee engagement survey in 2014.

Focusing on areas such as performance, development and reward, it is also supported day to day by an online platform.

Last year, we held 17 two-day workshops across the Group, including, for the first time, events in Cape Town and India. A total of 226 delegates participated, up from 106 in 2015.

DIVERSITY

We look to represent and reflect the communities in which we operate, including factors such as citizenship and race/ethnicity, gender and disability.

This not only is a fundamental expectation of our partnerships, but is also one of the most important ways we can support the long-term development of the countries where we operate.

With a specific Sustainable Development Goal around gender equality (SDG5), and some 95 per cent of our end consumers being female, gender equality and women's empowerment is an intuitive area for us to take a lead.

However, we recognise that women are under-represented within our workforce, particularly at senior management level.

Although feedback from interviews and focus groups across the pipeline suggests that there are some pockets of good practice, it has also highlighted that we have a long way to go.

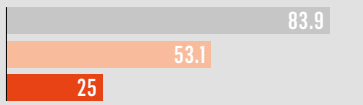
¹ The ramp-down, sale and closure of two operations, combined with a review of costs during the year, has resulted in an overall reduction in training spend.

PEOPLE

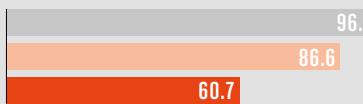
FIGURE 11: EMPLOYING LOCAL CITIZENS IN AFRICA (PER CENT)

WORKFORCE MANAGERS SENIOR MANAGERS

HISTORICALLY DISADVANTAGED SOUTH AFRICANS



BOTSWANA LOCAL CITIZENS



RACIALLY DISADVANTAGED NAMBIANS

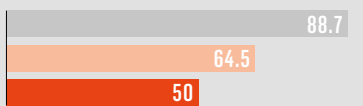
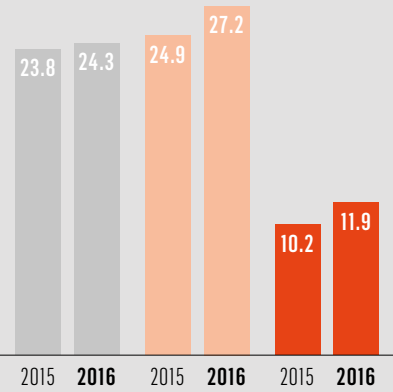


FIGURE 12: FEMALE EMPLOYEES (PER CENT)

TOTAL WORKFORCE MANAGERS SENIOR MANAGERS



TOTAL WORKFORCE (EMPLOYEES AND CONTRACTORS)

20,557

(2015: 21,910)

EMPLOYEES

14,907

(2015: 16,824)

WORKFORCE BASED IN AFRICA (PER CENT)

82.9

(2015: 81.3)

Responding to these findings, and aligned with our new statement on gender diversity and inclusion (see panel), in 2016 De Beers' Executive Committee signed up to a range of new commitments aiming to ensure that women have equal opportunities at all levels of the business.

To kick-start implementation, the Executive Committee has agreed to a range of actions for 2017 across four workstreams.

LEADERSHIP AND CULTURE:

Including the delivery of unconscious bias training to all senior management levels

POLICIES, PROCESSES AND PRACTICE:

Including the development of gender diversity plans at all business units

TALENT DEVELOPMENT:

Including the launch of a reciprocal mentoring scheme, in which Executive Committee members and female employees work together

MEASURES AND GOVERNANCE:

Including the development of quantitative and qualitative performance measures and the establishment of a Group-wide governance framework.

GENDER DIVERSITY POSITION STATEMENT

During 2016, we developed a Group-wide position statement on gender diversity and inclusion:

“At De Beers, we believe that by valuing diversity of thought, skills and experience we will be a higher-performing business. We are therefore committed to developing an inclusive and diverse culture and we recognise that creating opportunities for everyone and striving for gender equality across all levels of the business is an integral component of delivering this commitment.”

To achieve this goal, we are committed to:

- Ensuring our talent and performance management programmes achieve full participation of women at all levels of leadership
- Addressing systemic and cultural barriers that may impede gender equality throughout our business
- Promoting a culture in which the economic, social and human rights of women affected by our business are respected and promoted.

“ WHILE THE VAST MAJORITY OF PEOPLE WHO SELECT, WEAR AND INCREASINGLY BUY OUR PRODUCT ARE WOMEN, OUR WORKFORCE COMPRISES ONLY 24 PER CENT WOMEN, WHICH FALLS FURTHER IN LEADERSHIP POSITIONS. THIS JUST ISN'T GOOD ENOUGH. DE BEERS MUST BE BOLDER IN THE ADVANCEMENT AND EMPOWERMENT OF WOMEN. AS A LEADER OF THIS BUSINESS, I AM COMMITTED TO SUPPORTING THIS WITHIN OUR ORGANISATION AND OUR COMMUNITIES.”

Bruce Cleaver, CEO, De Beers Group

ENVIRONMENT

Through our partnerships, we are looking to innovate and to respond to environmental challenges and opportunities together, in a systematic way.



De Beers' business is based on mining nature's treasures. With this comes an important responsibility to treasure nature by limiting our impact on the environment.

It is therefore vital that we work with our partners and stakeholders to tackle the environmental challenges we face, within and outside our operations.

We aim to drive tangible, systematic environmental improvement across the Group by sharing knowledge, developing innovative solutions and setting challenging targets.

This chapter describes some of the main actions we took in 2016 to address key environmental issues, ranging from climate change and water shortages to managing biodiversity and mine closure.

OUR PERFORMANCE IN 2016

MATERIAL ISSUES COVERED IN THIS SECTION

- 1 ——— WATER AVAILABILITY AND QUALITY
- 2 ——— BIODIVERSITY AND CONSERVATION
- 3 ——— MINE CLOSURE AND ASSET TRANSFER



- Covered in more detail online www.debeersgroup.com/materialissues
 - Climate change
 - Energy security
 - Waste management and pollution prevention

LAND SET ASIDE FOR CONSERVATION (HECTARES)

164,000

(2015: 170,785)

WATER SAVINGS IN 2016 (LITRES)

0.3 BN

in verified savings (2015: not recorded)

ENERGY SAVINGS SINCE 2014 (GIGAJOULES)

0.8M

(2015: 0.5m)

SAVINGS FROM ENERGY AND CARBON EMISSION REDUCTIONS SINCE 2014 (USD)

10.6M

(2015: 6.8m)

DURING 2016, WE:

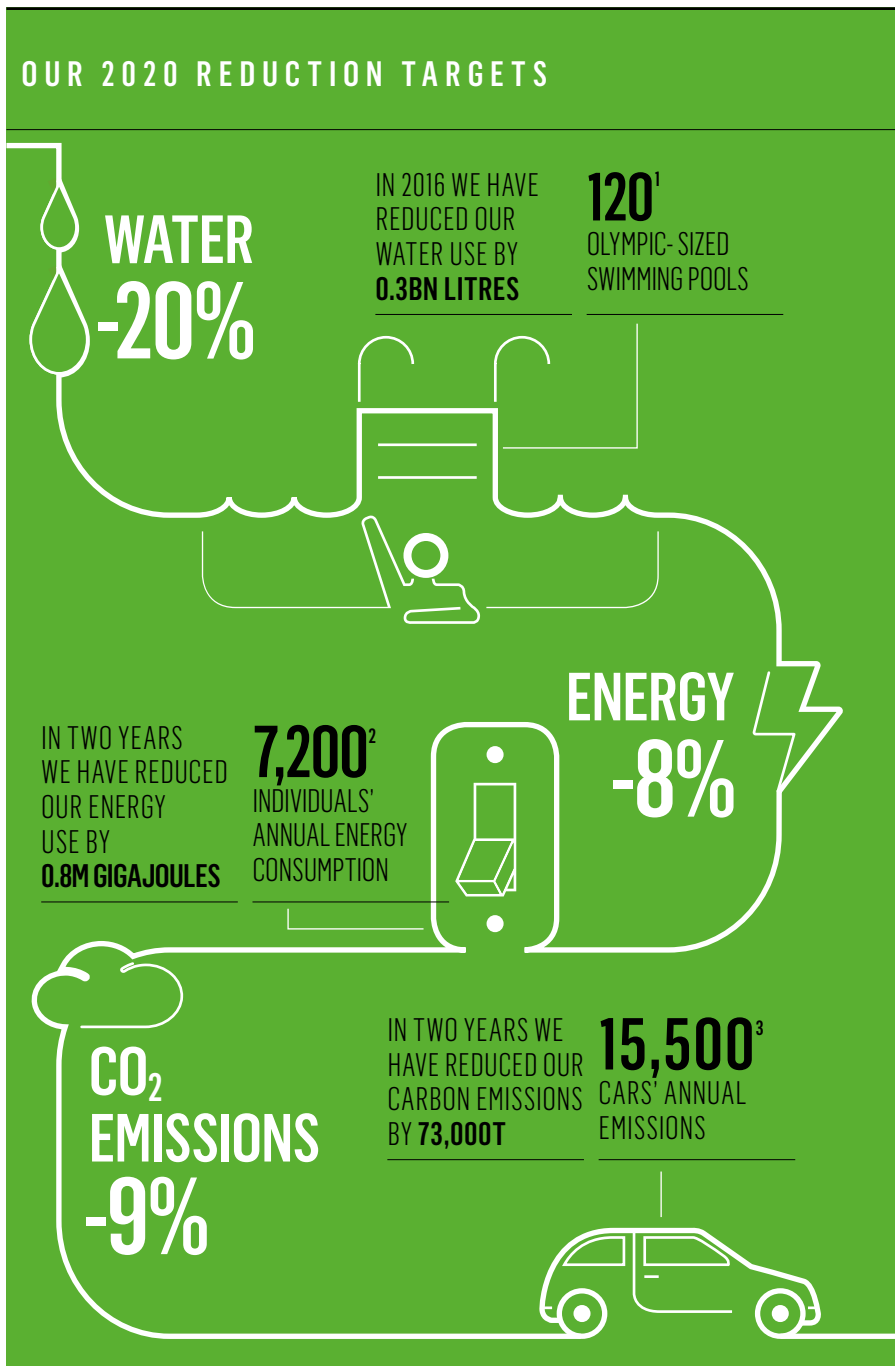
- Cut energy usage, resulting in a US\$10.6 million saving
- Signed a partnership agreement with #Oab Energy to install a wind farm that will provide 17 per cent of Namdeb's total electricity use
- Launched Element Six's innovative Diamox waste water treatment system, which purifies highly contaminated waste water without chemicals
- Developed a native seed collection, propagation and planting partnership at Victor mine in Canada.

Geophysics field operators carrying out regional ground gravity survey at the Tsabong exploration project, Botswana.

ENVIRONMENTAL PERFORMANCE

Project Terra addresses key water, energy and carbon emission challenges through a set of long-term impact reduction targets. These include a set of commitments for 2020: to reduce water usage 20 per cent, energy use eight per cent and carbon emissions nine per cent.

Progress against these targets has resulted in total savings of US\$10.6 million since 2014.



ENERGY SECURITY AND CLIMATE CHANGE

Today, 77 per cent of our energy comes from fossil fuels. As part of Project Terra, we are working on a number of projects to reduce our energy use and carbon emissions.

In Namibia, for example, Namdeb signed a partnership agreement during 2016 with #Oab Energy to install four two-megawatt wind turbines at our Elizabeth Bay operation, which will supply green energy to our coastal operations.

On completion, the wind farm will be capable of generating some 17 per cent of Namdeb's total electricity consumption, freeing capacity on the Namibian grid and supporting energy security in the country.

We are also investigating other wind, solar energy and carbon sequestration projects across our operations.

¹ Olympic swimming pool: 25m width x 50m length x 2m depth = 2,500m³; 1L = 0.001m³ so 2,500 x 1,000 = 2,500,000L; 300,000,000/2,500,000=120 swimming pools.

² South Africa per capita per annum energy use: 2,656kgoe; 1kgoe=0.042 GJ so 2,656kgoe x 0.042= 111GJ; De Beers saving: 800,000GJ/111GJ= 7,200 people. Source: <http://data.worldbank.org/indicator/EG.USE.PCAP.KG.OE>

³ Average annual passenger vehicle emissions: 4.7 tonnes CO₂; De Beers saving: 73,000t/4.7t =15,531 cars equivalent. Source: <https://www.epa.gov/sites/production/files/2016-02/documents/420f14040a.pdf>

Below: Mineral carbonation expert from the University of Southampton, examining the surface of kimberlite tailings, Voorspoed mine, South Africa.

PROJECT MINERA – CHASING THE DREAM OF CARBON-NEUTRAL MINING

A carbon-neutral diamond mine may sound like a dream, but De Beers’ innovative project could make it a reality.

In 2016, we started researching an innovative method to reduce our carbon footprint: using kimberlite tailings (mineral residue after ore processing) to store carbon dioxide, a process known as ‘sequestration’.

When kimberlite tailings are exposed to air, primary minerals are altered through reactions with water and carbon dioxide. Through this process, carbon dioxide is removed from the atmosphere and stored in solid, non-toxic carbonate minerals (similar to chalk) as a natural part of the carbon cycle.

Kimberlite tailings are broken-up rock fragments. This means they have a high surface area, which speeds up the rates of reactions. These reactions can be further enhanced through mineral carbonation technologies, which have already been successfully tested in recent pilot studies in rock types similar to kimberlite.

Through smart tailings management, it may be feasible to design a low-carbon footprint mine – or even bring about carbon-neutral diamond mining. It may even be possible to design a mine that removes more carbon from the atmosphere than it emits.



More case studies online → www.debeersgroup.com/stories

In 2016, the focus of Project Minera was a literature review and desktop study. Supported by external experts, a De Beers team reviewed and synthesised several hundred papers on carbon sequestration.

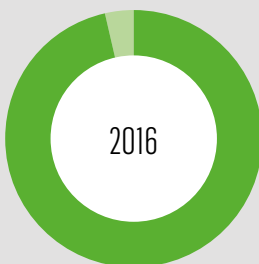
In 2017, detailed assessment studies, in partnership with external experts, will begin at mine sites.

It’s early days yet but, even if a carbon-neutral mine cannot be achieved, the use of carbonation technologies could nevertheless substantially reduce a mine’s net carbon emissions.

ENVIRONMENTAL INCIDENTS

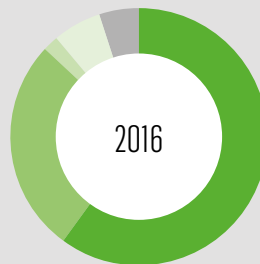
Our key focus is the prevention of unwanted environmental events. As a result of this focus, there were no serious (level 3-5) environmental incidents in 2016.

FIGURE 13: NUMBER OF ENVIRONMENTAL INCIDENTS BY SEVERITY



Level 1: 1,162
Level 2: 43
Level 3: 0
Level 4: 0
Level 5: 0

FIGURE 14: SIGNIFICANT ENVIRONMENTAL INCIDENTS BY TYPE



Land 60%
Water 27%
Air 2%
Biodiversity 6%
Visual/aesthetics 0%
Cultural/archaeological 0%
Other 5%

MERCURY MONITORING

In 2015, an NGO, CPAWS-Wildlands League, made claims about alleged failures in our monitoring and reporting of environmental impacts at Victor mine in Canada.

CPAWS-Wildlands League subsequently initiated a private prosecution around the same issues. We are actively engaged in defending this prosecution.

1

WATER AVAILABILITY AND QUALITY

For people across southern Africa, 2016 was dominated by the worst drought in more than 100 years. This seriously affected South Africa, Botswana and Namibia, the three countries that together account for more than 96 per cent of the rough diamonds we mine.

Scarcity of water is a significant risk not only to the communities in which we work, but also to food production, biodiversity and the continuity of our production.

We have a key water stewardship role, both as part of our Building Forever approach and as a signatory to the United Nations CEO Water Mandate. We therefore support our partners across all three countries in helping to conserve this precious resource.

We focused on three main areas in 2016: reducing consumption at our operations; raising awareness on water conservation; and seeking innovative solutions.

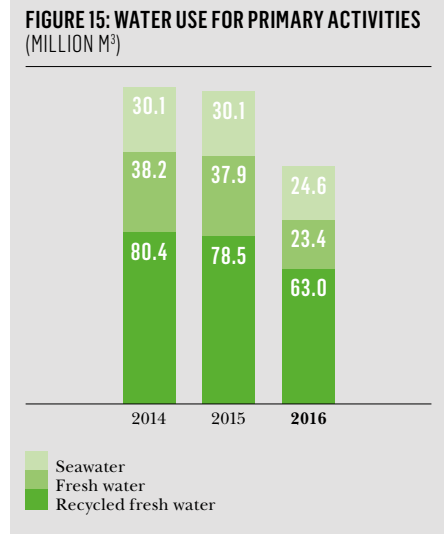
Our Venetia mine in South Africa and the Orapa and Jwaneng mines in Botswana account for 81 per cent of our Group-wide water usage, making them the focus for our efforts to reduce consumption.

Following similar initiatives at Jwaneng in 2013 and Venetia in 2015, we carried out a full water security and efficiency review at Orapa during 2016.

Our technology teams have been focused on finding innovative ways to reduce our water consumption.

One example is a novel settling technique in fines residue disposal (slimes) that uses polymer combinations to bind solid particles. This encourages solid particles to settle out of the liquid, leaving clear water that can be recycled. Following successful testing in 2016, a larger-scale evaluation will take place at Orapa mine in 2017.

A new diamond sorting system, based on x-ray transmissions (XRT), has also been developed. This system not only improves potential diamond recovery rates, but requires five per cent of the



electrical power and less than one per cent of the water consumption compared with the current system. The XRT systems were tested in Namdeb in 2015 and 2016, and will be deployed to Debswana in 2017.

To raise awareness of water scarcity beyond our own operations, we ran a campaign in 2016 designed to help employees and their families use water wisely and reduce wastage. This involved tips on the ‘three Rs’ of water conservation: reduce, reuse, and repair.

We also completed a successful engagement project at one of the well fields feeding the Orapa mine, which used traditional knowledge to map out boreholes and water levels. We took the opportunity to explain to local farmers how we would be using local water supplies and to encourage communities to work with us on water monitoring.

DIAMOX

Another example of where we looked to tackle water shortages beyond our own operations during 2016 was the launch of Element Six’s innovative Diamox waste water treatment system. Designed to treat highly contaminated industrial waste water, this electrochemical cell created from synthetic industrial diamonds removes dissolved pollutants in the water.

Cleaning such contaminated waste water has previously often involved using electrochemical cells with additional UV and strong chemicals such as peroxide or bleach, in a multistep process.

The diamond electrodes in the Diamox enable this process to become purely electrochemical, which is simpler and safer to operate, and more sustainable.

Not only this, but it is highly effective. Pilot studies have shown that using this process makes it possible to treat the water to a degree that makes it safe to put back into the environment.

“ELEMENT SIX IS CONTINUOUSLY PUSHING THE BOUNDARIES OF THE PROPERTIES OF DIAMONDS. THIS NEW GENERATION OF DIAMOX OFFERS AN INNOVATIVE AND INHERENTLY SAFE METHOD OF ADVANCED WATER TREATMENT TECHNOLOGY.”

Karl-Georg Hildebrand, Executive Director, Sales and Marketing, Element Six

2

BIODIVERSITY AND CONSERVATION

Biodiversity and conservation are important focus areas for De Beers. Following our signing of the Convention on Biological Diversity’s Business and Biodiversity Pledge in December 2016, we are the only mining company to have committed itself in this way to taking positive action in support of biodiversity.

Our commitment is exemplified by the Diamond Route – our biodiversity and conservation programme, which links seven diverse sites covering 145,000 hectares across southern Africa.

LAND SET ASIDE THROUGH THE DIAMOND ROUTE AND OTHER CONSERVATION PROPERTIES FOR CONSERVATION (HECTARES)

164,000

(2015: 170,785)

The land we manage for conservation through the Diamond Route and further conservation land covers 164,000 hectares, five times the area of land disturbed by our mining activities. Inevitably, an area of such size is home to several indigenous and endangered species, for whose welfare we take responsibility.

One project we co-sponsored in 2016 highlighted the scale of the conservation challenge we and our partners face. This was an update to the Red List of Mammals of South Africa, Lesotho and Swaziland, which will be incorporated into the world’s most comprehensive inventory of the global conservation status of biological species, the IUCN global Red List.

It showed that 17 per cent of South Africa’s mammals are under threat of extinction, 10 per cent are near

threatened and 66 per cent are more threatened than two years ago.¹ We announced some of the key findings to the 200 delegates attending the seventh Oppenheimer De Beers Group Research Conference, which we hosted in October.

One mammal in particular danger is the white rhino. Currently, Debswana’s rhino conservation projects supports a significant proportion of Botswana’s white rhino population, in an initiative that aims to conserve and grow the population before releasing individual rhinos back into the wild.

2016 also saw De Beers co-host a charity event with the EXPLORE safari company to raise funds for the newly created Thlokomela Trust, which aims to save rhinos and other animals in Botswana’s conservation areas including the Jwana and Orapa game parks.

SHARING LEARNING

Supporting partners in shared biodiversity and conservation efforts is a key focus for De Beers. During 2016, we hosted or attended a number of forums to share learnings with stakeholders across the biodiversity community.

Two highlights included:

- The Biodiversity Mitigation Hierarchy Workshop: hosted by De Beers in Johannesburg and presented by the National Biodiversity and Business Network alongside the International Union for the Conservation of Nature (IUCN). Sixty delegates shared insights on implementing the Mitigation Hierarchy – the process of avoidance, minimisation and rehabilitation.
- The IUCN World Conservation Conference ‘Planet at the crossroads’: we submitted an i-poster to the conference’s 10,000 delegates entitled ‘Finding and protecting nature’s treasures’, which showed the work De Beers is doing to protect biodiversity.

A white rhino protected within the Diamond Route.



¹ Source: <https://www.ewt.org.za/Reddata/reddata.html>

Also in Botswana, a population of endangered white-backed and lappet-faced vultures was spotted during 2015 close to key exploration drill locations.

Working closely with partners including the Department of Environmental Affairs, the Department of Wildlife and National Parks, and Birdlife Botswana, we agreed to re-route all nearby tracks away from the nesting site. We also delayed any drilling until May 2016, to align with breeding cycles.

We carried out monitoring once drilling was completed in October, which showed that the vultures' 2016 breeding season was a successful one.

“CONSERVATION IS NOT A PASSIVE PURSUIT. IT DEMANDS CRITICAL THINKING AND CREATIVITY. IT TAKES INNOVATION AND DETERMINATION.”

Prince Mangosuthu Buthelezi, a long-term South African Member of Parliament and lifelong conservationist, in his keynote speech at the seventh Oppenheimer De Beers Group Research Conference

Aerial view of the Debmar Atlantic vessel, DebMarine Namibia.

OFFSHORE MINING RECOVERY

We continued our 22-year research programme into post-mining recovery in our offshore mining area during 2016, using high-resolution geophysical data covering an increased number of sampling sites.

Our monitoring is designed to track both natural variations and the impact of mining activities so we can assess changes.

Now, as well as continuing to monitor recovery rates, we have committed more resources to post-graduate student projects and we are increasing communication of our findings to key stakeholders. This will ensure that our activities are constantly in line with their expectations.



3

MINE CLOSURE PLANNING

Our Victor mine in Canada is due to close in 2019, followed by the Voorspoed mine in South Africa in 2020.¹ Focus has therefore intensified on the mines' closure plans in recent years, with full reviews of both being undertaken during 2016.



Aerial view of Victor Pit, Victor mine, Canada.

At Victor, we have developed a native seed collection, propagation and planting programme to help ensure that the best possible rehabilitation of the site ultimately contributes to a positive legacy for the mine.

This is proving an extremely valuable exercise in taking community relationships to a new level, through partnering, building knowledge and developing the local workforce.

To make it work, we are engaging closely with the Attawapiskat community. While we oversee logistics, they identify the best places to source seeds, carry out the collection and contribute to cultural learning.

In parallel, a youth programme is giving local indigenous high-school students planning, teamwork, plant identification and outdoor skills.

At Voorspoed, meanwhile, we have been involved in long-term discussions about the mine's land end-use.

Two opportunities look to be particularly suitable for Voorspoed – livestock farming and mixed game ranching. Both of these have the potential to be at the heart of an effective future plan for the local area, one that gives our existing employees new skills and opportunities.

PLACING SNAP LAKE ON EXTENDED CARE AND MAINTENANCE

Snap Lake in Canada is an underground mine, which uses powerful pumps to remove water and keep the mine dry.

Having placed the mine on care and maintenance in December 2015, we received regulatory approval to switch off the pumps and flood the mine in 2016. This will reduce the costs of care and maintenance, while preserving the long-term viability of the orebody.

Throughout 2016, much effort was spent on the detailed stakeholder engagement, technical feasibility and regulatory processes that need to be completed before we can do so.

The onsite team is, meanwhile, continuing all monitoring commitments to ensure that the water quality and mine site remain safe for humans, wildlife and the environment.

“IT IS A POSITIVE PROGRAMME; WE GET TO COLLECT SEEDS, LEARN ABOUT THE LAND AND HELP IT TO RETURN TO ITS NATURAL STATE.”

Julie Tookate, a student from the 2016 Victor summer seed collection programme

¹ For further information, refer to the Anglo American Ore Reserves and Mineral Resources Report 2016.

ASSURANCE STATEMENT

INDEPENDENT LIMITED ASSURANCE REPORT TO DE BEERS UK LIMITED

KPMG LLP ('KPMG' or 'we') were engaged by De Beers UK Limited ('De Beers') to provide limited assurance over the Report (as defined in the scope of work below) as a whole for the year ended 31 December 2016.

OUR CONCLUSION

Based on the work we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Report as a whole has not been properly prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of the remainder of this report, in particular the inherent limitations explained below and this report's intended use.

SCOPE OF WORK

The scope of our work includes only the sustainability related information in the De Beers Report to Society; the De Beers Material Issues webpage as set out at www.debeersgroup.com/materialissues and the De Beers Global Reporting Initiative Index as set out at www.debeersgroup.com/publications (together 'the Report') for the year ended 31 December 2016.

Our work was performed in the context of the Report as a whole and we do not provide assurance over the individual components of the Report separately.

We have not performed any work, and do not express any conclusion, over any information contained in the Report for previous periods or any other information, including information that may be displayed elsewhere on De Beers' website for the current year or for previous periods, unless otherwise indicated. We have not considered the effect of any changes in the information presented on De Beers' website subsequent to 3 May 2017.

REPORTING CRITERIA

The Reporting Criteria we used to form our judgements are the Sustainability Reporting Guidelines G4 of the Global Reporting Initiative (GRI) as set out at <https://www.globalreporting.org>

supported by De Beers' internally developed guidelines, as described in the De Beers' Basis of Reporting as set out at www.debeersgroup.com/publications (together 'the Reporting Criteria'). The Report needs to be read together with the Reporting Criteria.

INHERENT LIMITATIONS

The nature of non-financial information; the absence of a significant body of established practice on which to draw; and the methods and precision used to determine non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time.

The Report contains a number of forward-looking statements; we do not provide any assurance on the achievability of the objectives, targets and expectations of De Beers.

DIRECTORS' RESPONSIBILITIES

The Directors of De Beers are responsible for:

- Designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Report so that it is free from material misstatement, whether due to fraud or error
- Selecting and/or developing objective Reporting Criteria
- Measuring and reporting the Report in accordance with the Reporting Criteria
- The contents and statements contained within the Report and the Reporting Criteria
- The maintenance and integrity of information included on De Beers' website.

OUR RESPONSIBILITIES

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Report has been prepared in accordance with the Reporting Criteria and to report to De Beers in the form of an independent limited assurance conclusion based on the work performed and the evidence obtained.

ASSURANCE STANDARDS APPLIED

We performed our work in accordance with International Standard on Assurance Engagements 3000 – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ('ISAE 3000') and, in respect of the greenhouse gas emissions information included within the Report, in accordance with International Standard on Assurance Engagements 3410 – 'Assurance Engagements on Greenhouse Gas Statements' ('ISAE 3410'), issued by the International Auditing and Assurance Standards Board.

The work performed in a limited assurance engagement varies in nature and timing from, and is less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

INDEPENDENCE, PROFESSIONAL STANDARDS AND QUALITY CONTROL

We comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and we apply International Standard on Quality Control (UK and Ireland) 1, 'Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements'. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

SUMMARY OF WORK PERFORMED

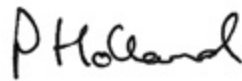
Considering the level of assurance and our assessment of the risk of material misstatement of the Report, whether due to fraud or error, our work included, but was not restricted to:

- Assessing the appropriateness of the Reporting Criteria for the Report
- Conducting interviews with De Beers management to understand the key processes, systems and controls in place over the preparation of the Report
- Conducting a risk analysis, including a media search, to identify relevant sustainability issues for De Beers
- Applying a risk-based selection methodology for identifying, and carrying out substantive testing procedures at three De Beers site locations; Jwaneng mine, Venetia mine, and Oranjemund mine
- Applying a risk-based selection methodology to agreeing a selection of the information in the Report to corresponding supporting documentation, including source documentation, at each of the site locations noted above and for a selection of information from across the De Beers Group included in the Report as observed from the De Beers Head Office location
- Re-performing a selection of the calculations and unit conversion factor calculations used by De Beers to prepare the Report
- Agreeing the relevant prior period and baseline data to previously reported data where these were used in the calculation of the current year amounts, including re-performing the calculation
- Performing analytical review procedures over the Report, including a comparison to the prior period's amounts having due regard to changes in business volume and the business portfolio
- Reading the Report with regard to the Reporting Criteria, and for consistency with our findings.

THIS REPORT'S INTENDED USE

This assurance report is made solely to De Beers in accordance with the terms of the engagement contract between us. Those terms permit disclosure to other parties, solely for the purpose of De Beers showing that it has obtained an independent assurance report in connection with the Report.

We have not considered the interest of any other party in the Report. To the fullest extent permitted by law, we accept no responsibility and deny any liability to any party other than De Beers for our work, for this assurance report or for the conclusions we have reached.



Paul Holland
for and on behalf of KPMG LLP
Chartered Accountants
London
3 May 2017

SUMMARY REPORT FOR DE BEERS GROUP BPP 2016 CYCLE

ROLE OF SGS IN THE BEST PRACTICE PRINCIPLES PROGRAMME

APPOINTMENT OF SGS

SGS has been the verification partner for the De Beers Best Practice Principles (BPPs) Assurance Programme since July 2003. After involvement in the development of the programme and initial pilots, SGS has verified compliance against the BPP requirements since they came into full force in 2005.

SGS is the world's leading independent verification and certification organisation with no commercial interests in the diamond industry. SGS continues to maintain a vigilant system to ensure that no conflicts of interest arise through the provision of additional services to Sightholders, Accredited Buyers or the De Beers Group. This has been supplemented by further safeguards since SGS gained accreditation as a Certification Body for the Responsible Jewellery Council (RJC), which also has requirements in this regard.

SCOPE OF WORK AND EVOLUTION OF PROGRAMME

The 2016 BPP cycle ran from 1 April 2016 to 31 March 2017. The programme remains fully aligned with the RJC Code of Practices Standard 2013. In some cases, the BPP requirements are set at a higher level and this has not been compromised.

For the 2016 cycle, the requirements in relation to mitigating the risk of undisclosed synthetic diamonds entering into the natural diamond pipeline has been further enforced with a stricter line taken on compliance, given that this is now in its second year. The Guidance on Undisclosed Synthetic Diamonds was also extended to include the BPP Melee Assurance Protocol for diamonds in the 0.01 carat and below category.

Midway through the 2016 cycle, De Beers introduced five beneficiation project members through a new enterprise development project that aims to support the growth of historically disadvantaged South African-owned diamond businesses that can ultimately become Accredited Buyers/Sightholders. As they

are also customers of De Beers, they are required to comply with and participate in the BPP programme. These are very small companies that are being assisted to develop systems to support a status as responsible businesses. As this was their introduction to the programme, they were each asked to complete a first-party workbook which was reviewed with feedback provided to assist them for future cycles.

Given the alignment of the BPP requirements to the RJC Code of Practices, the online system provides opportunities to leverage areas of commonality. This includes the option for participants who are already certified to the RJC Code of Practices to upload their RJC certificates to the online system and respond to a more limited number of questions for their first-party assessments. As before, the third-party verification visits continued to assess compliance across all relevant points, so that a 'deeper' verification is undertaken. In addition, Sightholders and Accredited Buyers may elect to integrate RJC certification visits into their BPP programme to streamline their approach to these programmes and avoid audit duplication. In 2016, this resulted in 20 Sightholders/Accredited Buyers electing either to become certificated or renew their certification through this option.

The scope of work undertaken by SGS as the BPP verifier for the 2016 cycle comprised the following:

- Desktop review of a sample of the workbooks submitted by Sightholders and Accredited Buyers for their owned operations and contractor (Tier B) sites and by the De Beers Group of Companies. This process verifies that all required workbooks have been submitted; that all questions have been answered; that the responses to the questions support the compliance status declared in each case; and to test the conclusions by requesting supporting evidence on a random number of questions.
- Verification visits on up to 10 per cent of each Sightholder Group's and Accredited Buyers' declared eligible entities to independently assess the situation through first-hand evaluation of evidence of compliance with the issues concerned.
- Additional visits to a sample of Tier B contractors who were declared as manufacturing melee diamonds (0.01 carats and below) to conduct a limited scope visit covering the new Melee Assurance Protocol and key Health & Safety and Labour Standards topics. This included, for the first time, non-substantial contractors who are manufacturing this size.
- Provision of information relating to the compliance status of Sightholders' and Accredited Buyers' entities and details of any significant issues. This information is provided in accordance with the confidentiality requirements imposed by the Ombudsman.
- Ongoing support in explaining local legislative requirements and common issues and challenges.

VERIFICATION METHODOLOGY

The verification process is undertaken in three stages:

- In the country of operation, workbooks are reviewed by qualified auditors who also meet the requirements of the RJC certification programme. These are experienced social auditors, cross-trained in environmental management and the business elements applicable to companies involved in diamonds and gold, and trained on the requirements of the BPPs.
- Local reviews are then submitted to a central review point and subsequently cross-checked to ensure consistency by country and requirement.
- A sample of up to 10 per cent of each Group's entities are selected centrally for onsite verification visits to check the effectiveness of the first-party assessments and to evaluate at first hand the situation on the ground.

DE BEERS GROUP FACILITIES

For the De Beers Group, the requirement for the submission of self-evaluations was completed to the agreed deadlines and 60 workbooks were submitted for eligible facilities. Seventeen workbook reviews were conducted during the cycle. These have been rated in accordance with the BPP programme requirements and resulted in two minor infringements being raised, which are in the process of having corrective action plans developed.

Seven onsite verification visits were also completed, reflecting a mix of activities and geographical scopes so as to review the ongoing performance at these entities. One minor infringement was raised for which a corrective action plan is to be developed.

There are no open infringements from previous cycles and the BPP team and De Beers Group entities have been open to all improvement recommendations and responsive to all information requests.

SIGHTHOLDERS AND ACCREDITED BUYERS

Sightholders and Accredited Buyers were required to complete and upload workbooks for all eligible entities and contractors for whom they represent >75 per cent of their business and declare any non-substantial contractors on the SMART system. In addition, they were asked to declare all contractors who are manufacturing melee diamonds to enable a pilot review to be undertaken to cover the new BPP Melee Assurance Protocol requirements.

2,959 eligible entities were declared and workbooks were submitted within agreed timescales. Where entities are co-located or part of a retail brand, merged workbooks may be submitted and this resulted in 881 individual workbooks. Of these, 264 workbooks were reviewed for this cycle and rated in accordance with the BPP programme requirements.

In addition, 120 onsite verification visits were completed based on the sampling rules defined above. This included the pilot audits undertaken at the non-substantial contractor sites involved in manufacturing melee diamonds.

OVERALL SUMMARY

Policies and procedures are now embedded into normal operations for De Beers' facilities and there is a commitment to continuous improvement against both the BPP and RJC requirements.

No material breaches or major infringements were identified during first- or third-party assessments. Three minor infringements were identified and the Group is actively working on corrective action plans for these.

Sightholders and Accredited Buyers had a more mixed performance. A total of 175 infringements were raised during the cycle, of which 33 were major infringements with two raised against Business Principles; 30 against Social Requirements and one against Environmental Requirements.

This is an increase since the 2015 cycle with Major Infringements largely being found in the areas of Health & Safety (especially fire safety), discrepancies in documentation (relating to working hours and wages) and a few one-off infringements relating to various legal requirements. In addition, some newer Sightholders are still developing the required policies and procedures.

The Sightholders have been asked to provide corrective action plans for these infringements, which will be reviewed by the local SGS offices. They will then need to provide evidence of completion of these actions to close them out. For Major Infringements, the local SGS offices actively follow up with the Sightholders to ensure that these are completed in a timely manner. For Minor Infringements, SGS reviews evidence as it becomes available.

RECOMMENDATIONS AND FUTURE DEVELOPMENTS

A new online system is being launched in time for the 2017 cycle to provide greater functionality to all users. It is hoped that this will encourage the upload of more evidence to support responses with the first-party workbooks and more timely responses to queries raised during the desktop review process. This will, in turn, allow more detailed responses from SGS to encourage deeper self-assessments by the BPP managers so that they take greater ownership of the programme.

For Sightholders and Accredited Buyers, disclosure and mitigation of risks in relation to the undisclosed synthetic diamonds entering supply chains will continue to be a major focus, as will the effective closure of infringements raised during this and previous cycles.

As in previous cycles, Sightholders and Accredited Buyers will be able to opt in for combined BPP/RJC verification with the possibility of this leading to a recommendation for RJC certification. The RJC will be launching a review of the Code of Practices Standards in late 2017 and the output of this exercise will be studied to further develop the BPP requirements for future cycles.

A number of De Beers Group Sightholders and Accredited Buyers provided responses to the voluntary section, Corporate Social Investment and Business Impact, which seeks to encourage participants in the BPP programme to highlight any case studies of their projects and programmes that support the United Nations Sustainable Development Goals. This will continue in 2017 with further take-up expected.



Effie Marinos
SGS United Kingdom Ltd

31 March 2017
www.uk.sgs.com

WHISTLEBLOWING HOTLINE

The De Beers Group of Companies' whistleblowing service (Speak Up) enables employees and other stakeholders to raise concerns about conduct that is unlawful, unethical or unsafe, including (but not limited to):

HEALTH AND SAFETY

Actions that could result in harm to individuals or the environment.

BRIBERY AND CORRUPTION

Illegally taking or offering financial incentives.

MISUSE OF ASSETS

Inappropriate use or theft of company property.

LEGAL OBLIGATIONS

Failure to comply with or meet legal commitments.

CONFLICT OF INTEREST

Concealment of interests that may influence decisions.

Any person wishing to report an incident can use Speak Up. It is independently managed by Deloitte Tip-offs Anonymous. Contact details are as follows:

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Toll free fixed line: +267 (0) 800 600 644

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FURTHER INFORMATION

BUILDING FOREVER

You can find out more about how we are Building Forever at our online hub through videos, case studies, blogs, news and more.

www.debeersgroup.com/buildingforever

REPORTING CENTRE

Information on our financial performance, production data and market analysis and insights can be found on our website.

www.debeersgroup.com/reports

FINANCIAL PERFORMANCE

Our financial performance can also be found in the Anglo American plc group Annual Report.

www.debeersgroup.com/reports

GLOSSARY

Definitions for terms and abbreviations used within this report can be found on our website.

www.debeersgroup.com/glossary

FEEDBACK

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

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Email: buildingforever@debeersgroup.com

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