

## **NOTES TO THE SIGHTHOLDER CONTRACT PROPOSAL QUESTIONNAIRE – 2008-2011 – SUBJECT TO CONTRACT**

These Notes are designed to assist you in completing the Sightholder Contract Proposal Questionnaire in respect of your business and the categories of rough diamonds for which you wish to apply for during the period 2008 to 2011. Please read them carefully before you start to compile your response. You should also read the terms and conditions at the end of this document.

You should be aware that where your answers are ambiguous or incomplete, despite the guidance provided in these Notes, the DTC will not be able to accord you the benefit of the doubt, nor will it second guess your appropriate responses, fill in any gaps or independently clarify submissions on your behalf. The DTC will, as far as it is reasonably able to do so, clarify with you any and all ambiguities before the end of the data validation period (i.e. the period *prior* to the DTC's assessment of the materials submitted). But you alone are responsible for ensuring that there are no ambiguities in your submissions. Your answers will be scored on the basis of the information as it stands at the end of the data validation period.

Please note that completed questionnaires and subsequent clarificatory details must be submitted in the first instance to the SoC Ombudsman, who will review the submissions to ensure that no inappropriate information is submitted to the DTC by applicants. All submissions will be transmitted directly and securely to the SoC Ombudsman once an applicant presses the 'submit' button on the on-line system. Once the SoC Ombudsman is satisfied that all inappropriate data has been removed from submissions only then will he pass them on to the DTC. Questionnaires and other supporting materials must never under any circumstances be sent directly to the DTC.

Please note that the SoC Ombudsman will not provide advice or guidance on how to complete the Contract Proposal Questionnaire and no approach should be made to him or his Team in this regard. Please contact either your Broker or your Key Account Manager if you have any queries in relation to the Contract Proposal Questionnaire. If you have not appointed a Broker and/or do not have a designated Key Account Manager, please contact either Neil Everitt or Michael Hing of the DTC Commercial Department, and they will be pleased to assist with any questions that you may have.

The Ombudsman and his team will also not second-guess your appropriate responses, fill in any gaps or independently clarify submissions on your behalf. To the extent that any Contract Proposal Questionnaire contains information which the DTC is not entitled to see, the Ombudsman will draw this to your attention but will not on behalf of applicants substitute such information with data the DTC can see – that will be an exercise that you will need to attend to, and it will result in a delay to the processing of your application.

If the SoC Ombudsman returns your Contract Proposal Questionnaire in order for you to replace redacted information with appropriate information (relevant to the question) which the DTC is entitled to see, you will have a set time period in which to provide the replacement information. If you fail to meet the SoC Ombudsman's deadline, your Contract Proposal Questionnaire will be submitted to the DTC with the redaction duly made and without any suggested replacement text. In such circumstances, there is a real risk that your application will be defective and the DTC will be unable to assess your application. It is therefore essential that you comply with the deadlines communicated by the SoC Ombudsman.

Please note that certain answers to the Contract Proposal Questionnaire are limited to a fixed number of words. If you exceed such limits, the DTC will not take into account what is submitted in excess of the stated word limit. It is therefore your responsibility to ensure that you do not submit answers in excess of these word limits.

## **Third-Party Verification**

**Any of your submitted materials will be eligible for independent third-party verification. The DTC anticipates that materials from all Sightholders will be verified before or during the 2008-11 contract period, and that no new appointments will be made without a preliminary and satisfactory third-party verification of the materials submitted in response to this questionnaire. The independent verifier will have regard to the guidance set out in these Notes when considering your materials. If an applicant succeeds in qualifying for the next contract period but has clearly and deliberately submitted incorrect and misleading information to the DTC as part of its Contract Proposal(s), this will be considered a serious breach of trust and integrity, conduct that is incompatible with the Best Practice Principles (BPPs) and the DTC has the right to withhold supply from that applicant and, in some cases, may even withdraw the offer, or terminate the contract relationship altogether.**

## **INTRODUCTION TO THE SIGHTHOLDER CONTRACT PROPOSAL QUESTIONNAIRE**

The Sightholder Contract Proposal Questionnaire is designed to assess your ability to compete with other applicants for supplies of the specific category or categories of rough diamonds you propose to purchase from the DTC during the 2008-2011 Sightholder Contract period.

The questionnaire is presented in six sections. It starts by seeking evidence of your satisfaction of the minimum requirements for Sightholder eligibility and by inviting you to outline the basic details of your business. It then provides a straightforward template format for your Contract Proposal. All applicants are required to submit their Contract Proposals in this template format. To complete the template, you must first specify the type and quantity of supply you require, and then provide corroborative evidence of the commercial competitiveness of your proposal for use of these goods. This evidence will enable the DTC to assess your proposal objectively and relatively against the proposals made by other applicants, with reference to the DTC Sightholder Criteria and the Sightholder Considerations.

The assessment process has been designed to enable the DTC to distribute every category of its rough diamonds to the users that can evidence the strongest capability to maximise the goods. Before completing a Contract Proposal, please be aware that if you are not able to evidence high satisfaction of the DTC Sightholder Criteria with relation to the particular goods you are seeking, it is very likely that the strength of competition from other applicants will result in the DTC being unable to offer you supply in these goods and, even if you can evidence such levels of satisfaction, the DTC cannot guarantee what can be supplied.

### **Contents of the Questionnaire: Summary**

#### **1. Your satisfaction of certain minimum requirements.**

These are the essentials of Sightholder Eligibility, and include:

- ◆ The ethics of your business and of your Key Individuals
- ◆ Your full satisfaction of the Diamond Best Practice Principles
- ◆ Your ability to produce audited financial statements (consolidated or combined) for your entire Sightholder Group for the period(s) specified in this document

Unless you can demonstrate full satisfaction of these requirements, your application will not be eligible for further consideration.<sup>1</sup>

Section 1 also seeks high-level details on the basic structure of your business, to enable the DTC to develop a broad understanding of your overall business model.

#### **2. Your Contract Proposal for the category or categories of goods you require.**

Your Contract Proposal is your proposal to purchase a specified quantity per annum of the category or categories of rough diamonds you require. On the basis of the information you provide in the subsequent sections of the questionnaire, the commercial competitiveness of your proposal will be assessed against the DTC Sightholder Criteria, in light of the Sightholder Considerations, and against the competing Contract Proposals submitted by other applicants, to determine whether or not your Contract Proposal can be met either in full or in part from the DTC's forecast availability.

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<sup>1</sup> Further details are available on the Sightholder Extranet.

### **3. Supporting your Contract Proposal: Your competitive advantage in the categories of goods you require.**

In each category for which you make a Contract Proposal, you are requested to provide details of the following in a standard template format:

- ◇ The scale of your current activities in this category
- ◇ Your capability to process<sup>2</sup> rough diamonds of this type
- ◇ Evidence of your ability to add value to rough diamonds of this type, including:
  - ◇ The products and services you currently offer to your customers from rough diamonds of this type<sup>3</sup>
  - ◇ The relevance of this product/service offering to your customers
  - ◇ The way(s) in which this offering differentiates you from your competitors
  - ◇ The extent to which this offering allows you to capture value
- ◇ Your future plans for this category of goods

### **4. Supporting your Contract Proposal: The core strengths of your Sightholder Group**

Beyond your specialist capability in the category or categories you wish to purchase (as evidenced in section 3), certain broader strengths of your Group also influence the commercial competitiveness of your Contract Proposal. These are:

- ◇ Your Group's past record of achievement in adding value to rough diamonds
- ◇ The extent and focus of your Group's penetration into key diamond markets
- ◇ Your existing distribution and marketing infrastructure
- ◇ The commercial coherence of your Group's current portfolio of diamond activities
- ◇ Your Group's future plans for corporate development

### **5. Delivery Requirements**

There are specific Producer Partnership DTC sections which allow you to specify the particular boxes you require to fulfil your Contract Proposal.

In the 2008 SoC contract period, the DTC and the Producer Partnership DTCs will offer supply in the following locations:

- ◇ Botswana
- ◇ Canada<sup>4</sup>
- ◇ London
- ◇ Namibia
- ◇ South Africa

For each location in which you wish to be considered for supply, you will be required to apply for those diamonds directly to the relevant company concerned by specifying how much of each category you would like to receive, and the boxes you would prefer to receive per location. Note that you may be considered for supply in any location(s) in which you have a valid licence to operate (where required). You may not make requests for locations in which you do not have a valid operating licence (where this is required by the relevant national government).

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<sup>2</sup> Preparing and/or manufacturing ability is deemed relevant to all proposals that do not involve dealing or on-selling rough diamonds.

<sup>3</sup> OR related rough diamonds, if you can convincingly make the argument that your capabilities, products and services are transferable.

<sup>4</sup> Successful Canadian applicants will be supplied from the DTC in London.

Requests for supply from each supplying entity will be assessed as a **Contract Proposal in its own right by the relevant Producer Partnership DTC**, taking into account the information provided in all sections of the questionnaire.

## 6. Producer Partnership DTC supply considerations

If you are requesting supply from Producer Partnership DTCs, satisfaction of separate criteria and procedures (to be the subject of separate communications) will be required to evidence your ability to meet the legal, economic and/or political objectives of the Producer Partnership DTCs of the location in question (and these may vary from one location to the next). These will be considered material in assessing the commercial competitiveness of any proposals to purchase rough diamonds from these supplying entities.

### Assessment

Based on your responses to the questions in all sections, the relevant supplying entity will use benchmarked assessments to determine the extent to which, relative to other applicants, your proposal has evidenced commercial competitiveness.

Your qualification for supply will depend upon

- ◇ The commercial competitiveness of your Contract Proposal, as evidenced by the Contract Proposal's satisfaction of the Criteria in relation to the satisfaction evidenced by other applicants for the same goods.
- ◇ The supplying entity's overarching commercial need to address the issues identified in the Sightholder Considerations.

**Details of the relative weightings of the headline criteria will be provided in May.**

*Notes on the assessment methodology have been included as part of these guidance notes. For your convenience, these notes are highlighted in italics.*

## SIGHTHOLDER GROUP DEFINITION

Your responses to the questions in the Sightholder Contract Proposal Questionnaire must reflect the activities of your **entire** Sightholder Group.

Any and all company/companies which the Sightholder controls and is/are involved in diamond manufacturing and/or distribution **must** be included in their Sightholder Group.

Any company or entity included in a Sightholder's Appendix 1 submission shall be deemed to be a member of that Sightholder's Group.

A company can only belong to one Sightholder Group at any one time.

'Group' means **any and every** company, its holding company from time to time and **any and every** subsidiary from time to time of such company or holding company, in each case **to the extent such company's businesses relate to diamond manufacturing and/or distribution**.

Sightholder  
Group:

In this context, a 'Sightholder Group' could comprise:

- ◆ The applicant entity ('the applicant')
- ◆ The applicant's holding company or entity ('holding company'), if it has one; and/or
- ◆ Any subsidiaries (if there are any) over which the applicant or its holding company can demonstrate control.

Holding  
Companies:

A company or other entity is a 'holding company' if it exercises direct or indirect control over the applicant.

'Control' in this context can be exercised by:

**either** the holding company having ownership of a majority of the voting rights (including partnership voting rights) in the applicant,  
**and/or** the holding company being a member of the applicant and having the right to appoint and remove a majority of the board of directors,  
**and/or** the holding company being a member of the applicant and controlling alone, or pursuant to an agreement or an arrangement of any nature with other shareholders or members, a majority of voting rights in the applicant.

In the exercise of *de facto* control, there is no requirement for the 'holding company' to be a member of the applicant – that is, to hold shares or partnership equity in the applicant.

Subsidiaries:

A subsidiary is a member of the applicant's Sightholder Group if the applicant can exercise direct or indirect control over it.

'Control' in this context can be exercised by

**either** the applicant having ownership of a majority of the voting rights (including partnership voting rights) in the subsidiary,  
**and/or** the applicant being a member of the subsidiary and having the right to appoint and remove a majority of the subsidiary's board of directors,  
**and/or** the applicant being a member of the applicant and controlling alone, or pursuant to an agreement or an arrangement of any nature with other shareholders or members, the majority of voting rights in the subsidiary.

In the exercise of *de facto* control, there is no requirement for the applicant to be a member of the subsidiary – that is, to hold shares or partnership equity in the subsidiary.

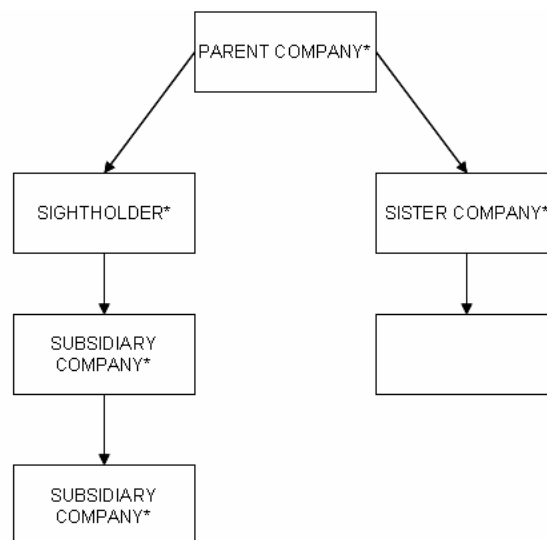
The following entities may also legitimately be included in a Sightholder Group if a chain of control linking them back to the applicant can be established:

- ◆ Subsidiaries of subsidiaries
- ◆ Holding companies of holding companies
- ◆ Subsidiaries of holding companies.

The definitions of 'group', subsidiary and holding company and 'control' above are specifically in a corporate context. However, in light of differing Sightholder organisational arrangements, the same principles as are reflected in those definitions will apply by analogy to other organisational arrangements. Consequently, a Sightholder's Group will include individuals, families, or entities other than companies (for example, partnerships, unincorporated associations, co-operatives) where those individuals, families or entities satisfy the definitions as referred to above when applied by analogy.

In determining which entities are within a Sightholder group, Note [1.1] of the Notes to the Sightholder Criteria and Other Considerations should be followed. For example, in a corporate context, a Sightholder's Group includes all parent, subsidiary and sister companies of the Sightholder to the extent that such company's businesses relate to diamond manufacturing and /or distribution.

This is best illustrated by the following diagram:



\* Each entity's business relates to diamond manufacturing and/or distribution

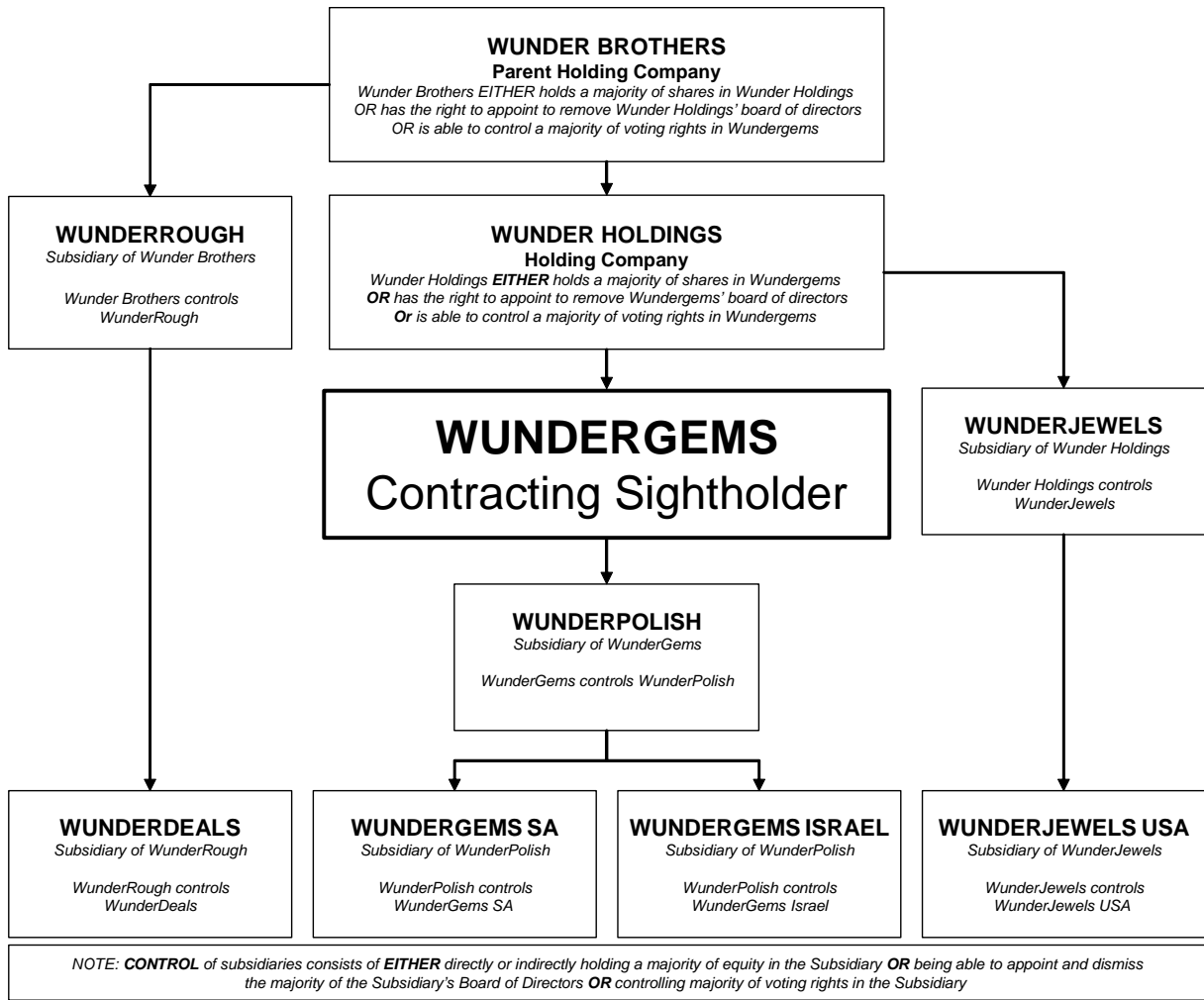
These legitimate permutations, and the way in which they link back to the applicant, are illustrated in Figure 1 in respect of the notional Sightholder WunderGems. For avoidance of doubt, Figure 1 does **NOT** show a 'recommended' Sightholder Group structure, and is purely illustrative in that it demonstrates the various ways in which holding companies and subsidiaries may legitimately link back to an applicant and therefore be included in that applicant's Sightholder Group. In every case, a **corporate**<sup>5</sup> chain of control must exist between an applicant and the members of its Sightholder Group. For avoidance of doubt, the shareholdings of private individuals are **not** in themselves sufficient to demonstrate corporate control.<sup>6</sup>

<sup>5</sup> 'Corporate': relating to any business enterprise or undertaking.

<sup>6</sup> For example, Mr John Doe may, as a private individual, own shares in both WunderGems and SuperCut Polishing, but Mr Doe's holding does not in itself establish a corporate relationship between these two entities.

### Figure 1: Sightholder Group Structure of WunderGems

All the entities in this diagram legitimately belong to the WunderGems Sightholder Group



## QUESTIONNAIRE SECTION I: SIGHTHOLDER ELIGIBILITY

### Part A) Basic Information

*No scores are awarded for any of the information provided in Part A*

**Registered Name** Please give the full registered name of the organisation that is applying for supply from the DTC ('The Applicant'). If the application is successful, the Applicant will be the 'Contracting Sightholder' as per the Documentation.

**Address** Please give the postal address and also the registered address (if different) of the Applicant.

**Telephone** Please give the telephone number on which we may contact you.

**E-mail address** Please give the e-mail address on which we may contact you.

**Broker** If you are using the services of a Broker<sup>7</sup>, please give their name.

**Key Individuals** Please give the names of all the Key Individuals in your Sightholder Group, as defined below<sup>8</sup>.

**Org. Structure** Please attach an organigram of your organisational structure in .pdf format, showing the linkages between the applicant, its subsidiaries (if any) and its holding companies (if any)

**Other Interests** Each Key individual is asked to specify whether they have any other commercial interests directly or indirectly in rough or polished diamonds, at any stage of the pipeline from primary extraction to retail, that are not included in the Sightholder Group. If this is the case, they should briefly outline why these interests are not included as part of the Sightholder Group.

**Company History** Please provide a brief bullet-point summary of the main milestones in the history of your company.

*Word limit: 500 words*

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<sup>7</sup> The DTC Sightholder Policy Statement welcomes the use of Brokers by Sightholders, although this is not obligatory.

<sup>8</sup> For the purposes of Supplier of Choice, a 'Key Individual' means:

(a) the applicant; and/or

(b) a partner in the applicant other than a partner whose sole interest is financial and who plays no role in the control or management of the applicant; and/or

(c) an individual who holds a position of seniority in the day-to-day management of the applicant; and/or

(d) an individual who directly or indirectly owns a majority of the shares in the applicant (unless it is demonstrated that his sole interest is financial and he plays no role individually or jointly with others in the control or management of the applicant) or individually or jointly with others controls or manages the applicant; and/or

(e) an individual who has the right (whether alone or jointly with persons connected with him) to appoint or remove a majority of the applicant's board of directors or senior management or to exercise a dominant influence over the applicant. For these purposes, 'dominant influence' means a right to give directions with respect to the operating and/or financial policies of the applicant with which the applicant's shareholders, directors and/or senior management are obliged, or accustomed, to comply.

## Part B) Compliance Declaration

**Signature of the Compliance Declaration by each and every one of your Key Individuals is a mandatory compliance requirement.**

**Failure of any Key Individual to complete this declaration (other than for truly exceptional logistical reasons) will mean that the DTC will be unable to proceed with your application.**

Each and every Key Individual in your Group is asked to confirm a number of relevant facts about their personal business ethics and the business ethics of their Group. Please refer to the declaration accompanying these Notes for details of what is required. Please note that each Key Individual will be taking personal responsibility for the veracity and completeness of the information provided in this questionnaire.

**A signed Compliance Declaration on behalf of the applicant Group is also required. Failure of any Applicant to complete this declaration (other than for truly exceptional logistical reasons) will mean that the DTC will be unable to proceed with your application.**

Your Group is asked to confirm a number of relevant facts about the business ethics of the Group. Please refer to the declaration accompanying these Notes for details of what is required.

## Part C) Confidentiality Declarations

**Mining Interests** Applicants with diamonds mining interests may be deemed competitors of the De Beers group.

The DTC can only offer (and please note are not obliged to offer) to supply such applicants once a mutually binding confidentiality agreement has been signed.

Please contact the DTC immediately if your Group has **any** diamond mining interests so that appropriate confidentiality measures may be put into place. Please refer for guidance to the DTC's Mining Competitors Policy.

**Customer Names** You must not divulge the names of your customers to the DTC unless your relationship with them is a matter of public record – meaning that this relationship is a known fact within the industry, and not just within the context of the applicant's commercial relationship with the DTC.

Please note that by completing the Contract Proposal Questionnaire you are confirming and will be deemed to confirm that (1) all customer names mentioned in your Contract Proposal(s) and associated materials and (2) your relationship with them, are a matter of public record and/or do not breach any obligation of confidentiality that you may have to such customers.

## Part D) Business Overview

This section of the questionnaire is intended to provide an overview of your Group's activities, and thus will provide context for the more detailed information you have the opportunity to provide in subsequent sections of the questionnaire. The information you provide in this section is likely to be the initial point of departure for any third-party verification of your submission.

### Question 1.1 What turnover did your Sightholder Group achieve in 2006 from the following activities?

Activity	Sales Turnover 2006
1. Selling rough diamonds	
2. Selling prepared rough diamonds	
3. Selling loose polished to trade buyers	
4. Selling diamond jewellery to trade buyers	
5. Selling loose polished or diamond jewellery direct to consumers	
<b>Total Sales</b>	

- ◇ Your sales figures should relate to the calendar year 2006.
- ◇ The sales figures you quote should only include confirmed sales and should exclude goods on consignment
- ◇ The sales figures you quote must be **net** of group intra-trading
- ◇ Your answer must include sales by all Group Companies as defined in the DTC's documentation
- ◇ Include in (1) all unpolished diamonds you have sold, excluding prepared rough as defined in (2)
- ◇ Include in (2) all sawn, cleaved, kerfed, bruted, tabled or otherwise semi-polished or prepared diamonds you have sold
- ◇ Include in (3) all polished diamonds you have sold to wholesalers, retailers, jewellery manufacturers and other trade buyers
- ◇ Include in (4) only the Polished Wholesale Price (PWP) value of the diamonds you have sold set in jewellery to wholesalers, retailers and other trade buyers
- ◇ Include in (5) only the Polished Wholesale Price value of the diamonds you have sold directly to consumers (including your private clients)

**Assessment:** *There are no marks available for this question, and there is no inherent advantage in achieving turnover from any of the five activities, or any combination thereof.*

**Question 1.2 How would you summarise the essence of your competitive advantage in the following activities?**

Activity	Competitive advantage
1. Selling rough diamonds	
2. Selling prepared rough diamonds	
3. Selling loose polished to trade buyers	
4. Selling diamond jewellery to trade buyers	
5. Selling loose polished or diamond jewellery direct to consumers	

- ◇ Please explain why you feel that you are better than your competitors.
- ◇ You should only answer for the activities in which you achieved turnover in 2006, by providing a brief summary of the element or elements of your business proposition or processes that you consider provide(s) your Group with a sustainable competitive edge when compared with other companies that are engaged in the same activity
- ◇ **Word limit: 500 words maximum per activity**
- ◇ You will have a chance to expand upon more detailed elements of your competitive advantage at greater length in Section 3, insofar as these are relevant in support of your Contract Proposal(s)

*Assessment: There are no marks available for this question, but the DTC will refer to your answer here when scoring your response to Question 3.3 and Question 4.4.*

**Question 1.3 What are your main customer segments in each of the following activities?**

Activity	Main segments	Turnover per Segment
1. Selling rough diamonds		
2. Selling prepared rough diamonds		
3. Selling loose polished to trade buyers		
4. Selling diamond jewellery to trade buyers		
5. Selling loose polished or diamond jewellery direct to consumers		

- ◇ This question asks you to identify and describe your principal customer segments, but not at this stage to provide any further details of your trading relationship with them

- ◇ You should only answer for the activities in which you achieved turnover in 2006
- ◇ Any group of customers whose needs you believe to be broadly similar and to which you provide broadly similar products and services may be grouped together as a 'customer segment'
- ◇ The precise way in which you segment your customer base is up to you. You are encouraged to look for common themes in your product-service offering rather than overcomplicating your response. For example, if you have customers in different geographical locations with different business models to which you offer broadly similar goods and services, these customers can be grouped together as a single customer segment. Most effective businesses typically segment their customer base into between one and six segments
- ◇ The number of segments you serve is irrelevant to your assessment – although in our experience applicants with a highly fragmented segmentation may find it difficult to articulate the coherence of their underlying segmentation strategy
- ◇ In Question 3.3 you will be asked to provide more detailed information regarding the customer proposition you offer to each of the segments you identify here and for which you wish to secure a supply of rough diamonds from the DTC. Your customer segmentation should provide sufficient distinction between customer segments such that your response to Question 3.3 does not require you to provide repetitious descriptions of the products and services you offer to multiple segments. Repetitious descriptions of this sort would imply that these are, in fact, **not** separate customer segments, as you are actually providing broadly similar products and services to these customers
- ◇ As you should not be overcomplicating your response, you are asked not to identify segments of your customer base that represent less than 10% of your turnover per activity
- ◇ You must not divulge the names of your customers unless your commercial relationship with them is in the public domain
- ◇ Please also indicate the approximate *overall* turnover you achieved in 2006 for each segment you identify<sup>9</sup>

**Word limit: 1000 words, to describe all of the segments.**

*Assessment: No marks are available for this question. The value of your current turnover per customer segment will be taken into account when validating the commercial competitiveness of your Contract Proposal.*

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<sup>9</sup> You should not and are asked not to provide more detailed breakdown of this turnover by customer segment at this stage.

**Question 1.4 What categories of rough diamonds did you purchase in 2006 to service the following activities?**

Activity	Categories purchased	Value of purchases	Purchase history
1. Selling rough diamonds			
2. Selling prepared rough diamonds			
3. Selling loose polished to trade buyers			
4. Selling diamond jewellery to trade buyers			
5. Selling loose polished or diamond jewellery direct to consumers			

- ◇ For each activity, the online questionnaire will offer you a drop-down list of categories of rough.
- ◇ Please indicate under 'value of purchases' the estimated value of rough purchased from all sources<sup>10</sup> by your Sightholder Group per category, per activity.
- ◇ Please indicate under 'purchase history' the estimated number of years for which your Group has been purchasing this material.

**Assessment:** *No marks are available for this question, which is asked to provide context for your responses to the questions in Section 3 and Section 4. The value of your current purchases and your purchase history per category will be taken into account when validating the commercial competitiveness of your Contract Proposal.*

<sup>10</sup> For the avoidance of doubt, you should include your Group's purchases of non-DTC rough.

**Question 1.5 Please provide the names and addresses (and principal places of business) of all the diamond polishing or processing factories you own or which polish for you on contract, and which you would intend to use to manufacture or process the goods you request in your Contract Proposal(s).**

In Question 3.1, you will be asked to specify, per Contract Proposal, which factories you are using (or intend to use) to polish the particular goods you request. With your consent, the DTC will contact you to arrange visits to some or all of these factories to assess your satisfaction of the Technical Manufacturing Ability criterion.

Please also provide details of your facilities for sorting and distributing rough diamonds if you intend to make a Contract Proposal that depends upon your capabilities in these areas. These facilities will not be visited for assessment purposes. You will instead be asked in question 3.1 to provide details of the infrastructure that supports your assortment and distribution of the rough diamonds requested in your Contract proposal.

## Part E) Financial Accountability

### Financial Reporting

Please provide in .pdf format a single audited financial statement covering the activities of your entire Group for the calendar year 2006 or the applicant's most recently completed fiscal/financial year, comprising:

- ◆ 2006 Balance Sheet (showing a breakdown of working capital);
- ◆ 2006 Profit and Loss Account;
- ◆ 2006 Cashflow Statement;
- ◆ Comparisons with 2005

We will accept this statement in any of the following formats (the format you choose will have no influence over your assessment):

- ◆ Where your Group accords with the definition of the Sightholder applicant Group, an audited consolidated financial statement. This should be accompanied by a signed audit report on the consolidation<sup>13</sup>
- ◆ Where your Group does not accord with the definition of the Sightholder applicant Group, either:
  - ◆ A consolidated financial statement for the entire applicant group, supported by the signed auditors' reports<sup>11</sup> on all the consolidated components; or
  - ◆ A combined financial statement for the entire applicant group, supported by the auditors' reports<sup>13</sup> on all the combined components<sup>12</sup>

**If you are unable to provide a single financial statement for your entire Sightholder Group as specified above, you will not qualify for supply in the 2008-2011 contract period.**

Your financial statement may either reference the calendar year 2006 or your most recently completed fiscal/financial year, but your financial statement must provide a comparison with the equivalent twelve-month period from the previous year.

If you intend to provide a financial statement based on your fiscal/financial year, please provide the most recent financial statements your auditor has completed.

There is no requirement for financial statements to be audited to IFRS standards. Financial statements may be audited either to national GAAP or to IFRS, but whichever option you take will have no influence on the way in which the DTC conducts its assessment.

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<sup>11</sup> The audit report should be signed and dated by a demonstrably qualified and independent individual, registered with an appropriate qualifying body. The audit report should be in an appropriate recognised form, i.e. makes reference to the following key components; accordance with audit and accounting standards of the specific country; brief explanation of the audit process; opinion on the financial statements, i.e. true and fair view, free of material misstatement etc. In certain circumstances the report might be qualified, adverse, or a disclaimer of opinion may be issued. Explanations of why the report takes these forms is required.

<sup>12</sup> A combined financial statement should only be presented when it is impossible under the rules of GAAP or IFRS for an applicant's accountant to produce a consolidated financial statement for the applicant's entire group. This would most normally be for the reason of the group containing one or more subsidiaries in which the parent company holds no equity stake but nevertheless exercises de facto control (through, for example, control of voting rights and/or the ability to appoint and dismiss a majority of the subsidiary's directors). If a combined financial statement is submitted, the combination should fully comply with the principles of GAAP and/or IFRS insofar as they can be practically applied. In particular, the combined financial statement must net out all intra-group trading. Please also note that for the purposes of this letter the expression 'audited' includes, in the case of applicants or group companies incorporated in the United States of America, reviewed accounts.

For your convenience, and in order to ensure consistency for all applicant profiles, the online Contract Proposal Questionnaire (CPQ) provides a simplified template on which you can summarise your 2006 Balance Sheet and Profit and Loss Account. Please complete this template along with your Sightholder Profile. You are requested to complete the template in US Dollars. For your convenience, the online template will quote the appropriate exchange rates to be used for conversion from local currencies into US Dollars.

Please note that any financial assets not included in your consolidated balance sheet will **not** be taken into account in your assessment.

**Assessment:** *You are required to provide a consolidated and audited financial statement to enable the DTC to establish the following basic facts about your business. These are the minimum threshold requirements for financial strength and reliability for eligibility for DTC supply:*

- ◇ *Your corporate structure and reporting structure is such that you can produce audited accounts combined or consolidated into a single financial statement for your entire Sightholder Group*
- ◇ *Your turnover is sufficiently large for the DTC to be able to offer you an economically efficient value of supply. Note: applicants with a turnover below \$30 million are almost certain to be unsuccessful when applying to the DTC in London, as the DTC's business model does not usually allow it to offer supply at an economically efficient level to applicants below this size. When applying for supply from the Producer Partnership DTCs, however, different considerations may apply.*

*The assessment will not comprise any relative performance scoring of any of the data provided in your financial statements. Consequently, no marks in the assessment will be awarded for financial strength and reliability once the minimum threshold requirements are satisfied. However, the evidence provided in your financial statements will provide essential context and background to the DTC's assessment of your questionnaire responses and will therefore be taken into account when reviewing the commercial competitiveness of your Contract Proposal, particularly in reference to your own business model and plans (e.g. your ability to finance the business development plans you propose).*

## QUESTIONNAIRE SECTION II: SUMMARY CONTRACT PROPOSAL FOR CATEGORY OR CATEGORIES REQUIRED

Please indicate the value in US\$000s of your **total annual** Contract Proposal for each of the categories of rough diamonds for which you wish to apply – including all goods required, in all locations. Please note that *your request(s) for supply should bear in mind that if you are successful in securing supply within the next Contract period, the Contract runs for a period of 3 years and that your actual ITO allocation for each year of this period will be subject to annual review of your performance under the Criteria, and against the targets and objectives you have set within the Contract Proposal(s) you submit, relative to the performance of others competing for the same goods. Applicants are therefore encouraged to be realistic in the applications made and the targets and objectives that they set within their Contract Proposals.*

You may submit Contract Proposals for as many or as few categories as you wish, bearing in mind that you will be competing, on every Contract Proposal, with other applicants submitting Contract Proposals for those very same categories of goods. **For each category required, please complete a separate Section 3** of the questionnaire. Sections 4 and 5 must be completed once only by all applicants. If delivery is fully or partially required outside London, please also complete section 6.

<b>Category</b>	<b>Indicative Definition</b>	<b>Contract Proposal (\$000s per annum)</b>
Large Stones	<i>Rough stones above 14.8cts in weight and above \$1000 per carat in value</i>	
Fine	<i>Rough stones typically between 1ct and 14.8cts in weight, and predominantly yielding D-K col polished in VS quality and above</i>	
Commercial High	<i>Rough stones typically between 1ct and 14.8cts in weight, and predominantly yielding D-K col polished in SI quality</i>	
Commercial Medium	<i>Rough stones typically between 1ct and 14.8cts in weight, and predominantly yielding D-K col polished in I quality</i>	
Fancy	<i>Rough stones typically between 1ct and 14.8cts in weight, predominantly yielding round-edged fancies</i>	
Crystals	<i>Rough stones typically between 1ct and 14.8cts in weight, predominantly yielding straight-edged fancies</i>	
Coloured High	<i>Rough stones typically between 1ct and 14.8cts in weight, predominantly yielding high-quality coloured polished</i>	
Coloured Medium	<i>Rough stones typically between 1ct and 14.8cts in weight, predominantly yielding SI and I quality coloured polished</i>	
Brown High	<i>Rough stones typically between 1ct and 14.8cts in weight, predominantly yielding brown polished</i>	
Small Sawables	<i>Sawable rough stones of gem quality, typically below 1ct in weight.</i>	
Small Makeables	<i>Makeable rough stones typically below 1ct in weight</i>	
Small Fancies	<i>Rough stones below 1ct in weight typically yielding Fancy shaped polished</i>	
Commercial Low	<i>Rough stones predominantly requiring cleaving before polishing</i>	
Coloured & Brown Clivage	<i>Coloured and Brown Rough stones with significant internal inclusions, predominantly requiring cleaving before polishing</i>	
Preparers	<i>Rough stones with significant internal inclusions, predominantly requiring cleaving before polishing</i>	
Rejections	<i>Low-value rough stones with multiple imperfections</i>	

Please note that the minimum total annual allocation per Sightholder is \$10m, and the minimum contract proposal per category is ten minimum boxes per category per year.

***Details of the category and box relationships and minimum boxes will be published in May.***

*The commercial competitiveness of your Contract Proposal(s) for the particular goods sought will be assessed with reference to the Sightholder Criteria, the Sightholder Considerations, and the information you provide in this questionnaire, relative to the comparative competitiveness of Proposals for the same category of goods from other applicants.*

*Proposals that you can substantiate effectively and convincingly in terms of your existing activities and capabilities will be more competitive and therefore have a greater prospect of success than Proposals that are inconsistent with your current volumes of activity and expertise in these particular goods.*

The quantity of rough diamonds applied for in the Contract Proposal should not exceed the following parameters:

- ◇ The quantity (per category) of rough diamonds you purchased from all sources in 2006 (as evidenced in your response to question 1.4)<sup>13</sup>. This figure will be deemed your 'rough utilisation per category'. In exceptional circumstances<sup>14</sup>, the DTC will consider applications that exceed your annual rough utilisation per category by up to 20%
- ◇ The quantity of rough diamonds your financial arrangements allow you comfortably to accommodate<sup>15</sup>
- ◇ The quantity of rough diamonds your Contract Proposal can convincingly substantiate you will utilise in a way that will sustainably create and/or capture value

It is up to you whether your Contract Proposal is for a value of supply equivalent to your entire requirement for the relevant category or whether it is only for those elements of your requirement for which you believe you can convincingly evidence good satisfaction of the DTC Sightholder Criteria. Contract Proposals that depend either wholly or in part upon activities that fail to evidence good satisfaction of the DTC Sightholder Criteria might well prove insufficiently commercially competitive to succeed in securing supply.

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<sup>13</sup> For categories of rough you are not currently purchasing from any source (and in respect of which you may not therefore have any proven experience in handling), you should be aware that because of fierce competition for our goods, only excellent and clearly very competitive proposals are likely to be successful. If, in 2006, you purchased no diamonds of a category for which you wish to make a contract proposal, or made purchases of this category of less than \$20m per annum, you may initially apply for a maximum supply of the category of \$20m per annum subject to subsequent annual review.

<sup>14</sup> These circumstances include (i) where there is under-subscription for the article applied for and/or (ii) evidence of an excellent future plan for those goods built upon outstanding existing capabilities.

<sup>15</sup> You should not provide the DTC with details of these financial arrangements when answering the question but you should note that your answers to this question, like the rest of CPQ, are subject to independent verification.

## QUESTIONNAIRE SECTION III: COMPETITIVE ADVANTAGE IN GOODS REQUESTED

Please complete a separate copy of this section for every category of rough diamonds for which you are submitting a Contract Proposal

### GOODS REQUESTED

<b>Category</b>	(Select name of category from drop-down box)
<b>Contract Proposal (US\$000s)</b>	(The value of rough diamonds of this category you wish to purchase, per annum, <b>from the DTC</b> )
<b>Minimum Acceptable Supply (US\$000s)</b>	(The minimum supply of rough diamonds of this category, per annum, that you would deem an economically efficient level of supply from the DTC for your business)
<b>Current Rough Purchases (US\$000s)</b>	(The approximate total value of rough diamonds of this type that you purchased in 2006, including non-DTC rough)

*If the aggregate value of all Contract Proposals received for this category of goods exceeds the DTC's forecast availability of the category, Contract Proposals are highly unlikely to be supplied in full unless, in order to serve the customer segments you describe in your response(s) to Question 3.3, they clearly and unequivocally demonstrate exceptional commercial competitiveness relative to other applicants and their submissions for the same category. The DTC will in any event prioritise supply towards those Contract Proposals that demonstrate the greatest relative commercial competitiveness, at levels not less than the Minimum Acceptable Supply figures specified, and taking into account the DTC's own minimum supply parameters.*

*As noted in Section 2, applicants are encouraged in their own interests to substantiate their Contract Proposal by reference only to those goods and activities that genuinely and clearly support the objectives and intentions set out in that Contract Proposal. There is **no** benefit to be gained whatsoever by submitting generic descriptions of all your activities or including details of everything that you do or might want, just for the sake of being inclusive. Indeed, unfocused and unsubstantiated applications could well perform less well against the Sightholder Criteria and 'dilute' the overall commercial competitiveness of a Contract Proposal. By contrast, a focused Contract Proposal, substantiated by activities that are genuinely competitive in relation to the specific category of goods being applied for, is likely to score more highly against the DTC Sightholder Criteria and, as such, is more likely to secure supply.*

*In the event of your application being successful, the details you provide in your Contract Proposal will form the starting point for your Account Plan in relation to the distribution of the relevant goods that you will agree with your KAM. In this respect, your Contract Proposal will provide the context for your ongoing commercial relationship with the DTC. You should therefore be prepared to commit and adhere to any and all of the claims and propositions you make in your Contract Proposal<sup>16</sup>.*

<sup>16</sup> These claims and propositions are also, of themselves, independently verifiable during the course of the Contract period.

## COMPETITIVE ADVANTAGE: TECHNICAL ABILITY

**Question 3.1** Please indicate which of the facilities you have listed in Question 1.5 you intend to use to process the rough diamonds you have requested in this Contract Proposal.

Two alternate methodologies will be used to assess your Group's technical ability, depending upon whether (on the one hand) you intend to sell the goods you request in their Contract Proposal as rough diamonds, or (on the other) you intend to prepare and/or polish them before sale.

### Preparing and polishing

Applicants intending to prepare and/or polish some or all of the rough diamonds requested in the Contract Proposal are asked to provide details of their rough diamond manufacturing facilities, whether in-house or sub-contracted, that are used to process rough diamonds of this category.

You are requested to specify the diamond polishing or processing factories you own or which polish for you on contract (from the list you provided in the answer to Question 1.5), and which individually account for at least 5% **by value** of the polished you produce from the category requested.

With your consent, the DTC will contact you to arrange technical visits to some or all of these factories to assess your satisfaction of the Technical Manufacturing Ability criterion, such that we have wherever possible assessed at least 50% of your manufacturing facilities by volume of throughput.

The assessment relates only to manufacturing units involved in preparing and/or polishing diamonds, and does not relate to the manufacture of jewellery.

**Assessment:** *Four benchmarked performance assessments will be made of the factories we visit, based on the following factors in relation to the category of rough diamonds for which you are making your Contract Proposal:*

#### **Technical Expertise**

- ◇ *Planning, marking, preparing and polishing capabilities*

#### **Management control**

- ◇ *Control of flow of goods, security and manufacturing processes*
- ◇ *Staff training and development*
- ◇ *Ability to evidence pipeline integrity and/or offer guarantees of provenance to downstream consumers*

#### **Innovation**

- ◇ *Value-addition through new and innovative processes and technologies*

#### **Contingency**

- ◇ *Ability to recover production capacity after a force majeure event*

## Sales of rough diamonds

Applicants intending sell some or all of the rough diamonds requested in this Contract Proposal without first either preparing or polishing them are asked to provide the following information in .pdf format:

- ◇ An outline of the methodology with which they prepare assortments of rough diamonds for their customers
- ◇ Brief details of the headcount, diamond-sorting facilities, stock-management systems and ancillary processes that together support their sales of rough diamonds

**Word limit: 1000 words maximum**

*Assessment: On the basis of the details provided, an objective benchmarked performance assessment will be made of applicants' technical ability to support sales of rough diamonds. No visits will be made to applicant's rough diamond sorting facilities in respect of this question (3.1b). Please note however that the answers provided in answer to this question may be the subject of third-party verification.*

## COMPETITIVE ADVANTAGE: CUSTOMER SEGMENTS TARGETED

**Question 3.2: To which of the customer segments identified in Section 1 (Question 1.3) do you intend to target your sales of this category of diamonds?**

To answer this question, you are requested only to name the customer segments you have already identified in Section 1. Question 3.3 will seek further details on your distribution and marketing proposition to these customer segments (see Figure 2 below).

*Assessment: Your answer to this question will not contribute, in terms of scores, to the DTC's assessment of your satisfaction of the Sightholder Criteria. In particular, and for the avoidance of doubt, there are no marks available for targeting sales towards particular customer segments or particular pipeline activities.*

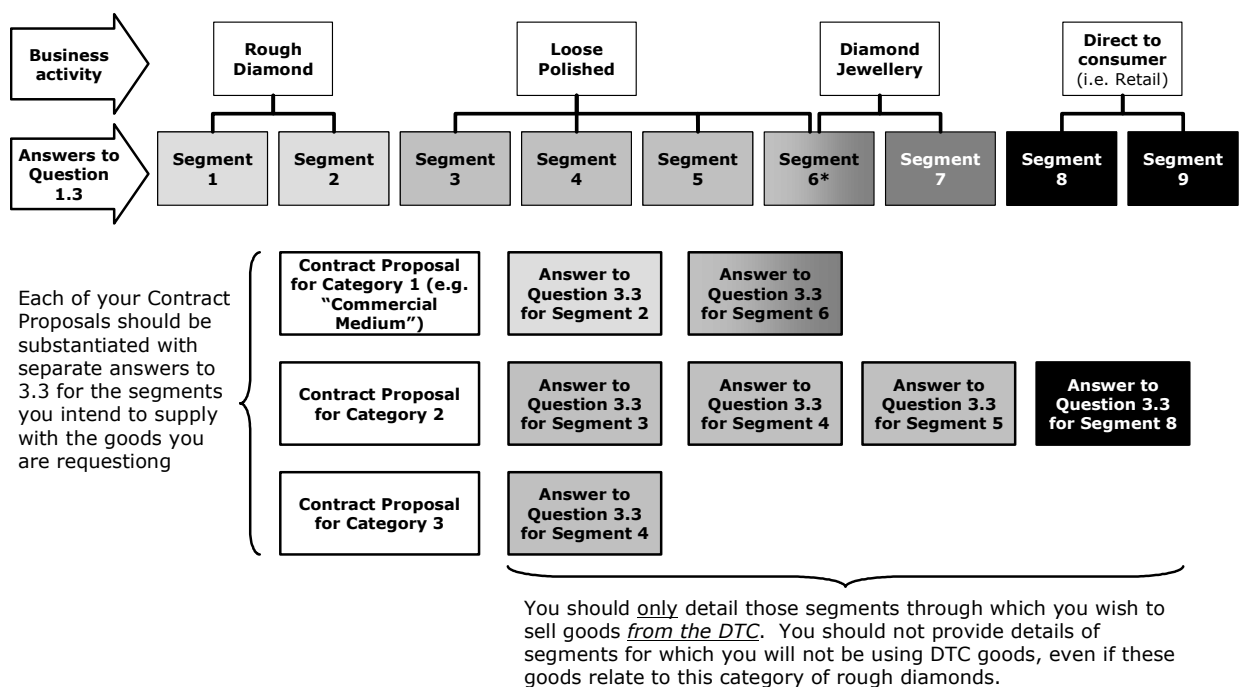
*The relationship between the amount requested in your Contract Proposal and the scale of your current activity in these segments will, however, be taken into account when assessing the competitiveness of the Contract Proposal.*

## COMPETITIVE ADVANTAGE: DISTRIBUTION AND MARKETING ABILITY

This assessment seeks to evaluate your ability to distribute and market products and/or services that meet your customers' genuine business needs in a way that creates a sustainable competitive advantage for your own business.

To enable the DTC to do this fairly and objectively, you will need to provide brief details of the products and services you currently provide to the customer segments you have identified in Q3.2.

**Figure 2: Example of how answers from 1.3 should translate to 3.3**



\* Note: A single segment may cover more than one business activity (e.g. selling both loose polished and diamond jewellery to a single retail segment)

**Question 3.3: Please describe the products and/or services you provide to the customer segment(s) to which you intend to supply this category of rough diamonds, and the way in which this offering currently creates a sustainable competitive advantage for your business.**

This question only requires you to provide details of the products and services you provide to the customer segments which you intend to serve with the diamonds you are proposing to purchase from the DTC. You are requested **not** to provide details of customer segments for which you do not require DTC supply – even if you are servicing these segments with diamonds from this category.

You will need to provide a separate response for each relevant customer segment. The subheadings below are provided to help you to structure your response.

Please review the notes to question 1.3 with regard to customer segmentation. As noted there, you should not find that your response to question 3.3 requires you to repeat yourself significantly if you are servicing different customer segments. If you do find that some elements of your proposition are the same across customer segments, please provide a **single** description of these elements in **one** template and cross-reference where necessary in subsequent templates. Please do not ‘copy-paste’ blocks of text.

If your customer proposition for one segment spans different categories of goods, again, you are asked to provide a **single** description in one template and cross-reference as necessary. In cases such as this, if there are interdependencies for securing supply in more than one category of goods, you should explain what these interdependencies are.

You must not identify your customers by name unless the relationship you have with them is a matter of public record (as noted in the ‘Compliance Requirements’ section on Page 9).

To allow us to review and assess your response quickly and efficiently, you are urged to structure your response so that it includes the information listed in the template of guidance notes overleaf and uses the recommended sub-headings in the order shown. **Please submit your response(s) to this question in .pdf format.**

You may embed illustrations in the body of your response if you feel this will add clarity to the text, but you are specifically asked not to submit any hard-copy marketing materials or any other documentation. No subsidiary documentation above and beyond the .pdf submissions requested in this Note is required for the purpose of the DTC’s assessment of your Contract Proposal, and any additional materials you submit will be returned to you, sealed and unread.

<b>Subheading</b>	<b>Notes</b>
<b>Customer segment</b>	<i>Please compile a separate response to this question for every customer segment to which you intend to sell diamonds of this category as referenced in Q3.2 above. Do not provide details of customer segments for which you do not require a supply of diamonds from the DTC.</i>
<b>Rough diamond utilisation</b>	<i>What is the approximate total value of rough diamonds from this category you purchased in 2006 in order to serve this customer segment?<sup>17</sup></i>
<b>Product(s) offered</b>	<i>What product(s) do you currently offer to this customer segment?</i>
<b>Service(s) offered</b>	<i>What is the service or package of services you currently offer to this customer segment? You should, for example, include assortment services, delivery services, after-sale support services, marketing services, and any other aspect of service you offer.</i>
<b>Relevance of offer</b>	<i>How does your product and/or service offering benefit this customer segment? You should provide details, where appropriate, of why you believe this customer segment (or, where relevant, their customers) finds your products and/or services particularly appealing, including details of any systems and processes you have in place to ensure that your product and/or service offering remains relevant to the particular needs of this customer segment.</i>
<b>Differentiation</b>	<i>In what way(s) is your proposition to this customer segment different from the products and services of your competitors?</i>
<b>Value capture</b>	<i>How does the package of product(s) and/or service(s) you offer to this customer segment benefit your own business?<sup>18</sup></i>
<b>Consumer Impact</b>	<i>In what way(s), either directly or indirectly, might your product and/or service offering to this segment influence retail consumers to purchase diamonds?</i>

**Overall word limit per segment: 2000 words maximum.**

<sup>17</sup> If you do not currently purchase goods from this category to service this segment, please explain which goods you do use, the approximate value of these goods, and the reason why your current proposition to this segment is transferable to the goods for which you are applying in this Contract Proposal.

<sup>18</sup> You must not provide any information relating to your actual margins, sales prices or other publicly unavailable information, but you are asked to indicate in broad terms only the overall effect on your profitability of offering the stated products and services to the customer segment.

**Assessment:** The DTC will assess six aspects of your responses to this question:

**Customer Understanding**

*Have you developed products and/or services according to an awareness of the business needs of the different segments of your customer base, and have you developed business systems and/or propositions that capture and address their specific needs?*

**Product Offer**

*Are you currently offering products that are relevant to your customers' needs and which (where relevant) allow your customers to serve their customers better?*

**Service offer**

*Does your service offer a coherent and integrated response to your customers' needs?*

**Differentiation**

*Is your product and service offer different from what your competition is offering, in a way that clearly addresses the needs of your customers and adds value to their businesses?<sup>19</sup> How is your proposition differentiated from the competition?*

**Value capture**

*Does your product and/or service offering allow you to derive a positive and sustainable commercial return?*

**Consumer Impact**

*What impact, either direct or indirect, does your product and/or service offering to this customer segment have on driving incremental consumer demand for diamonds (i.e. growing the overall market for diamonds)?*

*The actual business model of your customers is not in itself relevant to this assessment, and has no impact on the way in which we will assess your response.*

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<sup>19</sup> Referring, where relevant, to your competitive advantage as explained in Question 1.2

### Question 3.4 What are your future distribution and marketing plans for this category of rough diamonds?

This question asks you to outline how you plan to manage your offering **in respect of this category of diamonds** to the benefit of your customers and to optimise returns to your Group. Any discussion of your more general and overarching strategic plans for your overall business should be reserved for your response to question 4.3.

Your response to this question should consider:

- ◇ The elements of your current customer proposition that you intend to retain
- ◇ Planned changes to the product and/or service mix you intend to offer your customers for this category of diamonds, including the development of new products and services where relevant, or the enhancement of existing products and/or services
- ◇ Planned changes in the balance of your portfolio of different business activities and different customer segments
- ◇ Planned diversification, expansion or consolidation of distribution
- ◇ Your broad implementation plans for the above, including:
  - ◇ Manpower
  - ◇ Infrastructure and resources required
  - ◇ Outline budget and planned source of finance
- ◇ Planning for contingencies
- ◇ A broad timeline of objectives and anticipated annual milestones related to your plans for these goods.

**Word limit: 2000 words**

Please submit your response to this question in .pdf format.

**Assessment:** *Your plans will be assessed on the basis of the extent to which they:*

- ◇ *Are realistic*
- ◇ *Are achievable*
- ◇ *Build on your existing capabilities*
- ◇ *Focus on areas which will deliver sustainable competitive advantage.*

*The DTC will assess in particular the extent to which you are building upon your existing customer proposition in the specific category of goods and your existing distribution and marketing capabilities.*

*The DTC will also assess the extent to which applicants are planning to participate in efficient and value-adding distribution and marketing initiatives with sufficient scale and customer impact to generate incremental consumer demand for diamonds, including initiatives the applicant has developed in collaboration with its distribution and/or marketing partners.*

## QUESTIONNAIRE SECTION IV: CORE STRENGTHS

All applicants must complete this section of the questionnaire ONCE.

### MARKET FOCUS

#### Question 4.1 In which geographical markets were your polished diamonds sold in 2006?

In this question, we are seeking to determine the geographical retail markets into which your Group's consolidated sales of polished diamonds were made.

- ◆ The online questionnaire lists the largest retail markets for polished diamonds in 2006 ('major markets')<sup>20</sup>. Please insert the Polished Wholesale Price value of your 2006 calendar year sales of polished diamonds in each of these markets (including the Polished Wholesale Price value of polished diamonds set in jewellery)
- ◆ If a significant market for your polished diamonds is not listed on the online questionnaire, please insert details of your sales into this market / these markets ('developing markets') in the 'Other Sales' section
- ◆ The online questionnaire lists 'rough diamonds' and 'prepared diamonds' as single line items. You are not asked to provide a numerical breakdown of your sales of this material by market
- ◆ A comments box is also available for you to provide details of any local, regional or sub-national markets in which you consider your Group to have achieved a competitive advantage by virtue of its distribution focus. Please limit your comments to a **maximum of 500 words**.

*Assessment: This question seeks to assess focused scale in geographical retail markets. You are likely to score well if you are a leading supplier into any one 'major market' and/or if you have a significant scale position in several 'major markets'.*

*If you are a leading supplier into a 'developing market' or if you have achieved competitive advantage in a sub-national market, this will also be recognised.*

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<sup>20</sup> These markets are the US, China, India, Japan, the Gulf, France, Italy Taiwan, Turkey, and Hong Kong.

**Question 4.2 What do you consider to be your most notable achievements in adding value to rough diamonds over the course of the period 2000-2006?**

Please provide brief details of the initiatives and programmes in which you have been involved since 2000 in which you have purchased rough diamonds and in relation to which you believe you have successfully created and captured value from them.

*Assessment: Given the specialist nature of rough diamonds, the DTC considers it relevant to give due recognition to the Contract Proposals of Groups that are able to provide evidence of their experience and expertise in adding value to this rare natural resource.*

*Word limit: 1000 words maximum*

**Question 4.3 What infrastructural resources do you currently have in place for the distribution and marketing of diamonds and diamond-based products?**

Please provide a brief summary of your Group's current distribution and marketing infrastructure, including the following aspects where relevant:

- ◆ Distribution and marketing offices
- ◆ Marketing arrangements with third parties
- ◆ In-house marketing resources
- ◆ Management systems<sup>21</sup>

*Assessment: Applicants are likely to score well if they can evidence infrastructural resources that are appropriate to the business activities they are currently undertaking, and which they can coherently build upon in their future plans (questions 3.4 and 4.4).*

*Word limit: 1000 words maximum*

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<sup>21</sup> You are specifically requested not to provide any details, including data, relating to stock levels or any other similarly confidential stock information.

**Question 4.4 Overall, what plans do you have in place for developing your Group's diamond business until the end of the contract period in 2011?**

To answer this question effectively, you should address the following points:

- ◇ In what ways does your current portfolio of activities (with particular reference to your utilisation of rough diamonds) constitute a coherent and synergistic business model?
- ◇ Will your business need to adapt or change over the coming years to maintain its competitive position and, if so, how?
- ◇ What capabilities and resources will you need to put in place to achieve this, and what current implementation plans exist to enable you to do this?

**Assessment:** *The DTC will conduct a three-strand assessment on the basis of your response to this question and by cross-referencing your answer here with the evidence provided elsewhere in your Contract Proposal responses.*

**1. Business coherence**

*To score well here, you will need to demonstrate that your plans for the future are firmly founded upon a coherent and effective existing business strategy.*

*A high score is most likely to be given if you can convincingly articulate the following:*

- ◇ *Channel coherence: The distribution channel(s) you select allow you to derive the maximum commercial benefit from your core competencies and your competitive advantage*
- ◇ *Supply coherence: There is a logical and synergistic rationale supporting your Contract Proposals for different categories of rough diamonds*
- ◇ *Corporate coherence: If you undertake a portfolio of different activities in the diamond business, these activities typically complement each other to offer an integrated and synergistic business proposition*

*The assessment is completely neutral with regard to the business model you operate. You can potentially score equally well no matter where you operate in the diamond pipeline. However, you will only score high marks if your current business model demonstrates a high level of coherence and synergy.*

*Word limit: 1000 words maximum*

**2. Strategic vision**

*The diamond industry has experienced much change over the past decade – mostly as a result of external factors. It is important that diamantaires are prepared for change and are willing and able to adapt to it. Applicants are likely to perform better under this question if they can demonstrate a strong awareness of the opportunities and challenges which the changing commercial landscape will present to their existing businesses over the coming years, and that have firm plans in place to implement innovative and value-creating initiatives that respond appropriately to these challenges.*

*Word limit: 500 words maximum*

**3. Implementation planning**

*This component of the assessment will consider the quality of your implementation planning. To score well, you will need to demonstrate that you have considered the*

*resources you will need to put in place to realise your strategic vision<sup>22</sup>, and the practical measures you will need to take to do this. **You should refer, as necessary, to implementation plans you have already detailed in the category-specific Contract Proposals, rather than repeating yourself.***

*Word limit: 1000 words maximum*

**Please Note**

If your application is successful, your stated plans will form the starting point for your ongoing commercial relationship with the DTC. In particular, your Key Account Manager will seek to discuss with you, in the context of your Account Plan, ways in which you might wish to utilise De Beers' portfolio of resources and support services which may help to facilitate the delivery of your planned objectives. In any event, interim annual assessments of your performance against your stated objectives will have a material influence on the volumes of goods you may be allocated in years 2 and 3 of the contract.

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<sup>22</sup> Including financial, personnel and infrastructural resources.

## QUESTIONNAIRE SECTION V

Please ensure that you have made the appropriate requests for supply from the supplying entity concerned. These are partnership companies, independent of DTC London, and will be making independent decisions regarding supply based upon bespoke criteria.

**Note that you may only request supply from producer partnership DTCs, DTC South Africa and from Canada if you have the relevant operating license required for the country concerned.**

Within the relevant assessing company's application website, please specify the boxes you would prefer to receive to fulfil your Contract proposal(s). If your application is successful, the assessing company will use its best endeavours to offer you the boxes you require, in light of its forecast availability, the volume of aggregate demand for these boxes, and your satisfaction of the Criteria and Considerations relative to other applicants for the same goods. The assessing company further undertakes not to offer you supply of any boxes you have expressly indicated you do not require.

Each of the Producer Partnership DTC applications will be assessed as a Contract Proposal in its own right by the assessing company in question. To substantiate such Contract Proposals, the Producer Partnership DTCs will require information about applicants' alignment with Producer Partnership objectives, encapsulated in Producer Partnership DTC supply criteria.

## QUESTIONNAIRE SECTION VI: PRODUCER PARTNERSHIP DTC CONSIDERATIONS

Your Producer Partnership DTC will be pleased to supply you with details of the information you will need to provide to evidence satisfaction of their supply criteria and processes in due course.

The electronic version of this document is subject to the terms and conditions set out on the Contract Proposal Questionnaire (CPQ).

## 1. Confidentiality

This document is subject to the terms and conditions contained in the Confidentiality and Process letter dated 16 April 2007 and the DTC will keep confidential all information disclosed to it in your Contract Proposal Questionnaire pursuant to such letter. This means that the DTC will only disclose your confidential information to essential people and companies within the De Beers Group of companies who are working on the Supplier of Choice application process and the Supplier of Choice Ombudsman, and shall not use it for any other purpose.

Some of the questions in the Contract Proposal Questionnaire request information relating to arrangements with third parties. You should ensure that, before providing any such information, you are not prohibited from so doing by virtue of confidentiality obligations in favour of those third parties. If such confidentiality obligations prohibit disclosure, you should obtain such third party's consent before releasing the information to the DTC.

## 2. Data Protection

Some questions that appear in this document request information relating to certain individuals ('personal information'). Personal information includes, but is not limited to, someone's name and address, details about their financial standing, assessment of their ability or other similar information. Where personal information is requested, the UK Data Protection Act 1998 (the 'Act') applies. To be compliant with the Act, before providing personal information to the DTC, you must:

- a) obtain the consent, preferably in the writing, of the individual concerned that such personal information can be released to the DTC;
- b) make the individual concerned aware that such information will only be used by the DTC and the De Beers Group for the purpose of facilitating the submission of your Contract Proposal Questionnaire and if your application is successful, for the purpose of providing you with goods and services pursuant to the terms and conditions of supply to which you will subsequently subscribe.

If you are unable to obtain consent from the relevant individual, you must not provide personal information that would enable the DTC, after reasonable investigation, to discover the identity of that individual. In this situation, please provide general details that would not enable discovery of that individual's identity. You must also ensure that you comply with any data protection or other legislation relevant to your jurisdiction.

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