



Address by Varda Shine (MD: Diamond Trading Company): Africa-EU Event

Wednesday 27th February 2008

Foreign Press Association, 11 Carlton House Terrace, London, Pall Mall, SW1Y 5AJ

“De Beers and Sustainable Partnerships in Africa”

Ladies and Gentlemen, I am delighted to be able to address you on this important occasion and I would like to thank Bertha Oluwole for bringing us all together

I am Varda Shine, Managing Director of the DTC – the Diamond Trading Company – the sales and marketing arm of the De Beers Family of Companies. I address you with a number of hats on:

1. As a board member of De Beers
2. As the head of DTC in the UK and South Africa
3. As the chairman of the Boards of our Partner DTCs in Botswana and Namibia

In the next few minutes I hope to share with you why De Beers believes passionately that business in Africa has an important part to play in driving sustainable development. In particular I will be highlighting our programme designed to grow viable downstream (i.e. non-mining) diamond industries in that part of the subcontinent. [SLIDE 1]

What gives us confidence that business can drive sustainable development is simply this: in the countries where we operate in Africa, natural resources have driven and continue to drive sustainable national development.

We are in 50/50 partnership with the governments of the republics of Botswana and Namibia. In Botswana our JV company – Debswana – mines the massive Jwaneng and Orapa Mines [SLIDE 2]. In Namibia, where onshore mining is nearing the end of its life, we have invested billions of dollars in a fleet of offshore mining vessels [SLIDE 3] which last year for the first time produced more carats than the land-based operations.

In South Africa two years ago, De Beers Consolidated Mines concluded a \$500m empowerment deal with Ponahalo, the black economic empowerment vehicle which has come to own 26% of De Beers in South Africa. It is a truly broad-based empowerment initiative, representing shareholders from across the country, from business leaders to De Beers employees, from people with disabilities to the rural poor. [SLIDE 4]

In each of our operations we pay a great deal of attention to:

- Drawing employees from local communities [SLIDE 5]

**The Diamond Trading Company
A De Beers Group Company**

17 Charterhouse Street, London EC1N 6RA, UK
Tel +44 (0) 20 7404 4444 Fax +44 (0) 20 7405 7020

- Running integrated CSR programmes – investing back into local communities in a highly consultative manner. Cumulatively about \$35m a year.... and [SLIDE 6]
- Environmental innovation and stewardship

These elements of corporate citizenship are carried through to even our most remote exploration units in Angola or DRC. Elsewhere, in Tanzania, we are feeling our way forward in evolving a better practice for artisanal miners – empowering individual miners with tools, techniques, market access, pricing knowledge and better environmental practices. [SLIDE 7]

But doing good is not what I want to talk about today. That is too often the focus of discussions about business in developing countries. Instead, what De Beers and its partners recognise is that by far the most social and economic benefit is derived from De Beers running a successful business – employing people, paying taxes and dividends.

However, our ability to translate natural resources to sustainable national assets depends on empowered and stable governments, able to deploy resources and revenues responsibly. For us, the most important hallmarks of responsible government are:

- National development plans that enjoy widespread support
- The official promotion of good governance and transparency
- A government that consciously creates room for business in supporting sustainable development

Having said that, our partners never let slip an opportunity to demand more of De Beers – and that is absolutely correct and to be expected in an era of resource nationalism. Equally, our consumers never cease to demand more of us ... and in recent years have been wanting to know more about the origin of their diamonds and to draw comfort and confidence that they are making an ethical purchase.

[SLIDE 8]

With these twin pressures, we saw an opportunity to unlock greater value from the natural, diamond resources of our partner countries. We have termed this beneficiation: the creation of further, viable downstream diamond businesses in producer countries. We want to see as much value added to rough diamonds in-country as possible; for them to be polished there and perhaps set in jewellery too.

But we want this done sustainably. Our watchwords here are ‘No Subsidy’ ... and indeed we share that vision with governments in South Africa. Professor Joseph Stiglitz has already remarked upon this: that with our partners we may well succeed in pioneering a new economic model for development.

Over the years DTC has developed and refined a criteria based sales policy: we sell diamonds to a select list of diamantaires, carefully chosen for their ability to add value to the specific categories of diamond we sell them – and collectively grow the market for the product. What we have done now is

we have worked with governments in coming up with additional criteria for client selection that assesses not only their ability to add value to diamonds on the international stage through their marketing channels, but also their ability to add value to diamonds in Africa through their manufacturing prowess and operational excellence.

Let me now share with you some brief facts and figures about our beneficiation strategy in Africa:

In **Botswana**, with the establishment of DTC Botswana in 2007 – as a 50/50 partnership between De Beers and the Government – it is expected that by 2009 some \$550m worth of rough diamonds will be supplied annually to manufacturing clients in Botswana for cutting and polishing.

The new \$80 million DTC Botswana building, funded by De Beers and pictured here [SLIDE 9] will officially open on the 18th of March this year. All of Debswana's production will be sorted in this building to the highest of standards, a task previously completed in London. This involves a significant skills-transfer which we initiated years ago and expect to compete next year.

It is from this new building too that DTC Botswana will make its sales of rough diamonds. It has already begun to supply 16 licence holders in Botswana, drawn from the ranks of DTC's international list of clients – each having committed to manufacturing diamonds in the country. It is anticipated that by the close of this decade, when sales exceed half a billion dollars, some 3,000 new non-mining diamond jobs will have been created – equating to a 10% expansion of Botswana's total industrial workforce.

The formation of **Namibia** DTC – also last year – will see an annual \$300m worth of diamonds sold in Namibia to 11 that have or will develop diamond polishing factories there. [SLIDE 10] NDTC has already started to make sales to these companies, and this year will exceed the \$200m mark on its way to its \$300m annual target by the end of the decade. Just as in Botswana, this is a joint venture between Government and De Beers and is recognition of both parties' determination to drive job- and value-creation from Namibia's natural endowment. We anticipate the creation not only of 1,500 new jobs, but also for the new manufacturing sector to act as a catalyst for the development of new business sectors such as banking, security and IT.

Diamond Trading Company **South Africa** is a wholly owned entity, but its role is very similar to those of our partner DTCs. It will sell more than \$500m worth of our production in South Africa to 17 clients committed to cutting and polishing their purchases there. In addition, we will be supplying a newly-created body, the State Diamond Trader with 10% of our mine production in South Africa for sale to local manufacturers. All of this is in keeping with the new Diamonds Amendment Act (of 2005), in the passage of which we had a highly constructive engagement with government. We are, for example, managing the activities of the State Diamond Trader on an arms length basis.

Lastly, we have relocated our sales office to Kimberley from Johannesburg – to assist regeneration efforts in the Northern Cape Province. [SLIDE 11]

In summary: we have a very substantial programme of investment and business in southern Africa that will:

- reach an annual turnover of more than \$1.5bn in just 2 years time,
- create more than 6,000 jobs and many more on a multiplier basis, and
- bring an inward investment of more than \$200m in plant and machinery collectively by ourselves and our clients.

[SLIDE 12]

To conclude. What lessons can be drawn from all of this? It is difficult to draw lessons for a continent as complex and varied as Africa, but what our experience does reveal is that if you shift relationships away from reluctant interdependence towards a progressive partnership with shared responsibilities it is possible to make large strides forward in the development debate. We cannot claim victory yet, but what we do know is that for beneficiation to work it will need the following:

1. Governments creating a conducive environment that is focused on the needs of this specialist industry (infrastructure, training, security, ultra-efficient import/export clearance and so on);
2. Diamantaires bringing not only the very best skills and technologies to local polishing, but also the strongest routes to international market to realise the highest value for their polished diamonds; and
3. In this mix there is a need for an organisation dedicated to achieving the long term, sustainable balance between the aspirations of governments and those of the diamantaires – and that is the role played by DTC.

Thank you.