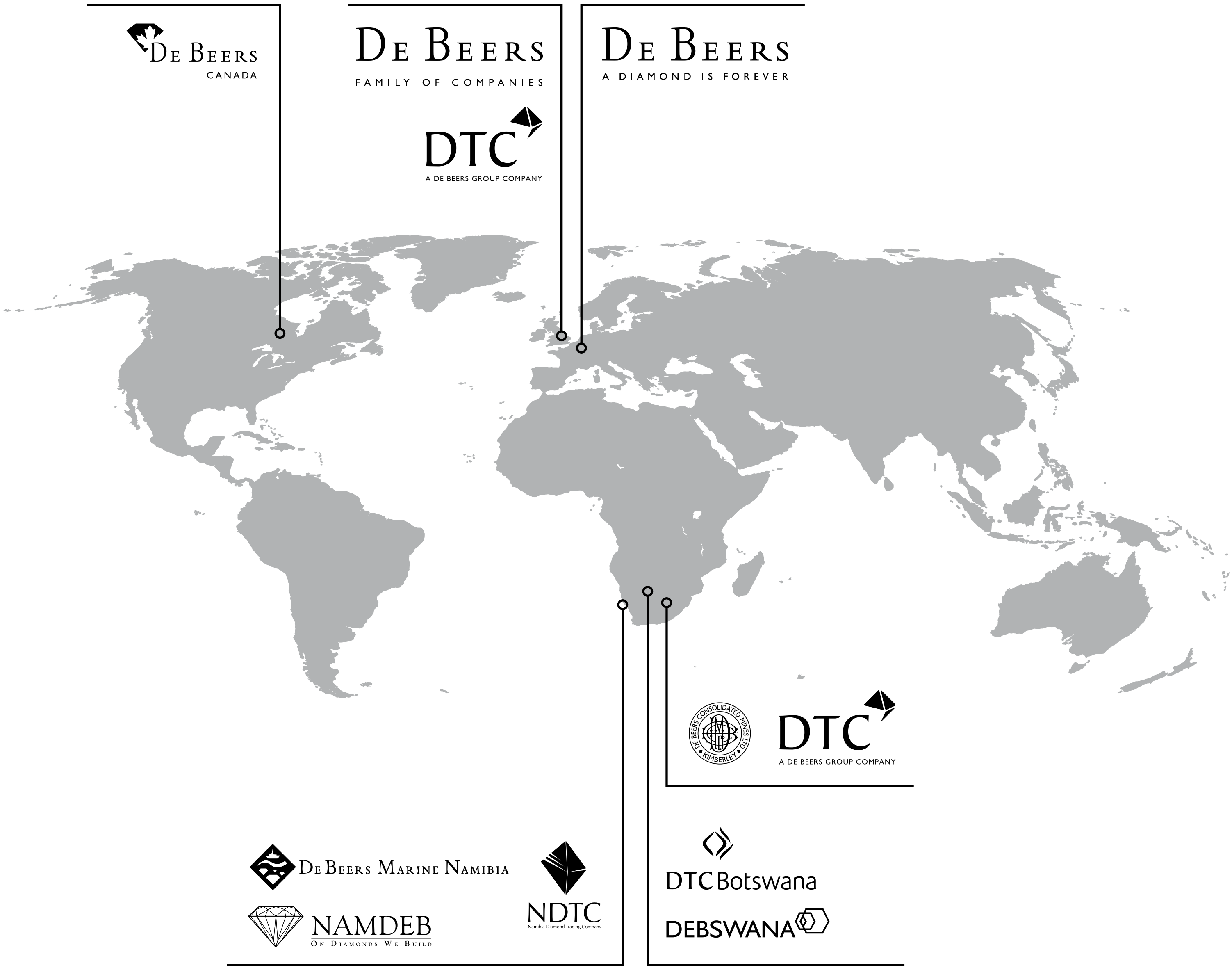
De Beers was established in 1888 and is the world's leading diamond company with unrivalled expertise in the exploration, mining and marketing of diamonds. From its mining operations across Botswana, Canada, Namibia and South Africa, De Beers produces and markets approximately 40% of the world's supply of rough diamonds.



Coverage

Use of "our" or "we" in this report relates to the Family of Companies. Further information on De Beers, the Family of Companies and scope of this report is included in the Operating and Financial Review 2009.

We believe this report together with the Operating and Financial Review 2009 and its supporting online resources represent an A+ application of the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines. It also forms part of our Communication on Progress to the United Nations Global Compact. A summary of our compliance with the GRI and the 10 principles of the United Nations Global Compact is presented online.

Find out more

www.debeersgroup.com

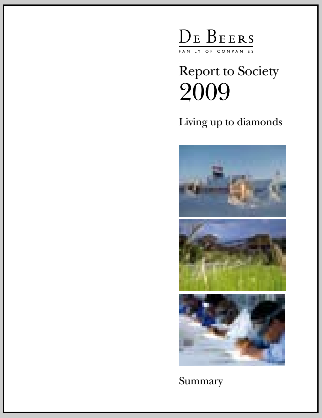
Contents

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

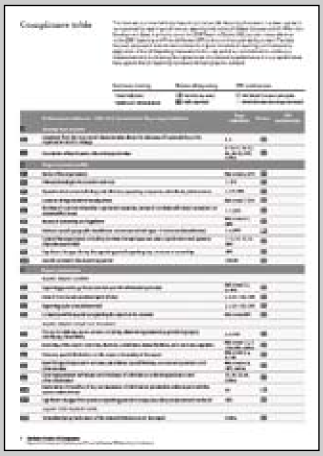
De Beers website

Operating and Financial Review 2009

Report to Society 2009 summary document



GRI compliance tables



Introduction from the Chairman

De Beers has long been an exponent of the positive role of business in driving Africa's development. This is a case we have made with some energy in previous editions of our annual Report to Society. However, the economic turmoil precipitated by the banking crisis in late 2008 has quite understandably raised some questions and concerns about the ability of the private sector to deliver sustained and meaningful growth in developing countries.

Nonetheless, our experience – and that of our producer partners – has reaffirmed our belief that responsibly operated businesses remain among the most effective agents of sustainable development in Africa.

Responding to the economic downturn

In late 2008, as the sub-prime crisis grew into a full-blown global economic crisis, we took a number of decisive steps to ensure the continued health of our business. A significant drop in consumer demand for diamonds in our established markets during the fourth quarter of 2008 fed back into an already highly leveraged and overstocked global industrial pipeline. In response we initiated a comprehensive recession action plan in the fourth quarter of 2008. This plan focused on ensuring that our production levels were properly aligned to rough diamond demand; managing our debt; conserving cash; reducing our operating costs and protecting diamond equity. In practice this involved initiating a series of temporary shutdowns across all of our mining operations, cutting all non-essential expenditure and restructuring a number of business units. These plans were already well underway by January 2009.

The sheer scale of the economic crisis was such that our many stakeholders clearly understood the potential consequences of not taking robust action to ensure the long-term health of the business. As a result they not only accepted the necessity of the steps we took but in some cases facilitated their implementation. Trade unions, our government partners, our contractors and our mining communities demonstrated considerable foresight as they worked with us to implement solutions to exceptional problems in extraordinary times. The cooperation of our stakeholders in taking these steps was a powerful reminder of the extent to which the health of our core business is so vital to the sustainability of the communities and countries in which we operate.

Most regrettable, from a Family of Companies perspective, has been the human cost of the restructuring and delayering programme. Over the course of 2009 we said farewell to many friends and colleagues as we reduced our workforce by 23% to a total of about 13,320. In undertaking the restructuring exercise we took particular care to ensure that we followed a proper consultative process and that those impacted were properly compensated, given appropriate support and were provided with opportunities to retrain where necessary.

Since Botswana has generated on average 40% of its GDP and 70% of its foreign exchange earnings year-on-year over the past decade from diamonds mined and sold in partnership with De Beers, there was some speculation that the economic crisis could undermine the benefits accrued through years of positive economic growth. This did not happen. Decades of prudent fiscal management by the Government of the Republic of Botswana (GRB) meant the country had sufficient foreign currency reserves at the onset of the downturn to ensure no significant disruption in the delivery of key government programmes despite a 4.6% drop in real GDP for the four quarters through to September 2009 and a 10.9% budget deficit after years of budget surpluses. Botswana's ability to cope with the short-term impacts of the economic crisis meant that it was able to take a sufficiently long-term view in evaluating what action was required. As a result the GRB was unequivocal in its support for efforts to reduce production in line with demand over the course of 2009.

Botswana's ability to absorb the considerable drop in short-term diamond revenues in the first half of 2009 reaffirmed our confidence in the positive role business can play in assisting governments to build economies robust enough to withstand and recover from powerful exogenous shocks.

While considerably less dependent on diamond revenues to balance their budgets than Botswana, our partners and regulators in other producer countries showed no less foresight in dealing with the crisis. In Namibia, for example, our government partner agreed to a suspension in royalties and dividend payments from Namdeb to ensure that the company remained cash positive. In both Canada and South Africa, local and national authorities offered no impediment to the effective implementation of our recession action plan.

Sustainability

While we focused primarily on ensuring the Family of Companies' ability to weather the economic crisis in 2009, we nevertheless did so without compromising on our social and environmental commitments. With limited funds to spend on new activities, we maintained a strong focus on the basics throughout 2009. We pushed ahead with our drive for zero harm in respect of health and safety issues; ensured the continuity of our many environmental programmes; maintained the rigour of our Best Practice Principles assurance programme; honoured our social investment obligations and worked hard to maintain honest and effective relationships with our neighbouring communities.

We are particularly proud of the fact that in 2009 there were no fatalities at any Family of Companies operations; a clear demonstration of the success of our programmes focusing on driving accountability for safety throughout the business.

Our focus on ensuring the continuity of our social and environmental sustainability programmes over the past year reflects our continued belief that the strength of our business depends on our ability to anticipate, manage and mitigate long-term risks. It was against the background of the drive for a new global climate change deal (COP15) and the clear risk that climate change poses both to our operations and our communities that we brought our collective focus to bear on the question of climate change and resource security in 2009.

Our sustainability journey

2006

- Principles launched
- Sale of 26% of DBCM to Black Economic Empowerment company Ponahalo
- Development of Energy and Climate Vision and Strategy

2007

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

2008

- DTC Botswana begins operations
- Victor and Snap Lake mines in Canada brought into production
- Launch of new Social Impact Assessment Guidelines
- Social and Labour Plans initiated in South Africa
- Implementation of Biodiversity Overlap Assessments and Action Plans

Energy security and water usage are both significant long-term risks for our business. They also provide windows of opportunity. They are risks to the extent that if we don't manage them effectively they may well undermine the viability of our operations, particularly those in water-stressed areas and those dependent on seasonal ice-roads for logistic support. They are opportunities because there are clear synergies between running a better and more effective business and taking steps to both mitigate climate change – through reducing our fossil-fuel dependency – and to adapt to its impact – through finding more water- and energy-efficient ways of liberating diamonds from kimberlite. Over and above working to find readily implementable solutions to climate change related problems, we are also paying close attention to some more creative approaches to the challenge. One such approach is the viability of using kimberlite tailings – which react with heat and water to lock atmospheric carbon into carbonates – as a tool for carbon capture.

Over the past five years our work to reduce our water footprint at our operations in arid and semi-arid areas, and likewise our efforts to reduce our dependence on centralised energy sources, have paid real dividends. As much as our progress in this area has been pleasing, we have no illusions as to the size of the potential challenge and opportunity here, especially given the anticipated longevity of some of our mining assets.

Defining a "new normal"

In our Operating and Financial Review 2009, I invoked the adage "never waste a good crisis" in reference to how the last year has provided us with an opportunity to rethink aspects of our commercial strategy and reorganise elements of the business accordingly. It bears repeating here to the extent that the restructuring exercise we undertook in 2009 has provided us with the opportunity to hardwire sustainability into our "new normal" and exploit the clear synergies that exist between running a sustainable and responsible business, and a profitable one. Thus, while the "new normal" may well represent a significant departure from past practices in some areas of our business, it will in no way diminish our oft-repeated commitment to "live up to diamonds".

As we map out a new strategic vision for the Family of Companies in the wake of the economic turmoil of the past 18 months, it will be a priority for us to report on our progress in this regard in next year's Report to Society.

Nicky Oppenheimer
Chairman
De Beers

Performance overview from the CEO

There have been few years in the long history of our company that could be compared to 2009. The rapid economic decline and consequent fall in global demand for rough diamonds required decisive action that would not have been accomplished were it not for the collective resilience and ingenuity of our stakeholders.

Our shared actions were underpinned by a belief in the unique attributes and values that are ascribed to diamonds. That foundation remains a constant guide as we look to shape the future.

As the magnitude of the economic crisis became apparent towards the end of 2008, De Beers instituted a proactive 6 Point Recession Action Plan to address commercial vulnerabilities and ensure the company was positioned for growth once recession gave way to recovery. This plan was central to the sustainability of our business.

1. Keep safety as top priority
2. Maximise demand opportunities
3. Produce in line with Sightholder demand
4. Drive cost reductions across the business
5. Enhance operating efficiencies
6. Focus on cash management

Our Report to Society 2009 takes a detailed and candid look at how this plan impacted our sustainability performance. It examines the principal risks faced by the business and our partners, articulates our position on a range of issues and incorporates key stakeholder opinions on our performance in "living up to diamonds".

Most importantly, this report articulates the clear synergies that exist between being commercially minded and doing the right thing. Acting responsibly will always be in our best interest.

This report complies with the Global Reporting Initiative Sustainability Reporting Guidelines and fulfils our reporting commitments to the United Nations (UN) Global Compact to which our company's Principles are aligned.

Safety

De Beers safety performance showed a marked improvement in 2009 compared to 2008. I am proud to report that there were no fatalities at our operations. Our Lost Time Injuries decreased from 66 in 2008 to 40, although our frequency rate increased, given fewer hours worked. Overall our safety record clearly demonstrates a positive shift in both performance and culture. As we look to 2010, the organisation's senior leadership will continue to champion and drive our zero harm goal across the organisation.

Economics and development

At the beginning of 2009, production across our portfolio of mines was dramatically reduced in response to, and in line with, a fall in demand from Diamond Trading Company Sightholders. Demand increased gradually from the second quarter, allowing us to raise production to 18 million carats in the second half of the year (2008: 24 million carats), an increase of 173% compared with the first half. We closed 2009 with a full year total of 24.6 million carats produced (49% below 2008).

In spite of exceptionally difficult trading conditions, which saw sales decline from US$6.89 billion in 2008 to US$3.84 billion in 2009, we reduced our cost base by US$0.9 billion and remained cash positive for the year. The decline in sales had a profound impact on the short-term prosperity of our producer partners and their ability to utilise diamond revenues as a catalyst for sustainable development.

In 2009, De Beers paid US$3.4 billion (2008: US$6.2 billion) to governments, suppliers, employees, shareholders and other finance providers. These disbursements represent 88.5% of our total sales. A total of US$2.2 billion (64.4%) of this was paid to stakeholders in Africa (2008: 60%).

After a successful 2008, beneficiation initiatives in producer countries faced a series of difficult challenges in 2009. Lower consumer demand for diamond jewellery, a substantial inventory overhang in the diamond value chain, and restricted access to bank financing in the cutting centres represented just some of the commercial challenges experienced by Sightholder operations in producer countries.

Rough diamond sales in southern Africa consequently declined from US$366 million to US$193 million in Botswana, from US$172 million to US$122 million in Namibia and from US$573 million to US$264 million in South Africa.

Had beneficiation proven less robust, the recession could have seriously affected what is a central pillar to the long-term strategy of both the Family of Companies and our government partners.

Ethics

Our commitment to meeting the highest ethical standards remained undiminished during the economic downturn in 2009. Our robust assurance systems and our commitment to transparency are critical to ensuring continued stakeholder confidence in our business and, as such, play a key role in upholding "diamond equity". Equally, our commitment to the continued success of key initiatives such as the Kimberley Process, the Extractive Industries Transparency Initiative and our own Best Practice Principles remains as strong as ever.

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Number of workplace fatalities

US$3.4 billion

Total stakeholder spend, with 64.4% paid in Africa

US$29.3 million

Total community social investment, including contractually mandated initiatives and in-kind contributions

44%

Reduction in water consumption (16.1 million m^3), largely due to reduced production

In 2009, we signed the CEO Letter on UN Convention against Corruption and subsequently began the process of communicating our new Anti-Corruption Policy across the Family of Companies. Over the course of 2010, we will roll out a comprehensive Anti-Corruption Programme to ensure that this policy is effectively translated into practice.

Employees
During 2009, we had to take a number of difficult steps to weather the impact of the global recession and to ensure we were well positioned for eventual economic recovery. One such step involved delayering and decentralising a number of business units, a process that resulted in a 23% reduction of our total workforce over the course of the year. Early and proactive employee and union engagement played a critical part in managing this difficult process.

While the majority of the staff retrenchments made in 2009 will be permanent, two key projects are likely to present exciting career opportunities in the short- to medium-term. In Botswana, the Jwaneng "Cut-8" mine expansion project is expected to employ in excess of 1,000 mine workers over its project lifecycle. In Canada, the ramp-up of our Snap Lake mine is expected to create 175 new positions by the time it reaches full production in 2012.

Communities
Effective engagement is essential if we are to maintain constructive and stable relationships with local communities and other stakeholders. Such relationships are vital if we are to generate lasting socio-economic benefits at a community level and ensure our continued social licence to operate.

In 2009, we introduced a broad measurement of corporate social investment to more accurately reflect our social impact on the societies in which we operate. In addition to our philanthropic spend, it includes a range of community benefits that have hitherto not been recorded, such as social investment that is required under applicable legislation or contractual agreements. Under this measure, De Beers spent a total of US$29.3 million on community social investment in 2009. A total of 67.1% of this spend (US$19.7 million) was concentrated in Botswana, primarily as a result of Debswana's ongoing provision of education (US$9.5 million) and health services (US$8.9 million) that are available to the public. It represents 9.2% of pre-tax profits of US$318 million and is significantly in excess of the international benchmark of 1%.

Environment
As efforts to reach a global consensus on dealing with climate change gathered momentum in 2009, we focused internally on building a better understanding of the potential impacts of climate change on our business with a view to developing effective long-term mitigation and adaptation strategies.

In October 2009, I attended the UN Business Leaders Summit on Climate Change. The gathering formed part of the United Nations-led effort to secure business backing for an effective climate change agreement at the 15th Annual Climate Change Conference of the Parties in Copenhagen.

Discussions at the Summit examined the potential convergence of climate change mitigation and adaption with meeting commercial goals and, as such, resonated strongly with the approach we are taking at De Beers.

We are, for example, investigating a range of renewable energy solutions that will not only ensure greater energy security at our operations, but will also reduce long-term operating costs and potentially assist in building a framework for a sustainable post-mining economy in areas like Namaqualand. We are also investigating similar opportunities with respect to reducing water usage at our operations in semi-arid areas and in developing long-term adaptation strategies in partnership with mining communities.

Sustainability
The last year was an exceptionally difficult one for the diamond industry. That we were able to take the steps we did to ensure the health of the business during 2009, without undermining our shared commitment to sustainability, should be a source of pride for everyone in the De Beers Family of Companies. As we look forward to capitalising on the opportunities of economic recovery we will continue to focus on finding synergies between operating sustainably, meeting the expectations of our stakeholders and excelling against our commercial goals. In doing so, we intend to exemplify our commitment to "live up to diamonds".

Gareth Penny
CEO
De Beers