

Governance and risk

De Beers (the Company) was formally incorporated in Luxembourg in November 2000. It is the holding company of what is regarded as the De Beers Group.

De Beers Société Anonyme

The Company is managed and controlled from its head office in Luxembourg where the Board meets to attend to the business of the Group. Its commercial activities are carried out by a number of subsidiaries, investments and joint ventures which it finances in different parts of the world.

Together these subsidiaries and investments in joint ventures constitute the Family of Companies.

Taxes and royalties to governments are paid by each of the different subsidiaries and investments in a manner consistent with the requirements of the jurisdiction in which they operate. De Beers submits annual and independently audited statutory accounts of both the Company and the Group in accordance with International Financial Reporting Standards.

These are lodged with the Registre du Commerce and other authorities in Luxembourg as well as being sent to each of the shareholders directly. These accounts are submitted to the Annual General Meeting of shareholders of the Company held in March each year.

Appointment of Board Directors

The appointment of De Beers directors is governed by three legally binding documents: the Shareholders Agreement, the Management Contract and the Company's Articles of Incorporation.

The Shareholders Agreement was entered into on 30 January 2002. It defines the objectives and relationship between the shareholders. It also sets out the specific provisions relating to the nomination, election and appointment of Board members with reference to the role of Central Management Services Limited (CMSL) (the management company) in terms of the Management Contract.

The Management Contract was also concluded on 30 January 2002: CMSL has been appointed to assist in the appointment of directors, senior executives and management. It also assists in

the strategic development of the De Beers Family of Companies. CMSL is a company within the Central Holdings group (representing the Oppenheimer family).

The Articles of Incorporation relate to the legal establishment and registration of De Beers as a joint stock corporation in Luxembourg. As the legal constitutional instrument, it allows for a minimum of three and a maximum of 20 Board directors.

The shareholders and CMSL are directly responsible for the appointment and removal of directors in accordance with the provisions of the Shareholders Agreement and Management Contract. This ensures that the shareholders they represent have a clear voice in Board meetings and decisions.

Composition and Independence

As of 31 December 2009, the De Beers Board consisted of 17 directors. 6 serve in an executive capacity and are members of the Executive Committee. Each shareholder group is entitled to nominate two persons for appointment to the Board. Accordingly, 6 directors, 5 non-executives and one executive (the Chairman, Nicky Oppenheimer) are currently appointed under the appropriate clauses of the Shareholders Agreement.

The role of the Chairman is quite distinct from that of the Managing Director. As defined in the Shareholders Agreement, up to 10 independent directors may be appointed by CMSL under the Management Contract in consultation with the shareholders. Independent directors are those appointed independently of the shareholders' direct entitlement.

A majority of these independent directors must be employed or hold executive office with De Beers. Seven directors, two of which are non-executive, are currently appointed to the Board under the appropriate provisions of the Management Contract.

Additional independent directors may be appointed by shareholders by majority consent or majority vote at the Annual General Meeting of shareholders. Four non-executive directors are currently appointed to the Board in this manner under the appropriate provisions of the Shareholders Agreement. Accordingly, of the 17 directors in office on 31 December 2009, 11 are independent directors (as defined in the Shareholders Agreement) and 11 are non-executive directors. A number of directors have both independent and non-executive status.

Structures under the Board

The Board is responsible for the Group's system of governance and is ultimately accountable for the strategic direction of the business and all activities across the Family of Companies. This includes setting risk management policy, reviewing the effectiveness of risk management processes, recommending enhancements and ensuring effective succession planning.

It also provides oversight of, and consultation to, the different business entities across the Family of Companies. This includes on governance structures and on the identification, appointment and training of directors. The Board also reviews sustainability performance and risks on at least an annual basis in line with the formal risks review process.

Detail on these risks is presented in the introductory statement of the Chairman and performance overview of the Managing Director, as well as in our Report to Society 2009. The De Beers Board is supported in its decision-making by five committees: the Executive Committee, the Audit Committee, the ECOHS Committee, the Investment Committee and the Remuneration Committee.

Sustainability

The unique contribution that diamonds have made in countries such as Botswana gives us cause to reflect on what lessons might be drawn from this success and whether these might be deployed effectively elsewhere on the continent.

Integral to De Beers' business strategy is our commitment to working in a responsible and sustainable manner. It requires us to deliver financial returns while addressing all sustainability issues.

Delivering financial returns means increasing the demand for diamonds, finding new supplies of diamonds, and enhancing our value-added services, including sorting and sales.

Our understanding of sustainability is shaped by the societal imperatives of the countries in which we work. This includes the vision of an ever more prosperous Africa. Detailed accounts of our management systems, performance in these areas and how we are 'Living up to Diamonds' are presented in our Report to Society 2009.

If you would like to read the 2009 De Beers Report to Society, or order a copy, please visit www.debeersgroup.com/sustainability



Nicky Oppenheimer, Chairman of De Beers, at Venetia diamond mine, South Africa

Although not an official committee under the Board, the Principles Committee provides further review and scrutiny on the extent to which the Family of Companies contributes to sustainable development and operates in conformance with its Principles.

In 2008, the Board adopted a Board Charter which, inter alia, sets out the mandate of the Board and those powers reserved to it.

Risk Management

The shareholders and Board recognise that engaging risk is at the core of the business. De Beers is governed by a risk framework through which risks are proactively identified, engaged and managed. This includes taking advantage of opportunities and protecting capital, income and assets by mitigating the adverse impacts of risk.



DTC South Africa office



Kimberley, South Africa

Board and board committee composition

Board



1. **Nicky Oppenheimer** Chairman
Appointed by Central Holdings shareholder

2. **Gareth Penny** Managing Director
Appointed by CMSL, the Management Company

3. **Dr. Mark Berry**
Elected by majority consent of shareholders at the AGM



4. **Stuart Brown**
Appointed by CMSL, the Management Company

5. **Cynthia Carroll**
Appointed by Anglo American shareholder

6. **Bruce Cleaver**
Appointed by CMSL, the Management Company



7. **Baron David De Rothschild**
Elected by majority consent of shareholders at the AGM

8. **Gabaake Gabaake**
Appointed by Government of the Republic of Botswana shareholders

9. **Joseph Iita**
Elected by majority consent of shareholders at the AGM



10. **Sir Chips Keswick**
Appointed by Central Holdings shareholder

11. **René Medori**
Appointed by Anglo American shareholder

12. **Robin Mills**
Appointed by CMSL, the Management Company



13. **Anthony Oppenheimer**
Appointed by CMSL, the Management Company

14. **Jonathan Oppenheimer**
Appointed by CMSL, the Management Company

15. **Barend Petersen**
Elected by majority consent of shareholders at the AGM



16. **James Teeger**
Appointed by CMSL, the Management Company

17. **Solomon Sekwakwa**
Appointed by Government of the Republic of Botswana shareholders

Executive committee



Gareth Penny Chairman

Stuart Brown

Bruce Cleaver

Robin Mills

Nicky Oppenheimer

Jonathan Oppenheimer



1. **Jim Gowans**, CEO, De Beers Canada

2. **Cyrus Jilla**, CEO, Element Six

3. **Stephen Lussier**, CEO, Forevermark

4. **Blackie Marole**, MD, Debswana

5. **David Noko**, MD, DBCM

6. **Varda Shine**, MD, DTC

7. **Inge Zaamwani-Kamwi**, MD, Namdeb



Other committee members

ECOHS Committee

Barend Petersen Chairman

Dr Mark Berry

Gabaake Gabaake

Alex Hathorn (co-opted)

Anthony Oppenheimer

Remuneration Committee

Sir Chips Keswick Chairman

Cynthia Carroll

Nicky Oppenheimer

James Teeger

Investment Committee

Gareth Penny Chairman

Stuart Brown

Robin Mills

Jonathan Oppenheimer

Solomon Sekwakwa

Peter Whitcutt

Audit Committee

Sir Chips Keswick Chairman

René Medori

Barend Petersen

James Teeger

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Acknowledgements

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