

Ethics

Our commitment to meeting the highest ethical standards is embedded in our commitment to “live up to diamonds” and guides us in the delivery of our business goals. The behaviour of our employees, the robustness of our assurance systems and the transparency of our business transactions all underwrite stakeholder confidence in our business and play a critical role in protecting the equity of our product, the diamond.

All De Beers operations aspire to meet or exceed all applicable statutory requirements, as well as international standards on issues ranging from conflict diamonds to anti-corruption. This includes compliance with, and promotion of the Kimberley Process and the Extractive Industries Transparency Initiative (EITI) protocols which in tandem assure the provenance of our diamonds and facilitate the responsible distribution of the revenues our business generates in producer countries.

The Family of Companies also works with its business partners to develop and embed ethical standards throughout the diamond value chain. Our Best Practice Principles (BPPs) apply not only to our own operations, but also to Sightholders, contractors and suppliers. We also work with sectoral initiatives such as the Responsible Jewellery Council (RJC) to drive high standards throughout the industry.

Highlights

- ◆ All diamonds sold by De Beers are 100% conflict free. Compliance with the Kimberley Process and System of Warranties for 2008 was verified by the Government Diamond Office of the United Kingdom and Société Générale de Surveillance
- ◆ More than 1,700 individuals within the Family of Companies were given on-line competition (or antitrust) compliance training
- ◆ In May 2008, the Federal District Court in New Jersey issued its written opinion approving the settlement of all of class actions in the United States involving De Beers (p39)
- ◆ The De Beers Best Practice Principles (BPP) Assurance Programme was enhanced through the development of customised SMART self-assessment workbooks linked to the risk exposures of each individual Sightholder entity, to verify Sightholder and De Beers business unit conformance with the De Beers BPPs efficiently

100%

Proportion of diamonds sold by De Beers that are guaranteed conflict free

“

Dr James Suzman, De Beers Director of Corporate Citizenship

“The extent to which a business has successfully internalised corporate responsibility into its core operations and strategy is an increasingly relevant measure of its potential future success in a rapidly changing world.”



The traceable contents of a secure shipment box ensure compliance with the Kimberley Process

Issues relevant and material to our stakeholders that are addressed in this chapter

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Conflict diamonds

All De Beers diamonds are certified conflict free and are produced or purchased in full compliance with national and international law, the Kimberley Process Certification Scheme (KPCS) and our De Beers Best Practice Principles (BPPs). Today, about 99.8% of world diamond production originates from countries that participate in the KPCS.

The Kimberley Process Certification Scheme

The Kimberley Process was established in 2000 by the United Nations (UN), governments, Non-Governmental Organisations (NGOs) and the diamond industry to eliminate conflict diamonds from the legitimate diamond supply chain (p41). De Beers engages actively in the Kimberley Process and with participating states, civil society and the UN through our membership of the World Diamond Council (WDC) executive committee. This includes participation at each inter-sessional and plenary meeting of the Kimberley Process. We also work actively with other members to ensure the programme is continuously strengthened and, where appropriate, to share our expertise and resources.

Key Kimberley Process events in 2008:

- De Beers supported civil society in voicing concern over Venezuela's non-compliance with the KPCS. In July 2008, Venezuela voluntarily suspended all exports and imports of rough diamonds.
- This past year also saw reports on the smuggling of rough diamonds from deposits in Zimbabwe into neighbouring countries. De Beers requested the Kimberley Process ensure adequate mitigation measures and that national authorities were supported to investigate and eliminate alleged smuggling.
- The UN Security Council renewed its diamond trade ban on Côte d'Ivoire for a further year in October 2008. The Ivorian Government continued its dialogue with Kimberley Process representatives over the establishment of a certification system in the country.
- The Kimberley Process strengthened its relationship with the Diamond Development Initiative (DDI) during 2008. DDI complements the Kimberley Process by seeking to address the political, social and economic challenges of the artisanal diamond mining sector and optimise its developmental impacts (p75).

The System of Warranties

The international diamond industry has developed a System of Warranties to support implementation of the KPCS. Whilst the KPCS is restricted to the trading of rough diamonds between countries, the System of Warranties also applies to polished diamonds. It requires companies to implement a system that ensures all invoices for the sale of diamonds, and jewellery containing diamonds, include a written guarantee that the diamonds are conflict free. Records of all warranty invoices given and received must be kept and subjected to second or third party auditing on an annual basis.

The Family of Companies played a key role in developing the System of Warranties through its work with the WDC. The KPCS and the System of Warranties are also embodied in the BPPs and our Principles. Any non-compliance with the KPCS and System of Warranties by our Sightholders will result in a material breach of contract and subsequent sanction. No Kimberley Process-related material breaches were identified for the Family of Companies or Sightholders in the 2008 BPP assurance cycle.



Festus Mogae, Former President of Botswana

"Botswana took a lead as the world's most diamond-dependent economy, in the establishment of the Kimberley Process to protect the reputation of diamonds, and to assure the international community that our diamonds were for development."

Verification of compliance

Our worldwide compliance with the Kimberley Process and the industry System of Warranties was reviewed by a third party. This engagement excluded Element Six, Hindustan Diamond Company and De Beers Diamond Jewellers (DBDJ). It related to the period commencing 1 January 2008 and ending 31 December 2008.

This report includes two statements that support our compliance and commitment to the Kimberley Process and the industry System of Warranties. The first is supplied by Société Générale de Surveillance (SGS) as part of its verification of the BPP Assurance Programme. The second is provided by the Government Diamond Office of the Foreign and Commonwealth Office of the United Kingdom (GDO), which confirms compliance for our DTC operations in the United Kingdom. In 2008, these operations were a channel for 81% of our global exports (p103).

The Diamond Task Force

In 2000, De Beers established a Diamond Task Force (DTF) to provide technical services to those countries rebuilding their post conflict diamond industries. The DTF facilitates technology transfer and professional cooperation in partnership with stakeholders such as governments, international organisations, NGOs and local communities. In 2008, members of the Government Gold and Diamond Office in Sierra Leone attended technical courses held by the DTF on diamond sorting and valuation techniques in South Africa. Assistance was also provided to the Government Diamond Office in Liberia through the provision and installation of an electronic ID card system. Work carried out by the DTF in Liberia was integral to the country's admission to the Kimberley Process in May 2007.

Find out more

-  www.ddiglobal.org
-  www.debeersgroup.com
-  www.international-alert.org
-  www.unmil.org
-  www.worlddiamondcouncil.com

Conflict sensitivity for the extractive sector during the economic crisis

Dan Smith, International Alert Secretary General



Dan Smith
International Alert
Secretary General

In economic crisis as always, the poor suffer most. Poor countries today are facing a threefold hit that will only get worse as recession continues. First, diminishing markets mean less export income. Second, less easily available finance capital plus reduced market opportunities mean some key investment projects are cut, cancelled or deferred. Third, growing unemployment means less need for migrant labour; many countries are suffering as the remittances that workers abroad send home are falling and the workers are returning home, with neither jobs nor a welfare system to support them.

Tough though it is going to be and uncertain though its duration is, the economic crisis will pass. So how could (or should) a company that is having to cut back on its activities respond to the downturn and prepare to bounce back – in particular, in the extractive sector?

NGOs often have a lot to say, including both criticism and advice, when major extractive companies are investing and operating at full blast. On the part of International Alert, both criticism and advice are aimed at the need for conflict sensitivity. That is, we argue that extractives should pay attention not only to the risks to their operations that can arise from conflicts in localities where they invest, but also to the risk that their operations can create for those localities by unintentionally triggering or feeding conflicts – a two-way risk analysis, in short.

As investment is cut back and operations reduced, new risks and new opportunities arise. Especially where investment and operations have been carried out without an adequate two-way risk analysis, it is unlikely that any reductions will be assessed for their conflict impact. Yet putting thousands of people out of work in poor countries with no social safety net could indeed exacerbate local conflicts, make them harder to manage, and in the extreme cases provide pools of resentful recruits to join the militias of local leaders. It is a big ask for companies that are rushing to protect their balance sheets, but actually cutbacks should be carried out as carefully as growth.

The second risk is that, if cutbacks are implemented, companies will hunker down, look after the basics and wait for global conditions to improve in 18-24 months. This is easily understandable but, as a result, conflict sensitivity could be treated as a luxury that has to be abandoned along with others. The temptation will be only to attend to such issues when the good times have returned.

The trouble is that extractives have a large and usually long-term local presence; errors of omission made early in the investment process have lasting impact. In other words, the time to think about conflict sensitivity is not when the good times have returned but beforehand.

And this is where the key opportunity arises because the analytical components of conflict sensitivity do not cost much. During the bad times, companies will prepare for the bounce-back by keeping a weather eye out for the most promising investment opportunities. We argue that they can and should also raise their heads from their balance sheets and ask the societal questions about conflict impact that are part of good corporate practice for extractive industries.

International Alert.

“

Douglas Hengel, US State Department
Deputy Assistant Secretary

“We were very pleased, in particular, in September (2007) to see the first official diamond exports from Liberia since UN diamond sanctions were lifted and Liberia was admitted as a participant in the Kimberley Process. With United States government funding and additional support for equipment and training from the United Nations Mission in Liberia (UNMIL), De Beers, the Dubai Diamond Exchange, this truly multilateral effort should be a model for the Kimberley Process in the future. We hope that diamond export revenues will play an important part in Liberia’s economic reconstruction.”

The Kimberley Process

The Kimberley Process Certification Scheme (KPCS) is an inter-governmental initiative to eliminate the trade in conflict diamonds. De Beers played an integral role in the development of the KPCS, which brings together governments, industry and civil society. This was due to growing consciousness about the role of conflict diamonds in financing and perpetuating rebel factions in Angola, Liberia, the Democratic Republic of the Congo and Sierra Leone during their civil wars in the 1990s. Since the establishment of the KPCS, De Beers has played a leadership role in the eradication of conflict diamonds from the global diamond value chain. We work with participating governments and civil society to strengthen the system in order to ensure its goal is achieved.



www.kimberleyprocess.com

Kimberley Process participants must:

- Put in place national legislation and controls to ensure imports and exports are free from conflict diamonds
- Certify that imported or exported rough diamonds are conflict free
- Only trade rough diamonds with other Kimberley Process participants
- Commit to transparency and the exchange of statistical data regarding imports and exports

99.8%

Percentage of global rough diamond production from conflict free sources

75

Number of participating countries, including 27 European Union Member States

Definition of conflict diamonds

"...rough diamonds which are used by rebel movements to finance their military activities, including attempts to undermine or overthrow legitimate Governments"

Source: UN General Assembly Resolution 55/56, December 2000



Statement

Certificates specify that rough diamonds within each shipment have been handled in accordance with the KPCS

Anti-forgery measures

Certificates include watermarks and embossing to ensure they are forgery and tamper-proof

Serial number and data

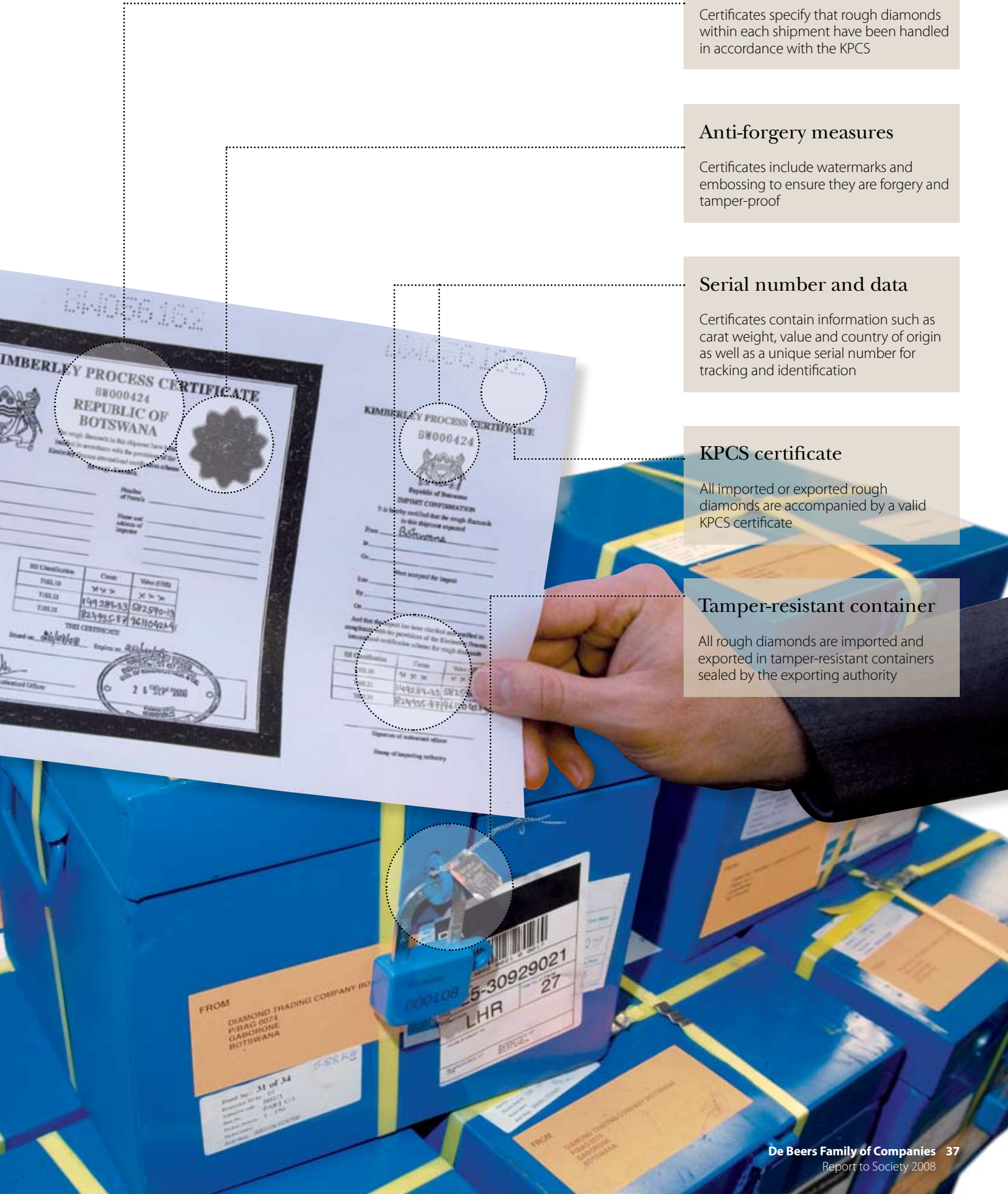
Certificates contain information such as carat weight, value and country of origin as well as a unique serial number for tracking and identification

KPCS certificate

All imported or exported rough diamonds are accompanied by a valid KPCS certificate

Tamper-resistant container

All rough diamonds are imported and exported in tamper-resistant containers sealed by the exporting authority



“Living up to diamonds” demands application of the highest standards in our relationships with our host governments, business partners, competitors and suppliers. These standards are embodied in our Purpose, Vision and Values. We also seek to encourage similar standards amongst others in the diamond industry and value chain, where possible and appropriate.

Political donations

The Family of Companies does not directly or indirectly participate in party politics nor does it make payments to individuals. In exceptional cases, political donations may be made in support of the democratic process. They are made only to pro-democratic registered parties that are committed to the protection of human rights, good governance and the rule of law. These are parties that support regular multi-party elections, sound revenue policies, executive accountability and parliamentary oversight. We believe these criteria support our shared long-term goal of a more conducive, transparent and responsible business environment.

Our support of this goal is embodied in the social investment policies of our different operating companies (p78). In 2008, De Beers Canada donated US\$1,800 in support of provincial political events and receptions with stakeholders. Donations were made in accordance with the Ontario Election Finances Act and are registered with and published by Elections Ontario.

Anti-corruption

Accepting or giving bribes in all forms is prohibited in business transactions undertaken by the Family of Companies or through third parties. This includes subsidiaries, joint ventures or agents. This requirement is present in our Principles as well as the BPPs, our commitment to the UN Global Compact and our Code of Business Conduct and Ethics. De Beers also supports EITI and is a founding signatory to the Partnering Against Corruption Initiative (PACI) of the World Economic Forum (WEF).

No significant incidents of corruption were identified during 2008. No significant fines or non-monetary sanctions were imposed on the Family of Companies in relation to non-compliance with anti-corruption legislation and regulations.

Our Anti-Corruption Policy requires full compliance with national and international legislation. It also requires the disclosure of transactions and relationships that might give rise to illegalities.

Corruption Perception Survey

In 2007, the Family of Companies undertook an internal Corruption Perception Survey covering our business units in Angola, Botswana, the DRC, India, Namibia, South Africa and Tanzania. The survey was implemented to identify which areas of the business are most exposed to potential corruption and to assist in the development of scenario-based guidance materials for employees to protect themselves against corruption and bribery at work. Preliminary results from the survey identified potential risks for our previous Tanzania operations as well as our shared services supply chain function.

RESIST anti-corruption tool-kit

Results from the Corruption Perception Survey have assisted in development of the RESIST anti-corruption tool-kit. RESIST helps private sector companies develop stronger anti-corruption and bribery strategies. It is based on a range of scenarios and solutions developed from the experience of others operating in areas of poor governance. The initiative includes PACI, Transparency International, the UN Global Compact and the International Chamber of Commerce.

Multi-Stakeholder Forum

Q Can De Beers positively influence the situation in Zimbabwe regarding diamonds and human rights?

A **De Beers and other members of the diamond industry provided customs authorities, bourses and the Chair of the Kimberley Process with expert instruction and photographic examples to help identify the type of diamonds being illegally exported from Zimbabwe. Several parcels of rough diamonds were seized by customs officials in 2008 and there have been several notable arrests of people suspected of transporting rough diamonds from the country. During the course of the year, a Kimberley Process Working Group convened a meeting and set up a task force that includes NGOs to review the import and export of rough diamonds from Zimbabwe. Depending on its findings, this could lead to the suspension of Zimbabwe from the Kimberley Process. De Beers is also encouraging Zimbabwe to adopt fast-track, interim measures to deal with the situation and to address NGO/industry-driven concerns raised at the November 2008 Delhi meeting of the Kimberley Process. This includes a suspension of all imports and exports of rough diamonds. The Kimberley Process is limited in its implementation by the capacity of member governments.**

Anti-money laundering

The Family of Companies is committed to the prevention of money laundering and to combating the financing of terrorism. In 2008, no fines or non-monetary sanctions were imposed on the Family of Companies in relation to money laundering.

No material breaches

The BPP third party Assurance Programme verifies compliance with national and, where appropriate, international legislation with respect to money laundering, terrorism financing, bribery, corruption, smuggling, embezzlement, fraud, transfer pricing and tax evasion. It checks for the development and application of relevant policies, programmes and practices, including the recording of all transactions over US\$10,000. Most importantly, it requires evidence of due diligence and exceptional record-keeping. No material breaches relating to anti-money laundering have been identified for the Family of Companies or Sightholders since implementation of the BPP assurance cycle in June 2005.



Analysing diamonds using ultraviolet light

Background checks and training

Our policy on Anti-Money Laundering and Combating the Financing of Terrorism applies to all of our operations. It has also been communicated to joint ventures and partner companies. The policy ensures the Family of Companies is only able to enter into transactions with approved financial institutions. It also forms part of the Sightholder selection process, which relies on background checks. In 2007, De Beers Internal Audit (DBIA) conducted a review of how well the policy has been implemented. It found that all business units, group functions and, where applicable, shared services have implemented the policy effectively. Good progress was also evident with respect to the introduction of background checks on Sightholders and suppliers. De Beers Canada, De Beers UK Ltd, De Beers Marine Namibia and Namdeb are in the process of extending these checks to include all suppliers. In 2008, the Diamond Trading Company (DTC), DTC Botswana and Namibia DTC implemented a new system of customer checks. Debswana, De Beers Marine and Namdeb also completed training against the policy. All relevant staff have now received training applicable to their area of work. DBIA suggested the Sightholder and supplier checking process would benefit from increased consistency and formalisation. A new Datanomics system was launched in early 2009 with further intelligence support provided by World-Check.

Competition laws

The Family of Companies has taken clear and demonstrable action to ensure continued compliance with competition and antitrust laws and regulations in all jurisdictions in which it operates. This commitment is integral to our continued success in a competitive global economy. Our Legal Compliance Policy applies to all relevant members of staff at every level of our wholly owned and managed companies. Companies that are not wholly owned or managed are strongly encouraged to adopt this policy. Compliance training is regularly undertaken by our Corporate Legal Services team, including guidance on competition laws and how these apply to each business and functional area. Employees are requested to report any breaches of this policy through an Ethics Hotline. De Beers will not tolerate violations of competition law, or mistakes resulting from carelessness or inattention to legal compliance requirements by its employees.

Resolution of actions in the United States










In November 2005, De Beers sa announced that agreement had been reached, and a preliminary approval order issued, to settle the majority of civil class action suits filed against the company in the United States relating to allegations of anti-competitive practice. By March 2006, the three remaining civil class action suits were added to the November 2005 settlement agreement, resulting in an overriding settlement arrangement totalling US\$295 million. This received preliminary court approval in April 2006.

As part of the class action settlement, De Beers also agreed to offer injunctive relief, which includes a general commitment to comply with the antitrust laws of the United States, and specific undertakings not to engage in certain conduct with third party producers and Sightholders.

In May 2008, following a fairness hearing in April 2008, the Federal District Court in New Jersey issued its written opinion approving the settlement of all of the class actions involving De Beers. A number of objectors to the settlement are appealing the Court's approval. The appeal process is ongoing.

This settlement does not involve any admission of liability on the part of De Beers but, once finalised, it will bring to an end all outstanding class actions. Furthermore, it represents an important step to improving our reputation in the largest diamond consumer market in the world.

Find out more

	www.datanomics.com
	www.eitransparency.org
	www.electionsontario.on.ca
	www.iccwbo.org
	pacer.njd.uscourts.gov
	www.transparency.org
	www.unglobalcompact.org
	www.weforum.org
	www.world-check.com

Case study

Competition law on-line compliance training

Ben Peters

De Beers
Senior Counsel,
Competition



De Beers is committed to legal compliance in all jurisdictions in which it operates. A key part of this commitment is providing employees with guidance and training on competition (or antitrust) law. Potential breaches of the law by any of our employees could have severe consequences for both De Beers and the individual in question. These include heavy fines, a tarnished reputation and, in some countries, imprisonment.

As part of this commitment to legal compliance, in 2008 an on-line competition law compliance training programme, encompassing over 1,700 individuals, was launched. The training provides guidance on what employees can and cannot do from a competition law perspective and

includes a series of questions at the end of each section to test their understanding of the concepts discussed. The training comprises three core modules and each module has a number of sections, including an explanation of the law, possible situations that may be encountered, some real life examples and key messages.

Whilst implementing the programme, a balance had to be struck between ensuring a basic and consistent level of training for all participants, yet also including appropriately tailored content to make the training relevant to different business units across the world. A further challenge was the number and geographical breadth of participants, who were required to complete the training on the basis of their employment grade. This inclusive approach helped to broaden awareness of the importance of competition law compliance to operating a sustainable business and, in turn, to support our commitment to legal compliance.



DE BEERS
CORPORATE LEGAL SERVICES

Dealing with unethical behaviour

Our current Code of Business Conduct and Ethics and Principles covers issues including legal compliance, fraud, corruption and theft. They also address the disclosure of gifts or conflicts of interest, diamond control relationships with external organisations and customers, intellectual property and political support.

Whistle blowing

An outsourced global Fraud and Ethics Hotline Service was launched in May 2008 to replace the existing in-house hotline facility. The hotline is a safe and secure channel where information on fraud, corruption, theft, diamond control, intellectual property or deviations from good corporate governance practices can be anonymously reported without fear of reprimand (p104). All employees are encouraged to use this facility if they have any information they wish to report.¹ Debswana implemented its own independent hotline in 2007.

¹ A detailed set of all contact information is presented on the inside back cover of this report

Blow the whistle on
fraud, theft and unethical behaviour
within De Beers

Report it anonymously to
Tip-offs Anonymous

What should be reported:

- Any wrongdoing
- Not doing company policies or procedures
- Not obeying the law
- Highly sensitive issues
- Abuse of company property and equipment
- Conflicts with personal and internal partners
- Theft of time
- Bribery and corruption

Postal Address:
South Africa - Pretoria
KZN 136, Umkhango Rocks, 4320

Other Countries:
KZN 774, Umkhango Rocks, 4310, RSA
(Spentage not paid)

Email: debeers@tip-offs.com
Website: www.tip-offs.com

Fax:
South Africa: Free Fax: 0800 90 77 88
International Fax: +27 31 360-7395

DE BEERS
A DIAMOND IS FOREVER

Deloitte.

Breaches of the Code of Business Conduct and Ethics and other criminal misdemeanours

The Family of Companies does not tolerate unethical or illegal behaviour and will remove individuals identified as being in breach of these requirements. In 2008, there were 718 internal investigations into alleged illegalities and/or breaches of the current Code of Business Conduct and Ethics at our operations (2007: 525). This figure includes all allegations irrespective of severity, though they mainly relate to dishonesty including diamond theft. As a result, 120 employees (0.70% of our total workforce) were dismissed (2007: 143, 0.69%). Of these, 69 employees (0.40% of our total workforce) were referred to the appropriate law enforcement agencies (2007: 67, 0.33%). Not all of these cases were as a result of whistle blowing. A number were identified independently by the investigation departments of the various business units through security controls, audits, investigations and other means. No fines or non-monetary sanctions were imposed on the Family of Companies in relation to non-compliance with applicable laws and regulations.

We believe it is in the long-term interest of the diamond industry to meet consumer and stakeholder expectations relating to business ethics and economic contributions, health and safety, labour standards and the environment. We have sought to meet these expectations for our own operations and those of our Sightholders through our own Principles, policies and standards and the BPPs respectively. The BPPs are also applicable to contractors and suppliers (p13, p102).

Case study

The DiamondPLus™ detects treated natural diamonds

The De Beers Consumer Confidence Technical Research (CCTR) team works to ensure that the De Beers Family of Companies, the diamond trade, and in particular gemmological laboratories and gemmologists are aware of the issues that could affect the integrity of diamonds.

With the right knowledge and instrumentation synthetics, simulants and treated diamonds can be quickly and easily detected. There are also a number of additional industry safeguards in place to ensure consumers are not misled, including guidelines which require jewellers to clearly identify them. Through the BPPs, the Family of Companies has shown its commitment to industry-wide effective disclosure of synthetics, simulants and treated diamonds.

The latest instrument to be developed by the De Beers CCTR team is the DiamondPLus™. It is a compact screening device intended for use in all locations where polished diamonds are handled, and its primary function is to screen for type II high-pressure-high-temperature (HPHT) treated natural diamonds.

In nature, type II diamonds are rarer than type I. They tend to have irregular shapes, rather than a distinct crystal form. Type II diamonds are very nearly pure, with negligible amounts of nitrogen and as a result are excellent heat conductors. HPHT treatment alters the colour of natural diamonds using presses similar to the ones used to produce laboratory-grown diamonds. HPHT treatments are irreversible and permanent.

To assist in the testing of a diamond by DiamondPLus™, the diamond will need to have been pre-identified as type II (for example by using the Diamond Trading Company DiamondSure™ instrument or by infrared spectroscopy) and standard gemmological tests should be applied to confirm that the diamond is natural.

The DiamondPLus™ instrument makes a laser-excited photoluminescence measurement on stones and within 15 seconds returns an automated "Pass" or "Refer" result. A "Pass" result shows that the diamond under test has not been HPHT treated whereas a "refer" indicates that the diamond must be investigated further to determine whether it has been treated or not. Additional measurements should be carried out by an accredited qualified gemmological laboratory in order to make a positive identification. In addition to referring all HPHT treated type II diamonds, the instrument will also refer a percentage of untreated natural type II diamonds. These can also be identified by using the more sensitive, laboratory-based, low temperature photoluminescence technique.

The DiamondPLus™ performs best on high colour type II diamonds. The referral rate of the instrument may increase as the strength of the brown colour increases.

The instrument is designed to make a measurement with the sample immersed in liquid nitrogen. For this reason the instrument is only suitable for testing loose stones; it is not suitable for testing mounted stones. Testing of non-diamond material is not recommended since the thermal shock may cause the sample to fracture. Testing of such material will result in the message, "No Diamond Detected" being displayed.

The instrument is primarily intended for the testing of type II natural diamonds and should not be used in the classification of other precious gems or diamond simulants.



Suppliers

The BPPs require major suppliers to the Family of Companies to demonstrate "best endeavours" with respect to ethical practices in their operations. We do this partly by advising all of our suppliers of the business ethics, social and environment requirements that form part of our BPP framework. We also have procedures in place to help ensure that we procure third party goods and services from responsible and sustainable partners. This is conveyed to suppliers through ongoing email or letter correspondence and open days, during which we talk to suppliers about issues such as our Principles, the BPPs, HIV and Aids, Black Economic Empowerment (BEE) and the environment.

Our De Beers Group Services (DBGS) supply chain function identifies social and environmental requirements for suppliers depending on the relative risk and exposure of the goods or services provided. Suppliers of hazardous chemicals, for example, are subject to more rigorous environmental checks including possible audit or the need to produce lifecycle data and product data sheets. Additional standards include the legal requirement for all South African procurement processes to take into account BEE criteria. We comply with similar requirements in Botswana and Namibia. Our DBGS supply chain function performs the following checks on suppliers:

- Standard checks: These involve inspection of company registration, tax and credit information, recorded judgments and BEE status.
- Full commercial evaluations: These are performed at the request of managers or if a supplier is under review. They involve a review of market and financial status, pricing, occupational health and safety compliance, as well as environment and quality checks.

Clients

As the sales and marketing arm of De Beers, the DTC is responsible for implementing our Supplier of Choice (SoC) sales strategy. SoC seeks to encourage greater efficiency in the supply of rough diamonds to Sightholders by identifying those clients best placed to drive demand for particular categories of rough diamonds, as well as the promotion of good business practice. Clients are selected against a pre-defined set of performance criteria relating to core strengths (i.e. a strong market focus), distribution and marketing ability, and technical ability. There are additional and mandatory compliance criteria relating to adherence to the BPPs, maintenance of a good business reputation, financial standing and reliability.

De Beers Best Practice Principles

The BPPs is a continuously evolving standard intended to ensure that consumers buying diamond jewellery can rely on the professional, ethical and technical standards of the gem diamond industry. They do so by protecting against unacceptable business ethics and social and environmental practices that might undermine consumer confidence in diamond jewellery.

The BPPs include a requirement for the recording of all KPCS certificates and "warranty" invoices received and issued when buying or selling diamonds. This helps eliminate any possibility of transactions involving conflict diamonds (p34). They also require the disclosure of all use of synthetics, treatments and simulants, and adherence to strict social and environmental requirements, including those relating to health and safety, child labour and forced labour. Sightholders have participated in the BPP programme since 2005.

Contractors which derive 75% or more of their revenue from a Sightholder or a De Beers Group entity have been actively participating in the BPP programme since 2008. Contractors which fall below the 75% mark are required to sign a declaration of integrity stating that they are free of any material breaches.

A new "SMART" approach to the BPP Assurance Programme was developed during 2008. The new approach will be implemented in 2009 and will verify Sightholder and De Beers Family of Companies conformance with the BPPs by generating customised self-assessment workbooks linked to the risk exposures of each individual Sightholder entity. This is expected to increase the efficiency of the BPP process. The SMART system also serves as an online database for the legal, commercial, sales and distribution functions of the DTC providing considerable economies, from cost effectiveness to increased efficiencies, for both the DTC and Sightholders.

Consumers

Reputational research carried out for De Beers in the United States in 2008 demonstrates that integrity, community involvement, labour issues and other related factors continue to be critical amongst opinion formers. These findings were supported by "Luxury: Considered", a global report commissioned by De Beers. The report identified a marked shift from conspicuous to discerning luxury consumption due to worsening economic conditions, as well as consumer fatigue with mass-marketed luxury products. It also suggested this shift would see greater consumer emphasis on social and environmental responsibility. De Beers continues to prioritise sustainability concerns in order to match or exceed consumer expectations as global economic conditions improve.





Case study

Sightholder social investment

Besides working to comply with the BPPs, Sightholders also engage in social investment programmes in the communities where they operate. Three key focus areas are education, health, environment and natural disaster relief.

- Education is a significant challenge in many of the areas where Sightholders operate. This is mainly a result of there being limited resources for large and growing child populations. In addition, girls and women are often the most marginalised members of society. This frequently means they do not have the same access to education, healthcare, or jobs as their male counterparts. Many Sightholders are supporting the empowerment of girls and women through in-kind and cash contributions for primary education and college attendance.
- Healthcare is a top priority for Sightholder Corporate Social Investment (CSI) programmes in both Africa and India. HIV/Aids is one of the most significant threats to economic and social development in Africa. Sightholders operating in these economies are helping to meet the challenge through awareness raising, voluntary counselling and testing, the establishment of HIV/Aids clinics and the provision of anti-retrovirals for their employees. In India, a lack of health resources means many communities do not have access to basic healthcare facilities. Sightholders have responded by establishing hospitals or clinics for diamond workers, as well as members of the local community.
- Environmental and natural disasters affected many of the countries where Sightholders have operations. These include droughts, flooding, earthquakes and disease outbreaks. Sightholders have contributed to providing relief for affected communities by, for example, organising fund raising, relocating families and providing in-kind support such as food, blankets and medical equipment.

Many of the initiatives led or supported by Sightholders are undertaken in partnership with local NGOs or local municipalities to ensure that appropriate skills and local knowledge is leveraged to implement lasting solutions.

Venus Jewel

Venus Jewel was founded in 1969 in India. The company operates from Mumbai and Surat and is a leading manufacturer of solitaires. Venus Jewel has placed ethics and integrity at the fulcrum of its business. In addition to complying with the BPPs and offering highly competitive wages for its diamond workers, Venus Jewel has established an active and beneficial CSI contributions programme, supports humanitarian relief causes, provides education opportunities to underserved children, particularly girls, and supports higher education facilities for the further development of India's youth.

Among the main disbursements are the Rs5 million (US\$116,000) provided to the Computer Engineering Faculty of South Gujarat University and Rs12.5 million (US\$290,000) donated to the Government of Gujarat for the education for girls. There are about 362 million children in India under the age of 14 years. With significant pressures on the scarce resources of the education system, private donations make a large impact and help ensure a brighter future for India's youth. Venus Jewel has also made donations to numerous other institutions for the development of educational activities in the tribal areas of Dang district, South Gujarat.

Venus Jewel also provides funding for specialist medical facilities in hospitals throughout Surat and in Gujarat and has contributed to the immediate relief effort following natural disasters such as the floods in Surat, the earthquake in Kutch, and the famine in Gujarat. It has also contributed towards the Gem & Jewellery National Relief Foundation.

Sheetal Group

Sheetal Group has been in business for more than 35 years. Its "KIAH" brand of jewellery is well established throughout India and in Dubai. Sheetal's social investment budget ranges between US\$600,000 and US\$1 million per year, and is directed towards improving the lives of diamond workers and their families. Social investment projects include those relating to the empowerment of women, education, health, environment, natural disasters, art, sport and culture. All projects are reviewed and completed in partnership with local NGOs to ensure they are locally relevant and sustainable. Most initiatives are located in the Gujarat region near the company's headquarters.

Bapunagar is an area of Ahmedabad in Gujarat, where a significant proportion of the population is employed in the diamond industry. In the past, the residents of Bapunagar had to travel long distances to avoid poorly equipped state-run hospitals and gain access to adequate health care facilities. The Sheetal Group invested around US\$600,000 to help build the not-for-profit Kakadia Hospital in Bapunagar. This was combined with support from other industry leaders. Today the hospital has 470 beds, a 24-hour emergency service, and houses some of the latest surgical technologies. In the fiscal year 2007-08, the hospital treated 150,000 patients.



Vallabh Kakadia, Sheetal Group Partner

"Some people see corporate responsibility as an additional cost; we don't. We see it as an essential part of business, as much as land, power, raw materials and employees."

Find out more



www.sheetalgroup.com



www.venusjewel.com

Forevermark

In 2008, Forevermark was formally launched in Hong Kong, China and Macau. Further launches will take place in Japan and India during the course of 2009. Forevermark's vision is to become the world's leading diamond brand, inspiring, exciting and reassuring diamond consumers. Each and every Forevermark diamond comes with a promise of quality and integrity – that it has been responsibly sourced and has directly benefited the communities from which it comes.

Forevermark diamonds are assessed, inscribed and graded in a dedicated state of the art facility in Antwerp, Belgium, which uses cutting-edge technology and adheres to the most rigorous criteria.

High standards throughout the industry

In addition to the launch of Forevermark and the BPPs, De Beers supports the downstream industry in maintaining the integrity of diamonds in a number of ways:

- By working to address issues such as conflict (through our support of the Kimberley Process), responsible standards for jewellery businesses (as a founding member of the Responsible Jewellery Council), and support for consistent and accurate use of diamond terminology (through our support of the work of the US Federal Trade Commission, the World Jewellery Confederation and many more trade programmes).
- By developing world-class detection equipment (DiamondSure™, DiamondView™ and DiamondPlus™) for distribution to all leading grading laboratories. This helps ensure laboratory grown stones can always be detected. Our DTC Research Centre also conducts extensive scientific research into new treatments, simulants and synthetic materials to support future detection capabilities.
- De Beers provides education programmes and materials to the broader downstream trade. These raise awareness of potential challenges to industry confidence, the need for responsible practice and the positive steps diamantaires, manufacturers and retailers can take to drive consumer confidence.

Advertising standards

De Beers worldwide advertising programmes are handled by J Walter Thompson (JWT). Significant care is taken by JWT to ensure all materials produced on behalf of De Beers are not misleading and are in compliance with applicable advertising rules and legislation. JWT also ensures such materials do not violate the intellectual property rights of third parties.

Find out more

	www.cibjo.org
	www.debeers.com
	www.debeersgroup.com
	www.forevermark.com
	www.ftc.gov
	www.jwt.com
	www.kimberleyprocess.com
	www.responsiblejewellery.com
	Operating and Financial Review 2008 (p20)
	Report to Society 2007 (p55)

Industry

The Family of Companies is currently working with the Responsible Jewellery Council (RJC) to establish an industry-wide standard for responsible business practices across the diamond and gold jewellery supply chain.

In 2008, RJC assembled a first draft of its third party monitoring system and workbooks. This followed extensive discussions with stakeholders including NGOs and representatives of the worldwide diamond and gold jewellery industry. The monitoring system will likely be implemented in phases and is aligned to the Code of Practices. A system of sanctions and enforcement actions, as well as a complaints mechanism, is also in development to identify members that fail to comply with the Code. Implementation is expected in 2009 or 2010.

Case study

Forevermark and ethics

Forevermark is a new diamond brand from the De Beers Family of Companies. Each Forevermark diamond is inscribed with the Forevermark icon and a unique identification number using patented technology developed by the De Beers group. Invisible to the naked eye, the inscription proves that this diamond has met Forevermark standards in terms of quality: cut, clarity, colour and carat (the 4Cs), but also in terms of integrity. Forevermark's robust standards and auditing procedures ensure that every Forevermark diamond originates from conflict-free (i.e. Kimberley Process compliant) sources that are committed to rigorous environmental and ethical standards. It also ensures that every Forevermark diamond has been handled, cut, polished and set in a responsible and professional manner. The Forevermark inscription is 1/20th of a micron deep and can only be seen using a special Forevermark viewer which can be found at Authorised Forevermark Jewellers.

Underpinning the Forevermark promise are the Forevermark Integrity Requirements (FIRs). These must be satisfied by all Forevermark partners at every stage of a Forevermark diamond's journey. The FIRs are based on the core elements of the BPPs, augmented by the proprietary Forevermark Pipeline Integrity Standard that was developed in partnership with the British Standards Institution. Compliance with the FIRs is tested and monitored on a global basis by Société Générale de Surveillance (SGS). SGS inspects the responsible business conduct and the quality procedures of each and every Forevermark partner to ensure all standards are met. Compliance is a critical component in becoming a Forevermark Diamantaire or Forevermark Jeweller.

Find out more

	www.bsi-global.com
	www.sgs.com