

Supporting
**SUSTAINABLE LOCAL
COMMUNITIES**



INVESTMENT IN THE
future of communities
BEYOND THE LIFE OF
our operations is
CORE TO RECEIVING
our social licence
TO OPERATE.

WITH A POSITIVE TRACK RECORD IN COMMUNITY ENGAGEMENT AND INVESTMENT we're more readily granted our local licence to operate. That's true whether we're seeking to open, maintain, change or close a site. We pursue constructive, frank and stable relationships with communities. Strong relationships help reduce the risk of operational disruption or reputational damage but also help maximise the social and economic benefits we generate from our operations for the long term future of communities.

Communities

Our community engagement and social investment are shaped not only by stakeholders and policy requirements, but also by our belief that our mining operations should help in the generation of both economic and social capital for all affected communities.

A social licence to operate is crucial at all stages of the mining lifecycle. We depend on it to gain access to new ground, to develop existing mines and to close operations with a positive post-mining legacy.

Without a social licence, individual mines are at risk of operational disruption, and reputational damage could spread across the Family of Companies, threatening the success of existing and future operations. In managing these risks we seek to protect the long term sustainability of our business.

Building sustainable social and economic benefits for local communities beyond the life of a mine is the driving strategy of all our community social investment. The principles that underpin our community work are informed consent and mutual benefit. We aim to know and work in partnership with communities, to understand our impacts and responsibilities, and to manage both short and long term community risks.

HIGHLIGHTS

- The Family of Companies disbursed a total of US\$29.8 million (2009: US\$29.3 million) in community social investment, including contractually mandated initiatives and in-kind contributions. This amounts to 3.3% of pre-tax profits of US\$894 million and is significantly in excess of the international benchmark of 1% (p73)
- DBCM invested a total of US\$1.5 million in Local Economic Development in 2010 under our Social and Labour Plans in South Africa (p74)
- A total of US\$5.1 million (2009: US\$4.2 million) was spent by De Beers Canada on a range of programmes under seven Impact Benefit Agreements (IBA) with First Nations communities (p74)

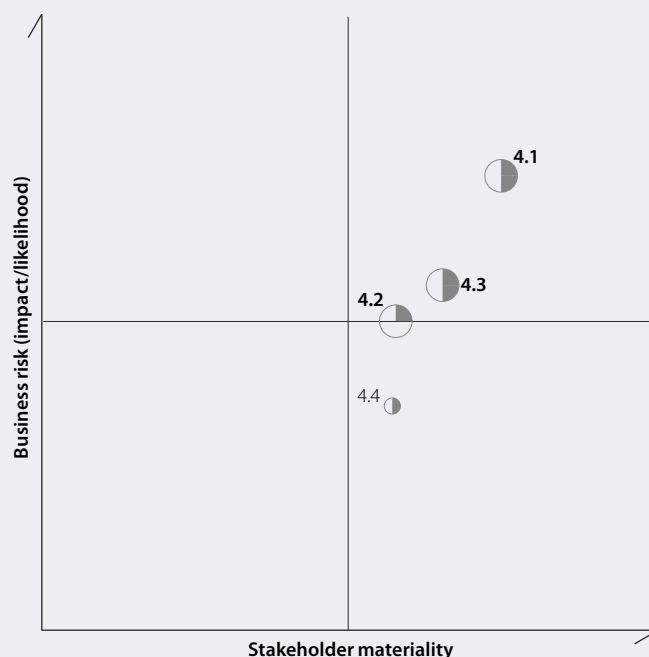
“Our vision is to create prosperity for the Yellowknives Dene First Nation. De Beers is committed to developing aboriginal business and is doing exactly that, awarding us two new contracts in 2010 to provide expediting and logistics as well as camp catering for the Snap Lake Mine.”

Roy Erasmus Jr.
President and CEO,
Det’on Cho Corporation



Communities risks

In this chapter we report on Communities risks identified as most relevant to the De Beers Family of Companies and our stakeholders. We identify and categorise our sustainability risks through ongoing engagement with stakeholders and our internal management processes (see p11-17).



4.1 Local licence to operate*

Risk: Constructive, frank and stable relationships with local communities and other interested parties are key to maximising the potential local, social and economic benefits of our operations and reducing the risk of operational disruption or reputational damage as a result of conflict with a community. Stable relationships with local communities also underwrite our efforts to generate lasting socio-economic benefits at a local level and to maintain our social licence to operate.

4.2 Social impact of closures and transfer of assets*

Risk: Mine closure and the transfer of assets such as hospitals or company settlements to public administration have multiple socio-economic impacts and risks. The effective management and mitigation of these depends to a large extent on a mining operation's ability to create consistent local value over the life of the mine and to adapt to changing economic conditions. The responsible transfer of assets is an important step in the development of a sustainable post-mining economy.

4.3 Sustainable community social investment*

Risk: Sustainable social investment can help to create a diversified local post-mining economy. Ensuring that this investment benefits the community beyond the life of our operations and is in line with broader regional and national development goals maintains our social licence to operate, supports a positive legacy from mining, and protects against future risks to reputation.

4.4 Managing land claims

Risk: We are committed to ensuring that the legal rights of all mining-affected communities are upheld at all times, in order to meet international best practice and to minimise our legal and operational exposure. A number of communities in South Africa have made formal land claims to areas in which we operate under the Restitution of Lands Act. Our Community Policy recognises that peoples' interests in land and property may derive from traditional and spiritual association in addition to legal title.

KEY: ● Long term ● Medium term ● Short term

* Our management approach to the risks that are asterisked and marked in bold are reported on in this Report, and summarised in its counterpart Summary Review.



 Local farmers in Oranjemund, Namibia

We engage with local communities at all stages of the mining cycle to ensure they understand the impacts of our activities and participate in the development of impact mitigation strategies, as well as programmes to maximise local benefit.

Our approach in 2010

2010 was a year of consolidation for the community discipline as we focused on formalising our approach in line with a leaner workforce and lower cost-base. We maintained the risk-based approach to managing community issues that the Family of Companies adopted in 2009 due to resource constraints. This approach aims to ensure that we focus on those issues that are of greatest concern to our local communities and that are most material to the sustainability of our operations.

The deferral of a number of key projects during 2009 due to the impact of the recession continued in 2010 in line with ongoing expenditure restrictions and the reduced size of our community team. Deferred projects included a Social and Economic Scenario Planning exercise to support exploration activities in Angola, and the roll-out of the Anglo American Socio-Economic Assessment Toolbox (SEAT). We will reconsider these projects in 2011, and conduct a capacity review across the discipline to ensure we are able to deliver a fit-for-purpose community discipline.

Local licence to operate

Risk: Constructive, frank and stable relationships with local communities and other interested parties are key to maximising the potential local, social and economic benefits of our operations, and reducing the risk of operational disruption or reputational damage as a result of conflict with a community. Stable relationships with local communities also underwrite our efforts to generate lasting socio-economic benefits at a local level and to maintain our social licence to operate.

Community impacts and benefits

The development, operation and closure of mines can have significant socio-economic effects on local communities. These vary depending on the lifecycle stage of a mine. Examples include:

- The influx of workers from outside of the community during construction and initial operation;
- Reduced availability of natural resources, such as water and grazing land due to mine operations;
- Restrictions on community access to land and freedom of movement due to mine safety and security measures; and
- The loss of local economic opportunities, employment and other benefits due to mine closure.

The effective management of these impacts is particularly important when operating in areas of socio-economic vulnerability or cultural sensitivity.

Securing a local licence to operate relies on our ability to mitigate the negative aspects of these impacts, and to harness the positive socio-economic effects of our operations to support sustainable local economies long after the mine has closed.

Along with social investment (see p73), enterprise development (see p30), and preferential procurement (see p29), our mines make an important contribution to local communities in a number of ways. These include:

- Generating employment and capacity building opportunities;
- Employee spending with third parties; and
- Using local products and services at our operations, from food suppliers to contractors.

We engage with local communities at all stages of the mining cycle to ensure they understand the impacts of our activities and participate in the development of impact mitigation strategies, as well as programmes to maximise local benefit. The creation and maintenance of mutually beneficial partnerships with local communities sits at the heart of our approach to community engagement.

In addition to engaging with local communities, we also engage with government and non-government agencies that can bring vital skills, perspectives and resources into our decision-making. Through sustained, broad and inclusive engagement we aim to ensure:

- The continued operational efficiency of our mines;
- Our continued access to diamond resources;
- Our status as a miner of choice for host governments; and
- The maintenance of 'diamond equity' amongst consumers and other stakeholders.

Our Community strategy

We employ a number of formal, structured techniques to help us identify, assess and mitigate community impacts.

Managing constructive community relations

The Family of Companies seeks to build and maintain its community relationships by:

- Ensuring we understand the issues that affect local communities, including our own impact;
- Establishing effective consultative structures at all operations to ensure full and constructive engagement with appropriate community stakeholders; and
- Implementing strong lifecycle planning to ensure our actions are appropriate for the social impacts of each lifecycle stage.

We conduct impact assessments for all new mining projects and whenever significant changes are made at existing operations. All of our operations have conducted Environmental Impact Assessments (EIA) and many have undertaken Social Impact Assessments (SIA).

We also enter into formal agreements with local communities. These have included Impact Benefit Agreements (IBA) in Canada and Social and Labour Plans (SLP) in South Africa.

We rely on a number of tools to ensure the effective engagement of community members, including:

- Our Community Policy;
- Anglo American's Socio-Economic Assessment Toolbox (SEAT);
- Our 2008 Social Impact Assessment Guidelines;
- Our Projects Environmental and Social Guidelines;
- The International Council on Mining & Metals (ICMM) and Anglo American Closure Toolbox;
- DBCM's Social and Labour Plan Guidelines; and
- Relevant local requirements.

Our group Community Policy meets and exceeds international law and industry protocols relating to the rights of local communities and indigenous peoples, resettlement and compensation. We recognise that operating contexts and communities themselves can vary widely, and our mining companies adapt the group Community Policy to better address the concerns or requirements associated with their operations. In 2010, Debswana developed new Community Relations and Social Investment Policies, and the implementation of De Beers Canada's Community Policy continued, receiving positive reactions from Aboriginal communities.

Strengthening practice across the community discipline

From an emphasis on maintaining the continuity of our community programmes over the course of 2009, in 2010 we focused on consolidating practice across the community discipline through working towards the following goals:

- The development of an adequate baseline understanding of community dynamics at all operations through the roll-out of SEAT or a suitable equivalent;
- Formalising consultative structures at all operations, including grievance mechanisms; and
- Ensuring the social components of our mine closure plans meet baseline benchmarks.



 *Omusati Regional Council visiting Namdeb mining operations*

While the Community Peer Group continued to meet three times during 2010, the performance of our business units in progressing towards these milestones in 2010 has been mixed. This is largely due to ongoing capacity and organisational issues following the major business and employee restructuring of 2009. An additional capacity review for community affairs will be conducted in the first half of 2011.

Social and Economic Assessment Toolbox (SEAT)

SEAT was developed by Anglo American to assist mining operations to identify key local stakeholders and understand and manage their impacts on local communities. It includes tools to map and engage local stakeholders in remote and underdeveloped areas, as well as under-represented groups such as women and indigenous people. SEAT also contains tools to help operations manage their socio-economic impacts on local communities.

In 2007, Anglo American licenced De Beers to use SEAT at all its operations. Following a successful pilot of the toolkit at Venetia Mine in 2007, plans to roll SEAT out at all mining operations were deferred in 2009 as a result of the economic downturn. DBCM continues to use SEAT to engage local communities in Namaqualand, but due to ongoing capacity challenges, no other SEAT exercises were conducted across the Family of Companies in 2010.

In 2010, a gap analysis undertaken in Canada showed a 90% overlap between SEAT and statutory Canadian reporting requirements. Rather than implementing SEAT, De Beers Canada has begun a separate initiative that will address this gap. De Beers Canada is also implementing the Mining Association of Canada's Towards Sustainable Mining (TSM) initiative, which is mandatory for all members of the Mining Association of Canada. In 2011, we will revisit the question of a universal roll-out of SEAT, or a suitable equivalent such as exists in Canada.



www.mining.ca/www/towards_sustaining_mining/index.php

Responsible Jewellery Council certification

The consolidation of the community discipline was supported by the first phase in a mine-by-mine gap analysis against the social and community requirements of the Responsible Jewellery Council's (RJC) certification scheme in 2010. Conducted as part of our broader RJC pilot process in 2010 and integrated with our internal BPP process (see p42-45), the gap analysis will be completed in 2011 with a view to ensuring full RJC certification in 2012.



Community activity in 2010

Botswana

In 2010, we continued to monitor and manage the socio-economic impacts of the Cut-8 project at Jwaneng Mine against the 2009 Social Impact Assessment (SIA).

Debswana and the Engineering, Procurement, Construction Management contractor Fluor, also launched the Cut-8 Legacy Project which facilitates the support of Cut-8 contractors for community development initiatives around the Jwaneng Mine until the end of 2011.

As a result of local discontent regarding contractor and employment-related issues in Botswana we launched a Reputation Forum with a focus on community relations.

South Africa

Each of our South African mines continued community investment in line with their Social and Labour Plans.

There were three ongoing land claims in 2010. These included claims made on company properties in the Venetia Limpopo Nature Reserve, a validated claim involving company properties in the Hondeklip Bay area, and in relation to Griqualand and Rooiport. The temporary occupation of mining dumps at Jagersfontein, prior to DBCM's sale of the mine in October (see p24), was successfully resolved through a series of consultations with public officials and the community.

Namibia

In Namibia, work to enable the proclamation of Oranjemund town into a self-governing municipality continued, and is expected to be completed in 2011 (see p72). Community engagement by Namdeb and the Oshipe Enterprise Development Trust (see p30) were consolidated in 2010, with the establishment of the Namdeb Foundation. After extensive stakeholder engagement, the Foundation launched a new charter and strategic focus (see p76).

Canada

Community engagement and investment continued in 2010 in line with the seven Impact Benefit Agreements in place between De Beers Canada and First Nations communities. First Nations communities have strong cultural, social and economic relationships with the land on which we operate in Canada. De Beers Canada are in ongoing discussions with these communities of interest over how best to collaborate to reduce poverty and build community capacity.

Angola

The principles contained in our group Community Policy will guide the resettlement of a small community in the Lunda Norte district of Angola, planned for 2011 (see case study). The resettlement of a semi-migratory village community of less than 90 people is necessary in order to safely conduct exploratory sampling of three kimberlites discovered near Mulepe village.

Case study:

Planning for the resettlement of Mulepe village, Angola

De Beers has been exploring for primary diamond mines in Angola since 2005 in a joint venture with Endiama, the state-owned mining company. We are active in one concession area of 3,000km² in the province of Lunda Norte, near the town of Lucapa. To date, we have discovered over 110 kimberlites, which makes Angola one of the most prospective regions in the world.

We are drilling bulk samples in several of these kimberlites. To conduct exploratory sampling on three kimberlites which were identified in the Mulepe area, it is necessary to relocate the Mulepe community.

Mulepe village is a small community of seasonal subsistence farmers, whose

livelihood and safety will be affected by the increased activity in prospecting operations. The community consists of 72 people (31 adults and 41 children), living in 16 mud-grass huts.

The children living at the settlement are currently not attending school, the nearest of which is in Lucapa, eight kilometres away. The villagers depend primarily on subsistence agriculture. Their main crop is cassava, and they trade any surplus production in the local market for other essential goods.

In 2010, we initiated discussions with the Mulepe community about the possibility of resettling them to another location. The community has expressed its willingness

to move, and a desire to move to an area closer to the town of Lucapa in order to get improved access to schools, hospitals, further business opportunities and electricity.

A specialist organisation has been contracted to help with the resettlement, planned for 2011, and to ensure that the process complies with the De Beers Community Policy and meets all international benchmarks for best practice, including the IFC Performance Standards.



Social impact of closures and transfer of assets

Risk: Mine closure and the transfer of assets such as hospitals or company settlements to public administration have multiple socio-economic impacts and risks. The effective management and mitigation of these depends to a large extent on a mining operation's ability to create consistent local value over the life of the mine and to adapt to changing economic conditions. The responsible transfer of assets is an important step in the development of a sustainable post-mining economy.

As mine closure is predictable we are able to plan early in order to mitigate any negative community impacts and maximise positive ones. This helps ensure our operations act as a catalyst for sustained community development once mining ends, and to facilitate the smooth transition to a post-mining economy.

At a minimum, closure plans must ensure legal compliance and the remediation of environmental impacts. All of our mines currently have closure plans covering the physical and environmental aspects of closure, and some incorporate well-developed social components (see Table 5). Over the course of 2011 we intend to review the extent to which the social components of these plans meet baseline benchmarks.

Table 5: Status of social elements of closure planning at business unit level, 2010

Name	Status	Description
DBCM	In place	Social elements are addressed at all mining operations as part of their SLPs. Formal integrated closure plans are expected to be in place in 2011.
De Beers Canada	In place	Social closure planning is addressed through original licence commitments. These plans are subject to one or three-year review depending on activities.
Debswana	Pending	Social elements have not yet been included in existing closure plans.
Namdeb	In place	Social closure planning for land operations developed in 2007 and now underway.

Maximising value from late-lifecycle mines

Three of our operations in 2010 were considered to be at the latest stage of their lifecycle. These included Namdeb's land operations, Debswana's Letlhakane Mine and DBCM's Finsch Mine. This does not necessarily mean, however, that these mines will be closed in the near future. In 2010, Namdeb's management developed Vision 2050, a plan which, with the appropriate fiscal environment, would enable a US\$1 billion investment to potentially extend Namdeb land operations to 2050.

Where possible, the Family of Companies has sold late-lifecycle mines to operators optimised to generate value from late-lifecycle mines. In October 2010, we sold the mine site and tailings mineral resource at Jagersfontein Mine in South Africa. Closed as a mine for almost 40 years, the mine was sold to Superkolong Consortium, a broad based Black Economic Empowerment (BEE) holding company under terms which will deliver sustainable benefit to the Jagersfontein community (see p24).

Ensuring mine sales include closure responsibilities

When we sell a mine, we seek to implement formal agreements that ensure purchasers fulfil relevant closure requirements. In some cases, our monitoring of impacts on stakeholders will continue after sale or closure, as demonstrated in the case of the Cullinan Mine in South Africa.

Where the Family of Companies sells a mine, we jointly prepare a status report with the purchaser. This is done in order to identify potential liabilities relating to closure planning requirements and legislation. Particular focus is placed on physical and environmental criteria. The cost of addressing these liabilities is integrated into the price of sale of the relevant operation.

Planning for closure

Our Community Policy requires us to understand the social impacts of an operation at each stage of the mining lifecycle including closure. This includes:

- Stakeholder engagement;
- Development of robust socio-economic closure plans; and
- Regular review of closure plans as mining projects evolve.

Stakeholder engagement plays a vital role in developing mine closure plans (see case study, p72). We identify and address the socio-economic impacts of mine closure using the ICMM and Anglo American Closure Toolbox and SEAT.

The Family of Companies develops provisional closure plans at the evaluation stage of all new operations. These are reviewed throughout the lifetime of the mine in close cooperation with our employees and other stakeholders, such as government, unions, local communities and relevant civil society organisations. Where possible, we also carry out rehabilitation work as we operate. This helps limit post-closure environmental and social liabilities from the start.

To support socio-economic mitigation measures we also use our community social investment vehicles, including strategic social investment programmes (see p73) and enterprise development initiatives (see p29).

Integrated closure planning

All of our mines currently have closure plans covering the physical and environmental aspects of closure. Integrated environmental and social closure plans that also include employee and socio-economic community impacts have been established at many of our operations. Integrated plans cover a range of issues including labour transition, employee skills training, enterprise development, social investment and rehabilitation.

Improving our closure planning

In 2010, we planned to conduct a gap analysis of all of our closure plans against the Responsible Jewellery Council Mining Standard requirements, as well as the Anglo American Standard. Analysis from the integration of the RJC mining standard into the BPPs in 2010, to be completed in early 2011, will provide direction on how to improve the social aspects of closure planning in 2011.



www.responsiblejewellery.com



 Oryx grazing in the mining town of Oranjemund

Case study:

Oranjemund town proclamation, Namibia

As part of its 'Positive Legacy Project', Namdeb continued to work towards the proclamation of Oranjemund town in 2010. Oranjemund was established in 1936 to support diamond mining activities. It is a closed mining town of around 9,000 people and is owned by Namdeb.

With land-based mining operations potentially approaching the end of their life under the current operating model in 2014, the proclamation process aims to open up the town by turning Oranjemund into a self-governing municipality. The process is complex because Oranjemund sits within Namdeb's mining licence area, which is located in Namibia's restricted Diamond Area. It is also connected to the rest of the country by a private road.

Proclamation process

The proclamation process is at an advanced stage, and in April 2010 the Ministry of Mines and Energy approved the application to excise the Oranjemund townlands. The proclamation of the private road is all that remains before municipal management of Oranjemund becomes a reality.

Community engagement

During 2010, four community meetings were held to discuss progress and issues related to the town's proclamation, municipal management and property transfers. The community is supportive of the process but has expressed impatience over delays with the proclamation.

By the end of November local and regional elections were concluded. The new councillors will take office once the proclamation is complete.

Oranjemund sustainability

As an independent municipality the long term sustainability of Oranjemund requires a well-developed and diverse local economy, and an environment that will attract business activities and investors. To support this, Namdeb continues to support business development in the areas of:

- Tourism;
- Agriculture, particularly olive, grape and lucerne (alfalfa); and
- Mariculture, including abalone and oyster farming.

 www.oranjemundonline.com

Sustainable community social investment

Risk: Sustainable social investment can help to create a diversified local post-mining economy. Ensuring that this investment benefits the community beyond the life of our operations and is in line with broader regional and national development goals maintains our social licence to operate, supports a positive legacy from mining, and protects against future risks to reputation.

The Family of Companies' community investment strategy looks beyond narrow philanthropic spending to focus on delivering long term socio-economic benefits for local communities. We aim to consider the full range of our contribution to local communities and how we maximise the value we bring to the areas where we operate, both in the short term through exploration and mining, and the longer term when mining has ceased.

Where relevant, we try to align our community investment activities with national development programmes in order to maximise the benefit of our community social investment in line with long term national development. Such national development plans include:

- Botswana's National Development Plan 10;
- Namibia's Vision 2030 National Development Plan; and
- Accelerated and Shared Growth Initiative for South Africa.

Our community investment approach supports our social licence to operate by helping to maintain positive and constructive relations with local communities, governments and other relevant stakeholders.

 www.gov.bw
www.npc.gov.na
www.info.gov.za

Social investment through the downturn

The economic slowdown in late 2008 and 2009 dramatically reduced diamond sales and, consequently, our short term philanthropic spend, which fell from US\$13.6 million in 2008 to US\$7.5 million in 2009. Our core investment in local communities was maintained in 2009 in many cases as a result of long term programmes such as our Social and Labour Plans (SLP) in South Africa, Impact Benefit Agreements (IBA) in Canada, and important educational and medical contributions in Botswana.

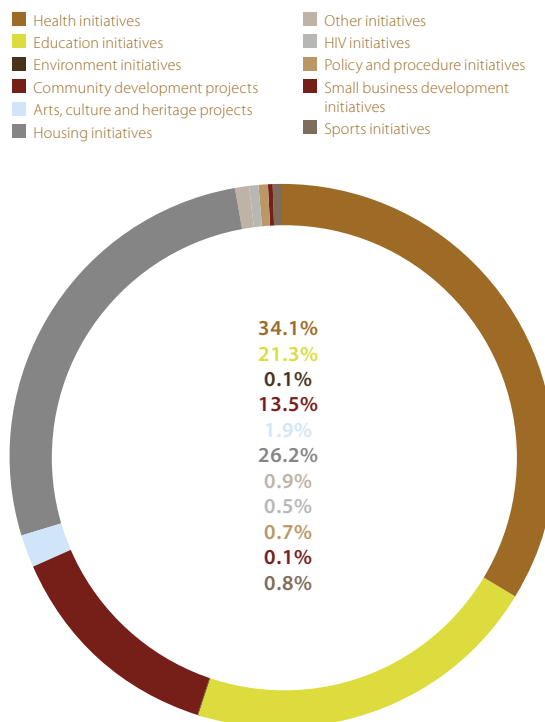
Our total investment in 2010

Since 2009, we have reported our social investment using a broader measure that more accurately reflects our actual impact on the societies in which we operate. This includes social investment we are required to make under applicable legislation or contractual agreements, e.g. SLP in South Africa and IBA in Canada (see p74), and in-kind social investment includes activities such as the running of mine hospitals shared by local communities in both Botswana and Namibia.

Under this broader measure we made social investments totalling US\$29.8 million in 2010 (2009: US\$29.3 million) (see Figs. 23 and 24). This represents 3.3 % of pre-tax profits of US\$894 million (2009: 9.2%, US\$318 million), and is significantly in excess of the international benchmark of 1%.

Fig. 23

Social investment spend by project type, 2010 (%)

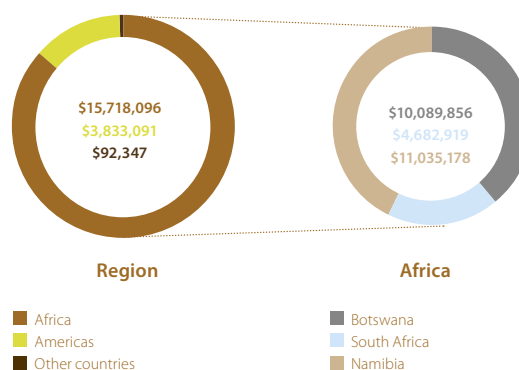


Data note 13: Calculations presented in Fig. 23 and Fig. 24 include broader social investment activities such as the running of mine hospitals shared by local communities in both Botswana and Namibia.

Due to rounding, the sum of this pie chart is 99.3%.

Fig. 24

Social investment spend by region and (African) country, 2010 (US\$)



Data note 14: 2010 data for Canada includes cash donations (US\$3,591,930) and in-kind donations (US\$96,161). In-kind donations include employee working time spent on community or charitable projects such as drilling wells for community use, making company facilities available for community use, or lending or donating company products, services or equipment.

Community social investment activities in 2010

Our overall social investment contribution falls into six broad categories.

In-kind community services, such as access to mine schools and hospitals.

For example, through fully funded hospitals at Orapa and Jwaneng Mines which serve as district hospitals, Debswana provides essential public medical services to mine employees and the surrounding communities, in total around 75,000 people.

Skills development and capacity building, to support local economic development and skills that will last beyond the life of our operations.

Skills development programmes mainly focus on education, enterprise development within local communities, and preferential procurement. Support for programmes can be direct, as in the case of Debswana's support for overseas study by over 1,000 current and future Debswana employees from 1992-2010, or through associated Trusts.

The Family of Companies also operates a number of investment funds to promote enterprise development in Botswana, Namibia and South Africa, including Peo Venture Capital, the Namdeb Foundation and De Beers Zimele (see p30).

HIV and Aids programmes, including testing, treatment and outreach services through company hospitals, and support for HIV and Aids programmes provided by other organisations through our Funds.

These programmes are in addition to our internal HIV and Aids management programmes (see p60).

Social and Labour Plan investments focus on infrastructure development, community development and poverty eradication in South Africa.

Under DBCM's SLP, planned expenditure on local economic development for 2010 was R12.2 million (US\$1.7 million). Actual expenditure was R10.9 million (US\$1.5 million), due to an increased focus on feasibility studies for projects at Kimberley and Voorspoed to ensure their long term sustainability.

Impact Benefit Agreement investments in place between De Beers Canada and First Nations and other indigenous groups in the vicinity of the Victor and Snap Lake Mines cover a range of programmes.

In 2010, a total of C\$5.1 million (US\$4.9 million) was spent (2009: US\$4.2 million) under these seven IBAs, in addition to C\$5.9 million (US\$5.74 million) in conventional community social investment spending.

Strategic philanthropy includes cash and in-kind support for small- and large-scale development projects in the areas of education, health, youth development, environment, and cultural programmes, including sports development.

Our strategic philanthropy can be managed directly, as in the case of the Namdeb Foundation (see case study p76), but is generally managed through dedicated social investment vehicles such as the De Beers Fund in South Africa (see case study p75), Ponthalo De Beers Trusts, De Beers Fund Namibia and the Diamond Trust in Botswana.



“My goal is to develop the youth in our community. A driving licence is needed for many careers and with the support of De Beers Zimele, I can help less privileged boys and girls gain this basic requirement without having to pay for lessons.”

Sophia Mphuthi

Owner operator of Sophia's Driving School, Galeshewe

 Sophia Mphuthi is the owner operator of Sophia's Driving School in Galeshewe



A Finsch Primary School, fully funded by Finsch Mine
B Endangered Wildlife Trust teaching programme, jointly funded by De Beers
C The De Beers Fund supports three field bands in South Africa

Case study:

De Beers Fund: A winning approach to education

In South Africa, much of our social investment is carried out through the De Beers Fund, which is independently managed by Tshikululu Social Investments, a leading social fund manager in South Africa.

In late 2010, the De Beers Fund in South Africa won the Education award of the 21st *Investing in the Future* awards for its ongoing support for education in and around the communities where we have mining operations. 70% of the Fund's investments support these areas with the other 30% supporting national or best practice community projects.

Education is the main focus of the Fund, making up 39% of the Fund's total spend. Since 1998, the De Beers Fund has spent

R143.2 million (US\$19.94 million) on education initiatives.

The Fund concentrates on projects across the education spectrum, from early childhood development and teacher training to youth life skills training, maths and science support, bursary provision, and development projects to build and improve school infrastructure and facilities.

When giving the education award the *Investing in the Future* judges were impressed that the Fund's investment in 2009-2010 had remained constant at R50 million despite the parent company, DBCM, reporting a R263 million loss for the 2009-2010 financial year.

The broader aim of the De Beers Fund is to build and strengthen communities to long term sustainability and, as a result, non-reliance on De Beers. When considering projects to support, the Fund considers the following key principles:

- Fostering sustainability;
- Partnerships and relationships;
- Community engagement;
- Community ownership of projects;
- Capacity building;
- Proactive social investment planning and implementation; and
- Monitoring and evaluating impact.

Projects do not begin and end with the hand-over of a donation cheque. The Fund focuses on sound governance and management, often providing training to NGOs and project partners, as well as arranging collaborations, for example with the Department of Education.

“The Fund’s education focus has a high degree of sustainability and a good impact in the rural areas, despite the recent shrinkage of the company.”

Investing in the Future judges' panel

Looking ahead

In 2011, we will reconsider our social investment strategy in line with improving market conditions, with a renewed focus on the sustainability of our social investment approach with market volatility.

Community discipline objectives for 2011

In 2010, we aimed to formalise and improve the resilience of the discipline to future challenges such as those seen during the market volatility of 2008-2010. To deliver this we will continue working in 2011 towards a number of improvements including:

- Rolling out the Anglo American Socio-Economic Assessment Toolbox (SEAT), or a suitable equivalent, at all operations to provide a baseline understanding of community dynamics;
- Ensuring the social components of our mine closure plans meet baseline benchmarks; and
- Ensuring proper and effective consultative structures are in place at all operations, including around the reporting and management of grievances.

We will also conduct a community capacity review in 2011 to ensure we have suitable resources in place to deliver these aims. Our focus will remain on determining how we can best target available resources for the most effective value creation within our communities.

Case study:

Namdeb Foundation – a new strategy for Vision 2050

The Namdeb Foundation's focus is determined by our ageing land-based mining operations in Namibia and ongoing reductions in our mining footprint, particularly around Oranjemund.

2010 was a bridging year for the Foundation as we investigated opportunities for partnerships and initiatives to support and add value to our local communities, and reposition our operations for a future running until 2050.

Our new focus was determined in consultation with management, employees from our local communities and representatives of the Mineworkers Union of Namibia. The resulting Namdeb Foundation Charter is aligned to the Family of Companies Community Policy and the UN Global Compact. The priority focus areas have been identified as:

- Education and youth;
- Tourism and heritage;
- Business development; and
- Oranjemund sustainability.

As Namdeb continues to attract its workforce from several regions across Namibia, the Namdeb Foundation aims to provide support to projects across a broad geographical radius.

 Namibian coastal landscape

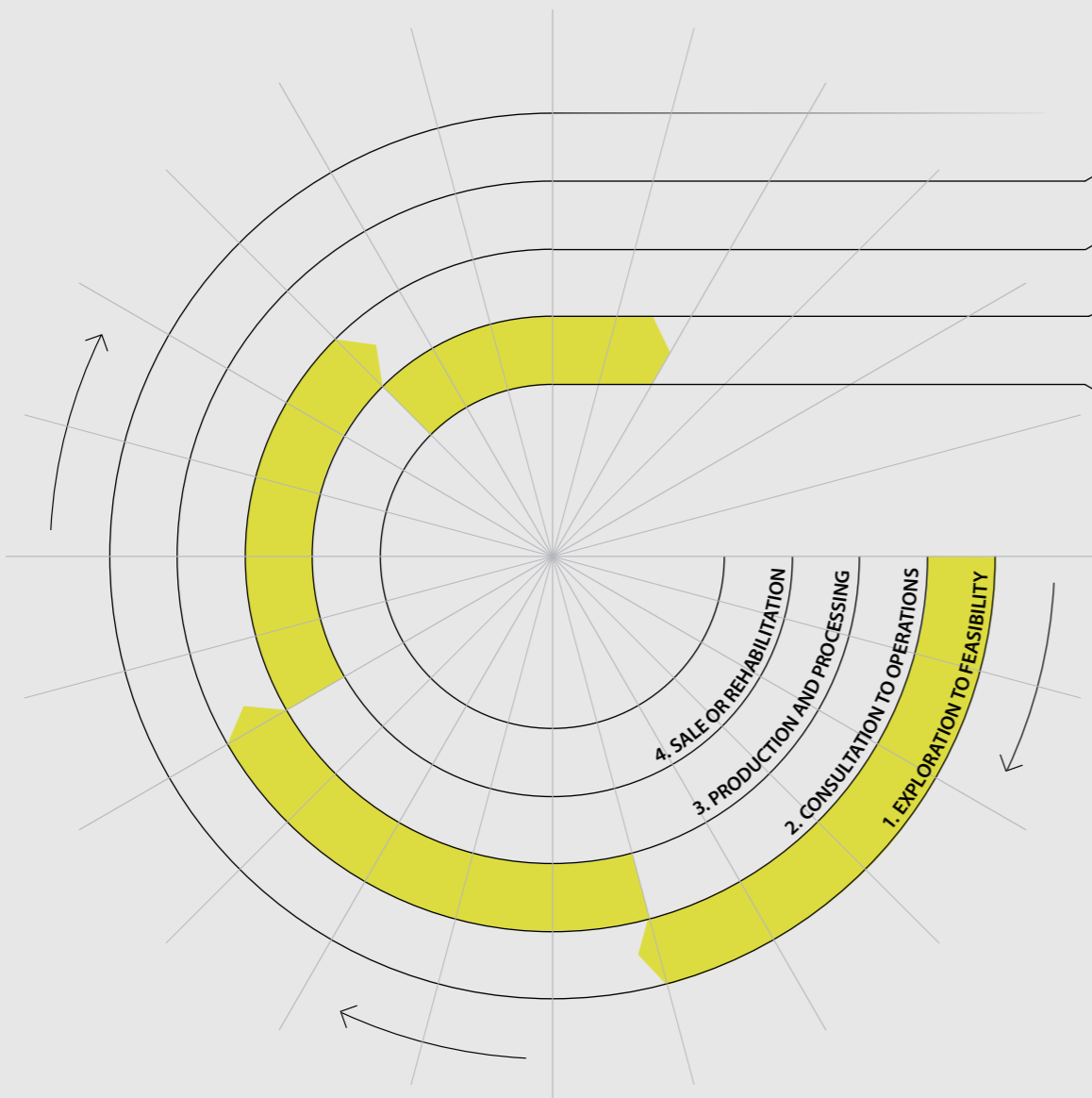


Creating shared value over the life of a mine

De Beers works in partnership with producer countries to maximise the contribution diamond mining can make to sustainable development. Our goal is to create shared value throughout the life of a mine – for governments and economies, for citizens and local communities, and for De Beers' shareholders.

We do this in a variety of ways: by maximising the value of production; promoting preferential procurement of local and indigenous suppliers; supporting the development of skills and enterprises that contribute to a diversified post-mining economy; and investing in social and infrastructure projects that benefit local communities. In addition, our commitment to beneficiation stimulates the growth of the diamond sector within producer countries and helps to attract further international investment.

We begin with the end in mind. From the outset, we conduct in-depth assessments that examine the long term economic, social and environmental impacts of our operations. The outcomes of these assessments guide our operations and relations with stakeholders over the life of the mine. We work with governments, communities and potential purchasers of late-life mines to ensure environmental rehabilitation and sustainable local economies post-mine.



1. EXPLORATION TO FEASIBILITY

Creating shared value through:

- ◆ Assessing long term social and environmental impacts
- ◆ Socio-economic scenario planning
- ◆ Broad stakeholder engagement



Assessing long term impacts

Environmental planning for Gahcho Kué started long before De Beers joined the project in 1997. For almost 20 years, exploration, environmental studies and development work has been taking place at our proposed Gahcho Kué open pit mine at Kennady Lake in the

Northwest Territories, Canada. This culminated in the submission of an 11,000 page Environmental Impact Statement (EIS) at the end of 2010. Protecting water quality and ensuring rehabilitation of the land and lake as quickly as possible after the end of mining are key to the project. The EIS will form the basis of an independent assessment in 2011.

2. CONSTRUCTION TO OPERATIONS

Creating shared value through:

- ◆ Promoting enterprise
- ◆ Building skills and capacity
- ◆ Investing in social and infrastructure projects
- ◆ Supporting national development goals

Promoting enterprise

De Beers Zimele is an investment fund supporting enterprise development and Black Economic Empowerment in South Africa through loans, skills transfer and mentoring. The aim is to create 25,000 employment opportunities – both preserved and new jobs – and 1,500 small businesses in seven years (2008-2015). In 2010 DBCM invested a total of US\$0.5 million in De Beers Zimele, which is funding 45 projects with loans of R5.9m.



Building skills and capacity

We focus on building local capacity by employing and developing local talent at all levels of the business. For example, in Canada we prioritise the hiring of Aboriginal employees from nearby communities. In 2010, of the 503 employees at Victor mine 183 (36.4%) were Aboriginal. We actively seek to increase the numbers of Aboriginal employees, particularly in skilled and management positions.

3. PRODUCTION AND PROCESSING

Creating shared value through:

- ◆ Supporting beneficiation
- ◆ Supporting ethical industry standards
- ◆ Generating market demand



Supporting beneficiation

Beneficiation is the process by which we work with government partners to ensure that after mining more diamond processing activities, such as sorting and valuing, take place in our producer countries.

To support beneficiation, a proportion of the diamonds we mine are offered for sale to Sightholders (the diamantaire

clients of the Family of Companies) in South Africa, Namibia, Botswana and Canada. These diamonds are then cut and polished in those countries, adding value beyond mining and promoting job creation and skills development.

For example, in 2010, 16 Sightholders received an equivalent of US\$366 million of rough diamonds for cutting and polishing as part of our beneficiation activities in Botswana.

4. SALE OR REHABILITATION

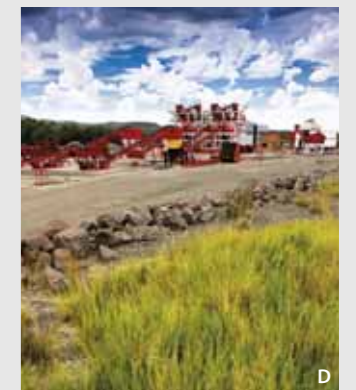
Creating shared value through:

- ◆ Responsible transfer of mining assets
- ◆ Integrated closure planning
- ◆ Environmental rehabilitation

Responsible transfer of mining assets

In 2010, almost 40 years after the end of mining operations, DBCM sold the Jagersfontein Mine and mine tailings in Free State province, South Africa. It was sold to Superkolong Consortium, a broad based Black Economic Empowerment (BEE) holding

company that has a number of mining operations. Superkolong agreed to a variety of sales criteria including BEE equity participation, local employment creation and significant community-based initiatives. The Jagersfontein Community Trust will hold 10% equity ownership in the new holding company and will receive R20 million (US\$2.72 million) funding to run community projects.



A Aerial view of Gahcho Kué Project.
B Chief of the Lutsel K'e Dene First Nation at Gahcho Kué.

C The sorting floor at Harry Oppenheimer House, Kimberley.
D Jagersfontein Mine.