

*Protecting*  
**THE INTEGRITY  
OF DIAMONDS**

A selection of rough diamonds from Voorspoed Mine





**OUR COMMITMENT  
TO MEETING THE  
*highest ethical standards*  
IS FOUNDED ON OUR  
*aspiration*  
TO LIVE UP TO THE  
*unique qualities*  
OF DIAMONDS.**

**THE BEHAVIOUR OF OUR EMPLOYEES, THE ROBUSTNESS OF OUR COMPLIANCE SYSTEMS** and our commitment to transparency maintain stakeholder confidence in our business and play a key role in upholding 'diamond equity'. De Beers aims to meet or exceed all applicable statutory requirements, as well as international standards on ethical issues ranging from conflict diamonds to anti-corruption. We also work with our business partners to embed ethical standards throughout the diamond value chain.

# Ethics

The ethical provenance of diamonds is an important element of both their financial and emotional value – what we call ‘diamond equity’.

To ensure that the journey from mine to finger meets the highest ethical standards, we have a mandatory, third party assured, code of ethical business conduct – the Best Practice Principles Assurance Programme (BPPs) – that applies not only to our own operations, but also to our Sightholders, contractors and suppliers.

To support ethical standards more broadly we work with sectoral initiatives such as the Responsible Jewellery Council, and comply with and promote the Kimberley Process and the Extractive Industries Transparency Initiative protocols. Together, these initiatives assure the provenance of our diamonds and facilitate the responsible distribution of the revenues our business generates in producer countries.

## HIGHLIGHTS

- All diamonds sold by De Beers are 100% conflict free. Compliance with the Kimberley Process and System of Warranties for 2010 was verified by Société Générale de Surveillance (p38)
- No significant incidents of corruption were identified during 2010 and 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 (p42)
- Over 480 individuals were nominated to participate in online competition law compliance training in 2010. The average completion and pass rates for initial and refresher training programmes were 95% and 90%, respectively (p42)



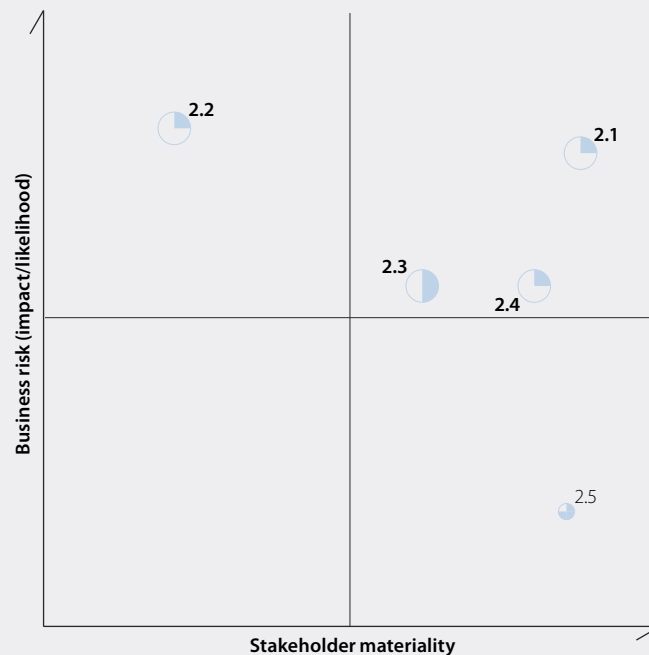
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*“Driving continuous improvement of social and environmental standards across the diamond pipeline is a challenge, but one which is exceptionally rewarding when we see positive movements towards best practice from both our own business units and our Sightholders.”*

**Purvi Shah**  
Responsible Business  
Initiatives Executive, De Beers

# Ethics risks

In this chapter we report on Ethics 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).



## 2.1 *Kimberley Process and System of Warranties credibility\**

**Risk:** Threats to the credibility of the Kimberley Process – a certification scheme to eliminate conflict diamonds from the legitimate diamond supply chain – present a risk to the reputation and sustainability of the industry through calling into question assurances provided to consumers, governments and regulators in key markets that diamonds are from conflict-free sources.

## 2.2 *Product security\**

**Risk:** Product theft at our operations is a multi-faceted risk. The involvement of criminal syndicates exposes our employees to coercion and facilitates the entry of diamonds into the illicit economy, including for potential use in money-laundering activities. Beyond its impact on our reputation and diamond equity more broadly, product theft impairs our financial performance, so reducing the revenues available to our producer governments to maximise the resource for sustainable development.

## 2.3 *Anti-corruption\**

**Risk:** Corruption poses serious legal, commercial and reputational risks to our business, while the corrosive social, political and economic effects of corruption pose a potential threat to the sustainable development and enduring stability of the environments in which we operate.

## 2.4 *Maintaining pipeline and sector standards\**

**Risk:** Unethical, illegal or harmful practices in the diamond pipeline have the potential to undermine the distinct allure of diamonds. However, the consolidation of ethical codes of conduct across the jewellery industry presents both a risk and opportunity for the company. De Beers, our joint venture partners, contractors and Sightholders subscribe to the Best Practice Principles Assurance Programme (BPPs) – a mandatory code of ethical business conduct – and a foundational element in the pipeline integrity promise of *Forevermark*, De Beers' proprietary brand.

## 2.5 *Legal compliance, e.g. competition law, tax law etc.*

**Risk:** De Beers is committed to ensuring compliance with competition and anti-trust laws and regulations in all of the jurisdictions in which we operate. We maintain a 'zero-tolerance' stance towards any non-compliance.

**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.

## *Kimberley Process and System of Warranties credibility*

**Risk: Threats to the credibility of the Kimberley Process – a certification scheme to eliminate conflict diamonds from the legitimate diamond supply chain – present a risk to the reputation and sustainability of the industry through calling into question assurances provided to consumers, governments and regulators in key markets that diamonds are from conflict-free sources.**

### **The Kimberley Process**

Established in 2000 and implemented in 2003, the Kimberley Process Certification Scheme (KP) aims to eliminate conflict diamonds from the legitimate diamond supply chain. The United Nations defines conflict diamonds as 'rough diamonds which are used by rebel movements to finance their military activities, including attempts to undermine or overthrow legitimate governments'.<sup>8</sup>

The KP requires rough diamonds to be sealed in tamper-resistant containers and accompanied by forgery-resistant certificates with unique serial numbers each time they cross an international border. The scheme is enshrined in the legislation of the 75 participating countries (including the 27 member states of the European Union, represented by the European Commission). As a result of the KP, the World Diamond Council estimates that less than 1% of the global supply of rough diamonds originates from areas of conflict.

### **System of Warranties**

To support implementation of the KP, the diamond industry developed the 'System of Warranties'. This requires companies to ensure that all invoices for rough or polished diamonds, and diamond jewellery, include a written guarantee that the diamonds invoiced are conflict-free. Records of all warranty invoices given and received must be kept and externally audited on an annual basis.

### **The Kimberley Process in 2010**

Despite Zimbabwe dominating proceedings the KP made progress in some key areas, including:

- A broad agreement to look at necessary reforms within the KP, including more effective methods of decision-making;
- The establishment of an ad-hoc committee to assess the need for permanent 'administrative support' for the KP and Chair;
- Closer collaboration with other branches of government and international organisations, such as the World Customs Organisation, to enhance security and enforcement of KP requirements;
- All but two of the 40 member states submitted annual reports successfully and on time;
- Recognition of the need to clarify the relationship between human rights and the implementation of the KP; and
- The Working Group of Experts made further progress working with the scientific sub-group on the characterisation and identification of rough diamonds from the Ivory Coast.

### **Côte d'Ivoire**

The Jerusalem Plenary discussed the situation in Côte d'Ivoire in light of UNSCR 1946 (2010), and of a report by Côte d'Ivoire. There was concern regarding indications of growing diamond mining activity in northern Côte d'Ivoire, in violation of UN sanctions and KP decisions. The Plenary supported further satellite monitoring and collaboration with the UN Group of Experts. It also requested the Working Group on Monitoring to pursue dialogue with representatives of Côte d'Ivoire regarding technical preparations for a future Ivorian certification scheme – Côte d'Ivoire is currently suspended from the KP. The Plenary called on participants to continue implementing the vigilance requirements and report any shipment of suspected Ivorian origin.

### **Guinea**

The Plenary reviewed efforts to strengthen KP implementation in West Africa. Participants supported steps to strengthen Guinea's certification system and welcomed the geological assessment visit organised in that country, and the efforts to ensure effective regulation and control of artisanal mining, as positive developments.

### **Venezuela**

Concern was expressed that Venezuela had not complied with the terms of the Delhi Decision and had not taken the necessary steps towards its full reintegration into the KP. The KP Chair will approach Venezuela, with the assistance of Brazil, notifying Venezuela of the Plenary's decision to accept the extension of Venezuela's self-suspension from the KP for an additional one year period, conditional upon Venezuela's submission of its annual report for 2009, and subject to written procedure.

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*“Once again, discussions on Zimbabwe overshadowed positive progress on other issues. At the Jerusalem Plenary meeting, decisions were taken to establish a committee mandated to improve the future efficiency of the Kimberley Process; in-depth discussions were held on enforcement in West Africa; and a decision was taken to formalise cooperation with the World Customs Organisation.”*

Global Witness and Partnership Africa  
5 November 2010

<sup>8</sup> UN Resolution 55/66, 2000, <http://daccess-dds-ny.un.org>

## The Kimberley Process and Zimbabwe

### A challenging year

In 2010, KP participants failed to reach a consensus on the export of diamonds from Zimbabwe's Marange Region. Following a deadlock in the first half of 2010, an interim agreement was reached in July allowing Zimbabwe to export two tranches of production in August and September. However, talks broke down again in November and, as a result, no further exports from Marange were permitted by the end of the year.

Since its inception, the KP has been effective in preventing 'conflict diamonds' from being used to fund rebellions against legitimate governments. In recent years, however, the KP has come under increasing pressure to address in-country human rights abuses such as those alleged to have taken place in Zimbabwe.

This has not enjoyed the universal support of KP members, some of whom argue that it opens the door for the politicisation of the KP. They argue that Zimbabwe's treatment by the KP demonstrates this.

The Zimbabwe issue is the sternest challenge yet encountered by the KP. Its eventual resolution will clearly have considerable influence in shaping the future of the KP itself.

The KP helps diamond producers to access important consumer markets and to this extent plays an important role in ensuring that diamonds are able to generate revenues to support social and economic development in African producer countries. Thus, while De Beers does not operate in Zimbabwe, we continue to work with stakeholders to resolve the Zimbabwean issue within the framework of the KP.

### Kimberley Process negotiations on Zimbabwe in 2010

Although negotiations between Zimbabwe and other KP participants were challenging and occasionally tense, progress was made towards bringing Zimbabwe into compliance with KP requirements although there remain many outstanding issues to address.

In 2010, the two operating concessions in the Marange fields – Canadile and Mbada – were declared KP compliant. However, the KP resolved that not enough progress was made towards securing the rest of the 70,000 ha deposit and developing a strategy to halt illegal smuggling impeding the permitted export of production from the two concessions. An agreement to break the deadlock at the June Intersessional proved elusive, and a subsequent meeting in St. Petersburg was convened the following month. Finally, an interim arrangement was agreed upon, allowing Zimbabwe to export two tranches of production in August and September, under the supervision of the KP-appointed monitor.

In spite of this apparent progress, talks broke down once more at the KP Plenary in Jerusalem, and no further exports were permitted. Once again, it took an extraordinary meeting, this time in Brussels, comprising members of the KP's Working Group on Monitoring, industry and civil society, to make amendments to the proposals presented at Plenary. Boaz Hirsch, the outgoing Chair of the KP, presented the amended text to participants through 'written procedure'. The required number of positive responses was received to allow the amended agreement to pass and, at the end of 2010, the matter was left under the direction of Mathieu Yamba Lapfa Lambang, the new Chair of the KP, on behalf of the Democratic Republic of the Congo.

## Performance in 2010

All De Beers diamonds are certified to be conflict-free, and are produced in full compliance with national and international law, the Kimberley Process and our Best Practice Principles Assurance Programme (BPPs).

Our worldwide compliance with the KP and the industry System of Warranties was verified by a third party. This engagement excluded Element Six, Hindustan Diamond Company and De Beers Diamond Jewellers (DBDJ), which were independently reviewed. It related to the period commencing 1 January 2010 and ending 31 December 2010.

This Report to Society includes a statement by Société Générale de Surveillance (SGS) as part of its verification of the BPP Assurance Programme that supports our compliance and commitment to the KP and the industry System of Warranties (see p98). There were also no material breaches relating to the KP identified for the Family of Companies or Sightholders in the 2010 BPP assurance cycle.



[www.e6.com](http://www.e6.com)  
[www.debeers.com](http://www.debeers.com)  
[www.debeersgroup.com](http://www.debeersgroup.com)

## The Kimberley Process in the future

While accepting that the KP faces significant challenges, De Beers remains deeply committed to the initiative and its positive development. Possible changes to the KP that will be discussed in 2011 include:

- Support for a permanent KP 'secretariat';
- The introduction of voting for a number of operational decisions within the KP;
- The improvement of statistical capabilities across KP participants; and
- The inclusion of human rights language within the KP framework.

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*“In southern Africa, diamonds are an engine for growth, employment and prosperity. The World Diamond Council believes that, in addition to combating the scourge of conflict diamonds, the Kimberley Process has helped to safeguard these benefits that are shared and enjoyed by thousands of people in communities across the region.”*

**Eli Izhakoff**  
Chairman of the World Diamond Council

## Product security

**Risk:** Product theft at our operations is a multi-faceted risk. The involvement of criminal syndicates exposes our employees to coercion and facilitates the entry of diamonds into the illicit economy, including for potential use in money-laundering activities. Beyond its impact on our reputation and diamond equity more broadly, product theft impairs our financial performance, so reducing the revenues available to our producer governments to maximise the resource for sustainable development.

### Assessing the risk

Product security and loss prevention were heightened risk areas for De Beers in 2010. To assess this risk, we conducted a review of the impact of the illicit diamond trade on our business in 2010 through direct activities to identify and trace illegal trading lines around our mines, and working in partnership with security forces (see case study).

The review revealed weaknesses in our security systems and the involvement of criminal syndicates in sophisticated theft from our operations. Having determined the scale and nature of the challenges, we conducted an audit study to assess the efficacy of internal diamond control measures across the Family of Companies.

### Taking concerted action

To combat these threats to the security of our diamonds, we launched an integrated Global Security Strategy. This involved an organisational restructuring, which led to the recruitment of a Global Head of Security and a broader base of security specialists, based both in central management and at our operations. In addition, we continue to develop our work with security forces, and have implemented more stringent screening processes when recruiting to ensure the integrity of our employees.

### Product security objectives for 2011

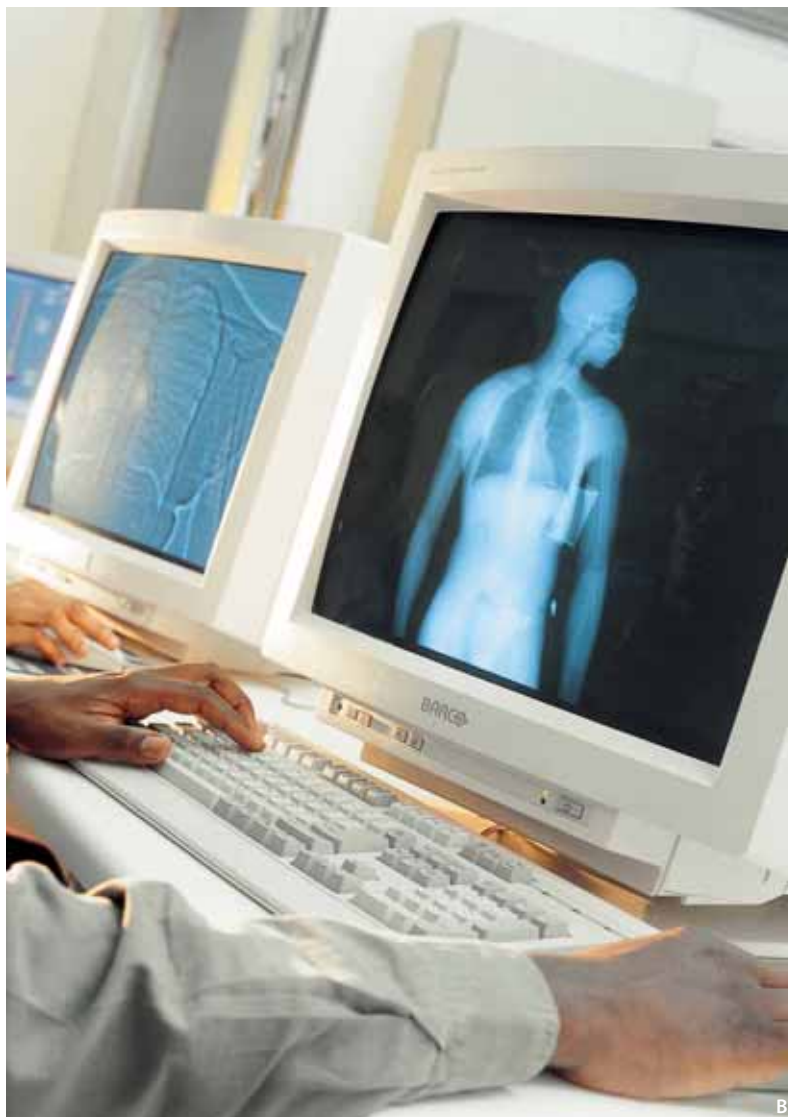
Moving into 2011, De Beers will be driving a Loss Prevention Programme, up-skilling management and empowering individuals, as 'Loss Prevention Leaders', to be agents for change at each site. De Beers believes operational failure may create opportunities for theft or other losses to occur. The Loss Prevention Programme seeks to reduce opportunities for theft through a systematic approach for addressing operational failures.

### Case study:

## Working in partnership

Through our drive to combat the illicit trade of diamonds, we work with national intelligence agencies across southern Africa. To date, we have established communications with law enforcement agencies including the World Customs Organisations and Interpol, and have set up joint operations with both national and provincial offices of the South African Police Service. Together with these agencies, De Beers is taking steps not only to impact the availability of rough diamonds to the illicit market, but also to tackle the existence of these illegal trading channels.

-  A Diamond shipment at the DTC, London
-  B Scannex monitoring, security technology used at some operations



## Anti-corruption

**Risk:** Corruption poses serious legal, commercial and reputational risks to our business, while the corrosive social, political and economic effects of corruption pose a potential threat to the sustainable development and enduring stability of the environments in which we operate.

We explore for, mine and market diamonds in a number of countries that are independently recognised as having a high risk of corruption (see Fig. 13). As such, it is imperative that staff most at risk of exposure receive appropriate training and have access to relevant channels through which they can learn how to combat corruption and, where necessary, confidentially disclose the activity.

### Defining corruption

Corruption is recognised to be one of the world’s greatest business challenges. Transparency International defines corruption as ‘the abuse of entrusted power for private gain’. This covers both financial gain as well as non-financial advantages.

Corruption can take many forms ranging from small ‘facilitation payments’ to institutionalised and large-scale bribery. It can take place with or without the knowledge of the payer or payee of bribes. Common forms of corruption include:

- Extortion;
- Fraud;
- Deception;
- Collusion; and
- Money laundering.

All of these constitute criminal offences in most jurisdictions.

 [www.transparency.org](http://www.transparency.org)

### Tackling corruption

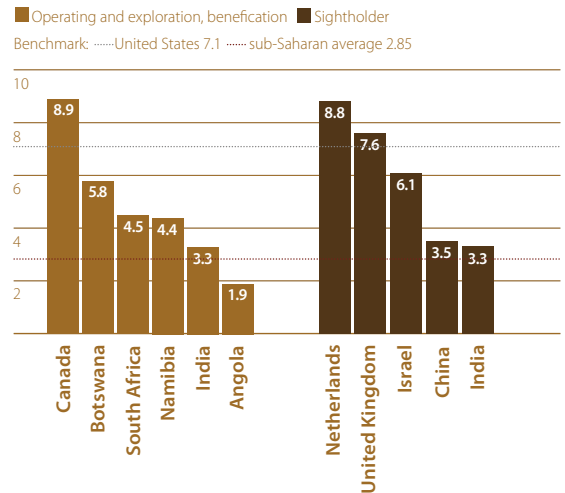
We are committed to fighting corruption and ensuring that we have in place rigorous procedures to help identify and manage corruption risk throughout our operations. We strive to meet the highest ethical standards in our relationships with governments, business partners, competitors, suppliers and communities. 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 and agents. This requirement is clearly stated in our Business Principles, the Best Practice Principles and our Code of Business Conduct.

We also engage with a broad range of stakeholders on the risk of corruption (see case study, p41). Except in exceptional circumstances where they may support the democratic process, we do not make political donations (see Stakeholder question p41).

 [www.idma.net](http://www.idma.net)  
[www.weforum.org](http://www.weforum.org)  
[www.unglobalcompact.org](http://www.unglobalcompact.org)  
[www.eitransparency.org](http://www.eitransparency.org)

Fig. 13

## 2010 Transparency International (TI) Corruption Perceptions Index (CPI) for selected De Beers and Sightholder operating countries



Data note 5: The TI CPI measures the perceived level of corruption in 180 countries. A score of 10 indicates lowest risk and a score of 0 represents highest risk.

*We are committed to fighting corruption and ensuring that we have in place rigorous procedures to help identify and manage corruption risk throughout our operations. We strive to meet the highest ethical standards in our relationships with governments, business partners, competitors, suppliers and communities.*



 A selection of rough diamonds



**Political Donations in Botswana**

In the first quarter of 2010 concerns were raised in the Botswana media about donations made by De Beers to the Botswana Democratic Party prior to 2003, as well as the support given by the company to the former President, Dr Khetumile Masire, in the early 1990s.

While these donations and the support offered to the former President were made in full compliance with the law, concerns raised about their non-disclosure were a clear reminder of the importance of De Beers’ decision in 2007 to require complete transparency in respect of any future political donations made by the company.

It is a normal practice in democracies the world over for companies and other organisations to provide financial support for political parties. De Beers holds the view that it is in our commercial interests to assist in developing a stable and prosperous Africa and that encouraging the development of accountable and transparent democracy is the best way of achieving this. Thus, while we will not rule out making political donations in support of the democratic process, any such donations will be fully disclosed to the public.

All political donations made by entities within the De Beers Group since 2007 have been disclosed in our annual Report to Society.

No political donations were made in 2010.

**De Beers Anti-Corruption Programme**

Launched in 2009, the De Beers Anti-Corruption Programme clearly articulates policies and procedures to combat corruption across the business. It aims to maintain our long term strategic commitment to business ethics through developing anti-corruption mechanisms and educating employees. The Anti-Corruption Policy at its heart requires full compliance with national and international legislation and the disclosure of transactions and relationships that might give rise to illegalities. De Beers is committed to ensuring that the policy is communicated to, and understood by, every employee at every level of the business.

**Improving the Anti-Corruption Programme**

We benchmarked the Anti-Corruption Programme against the World Economic Forum’s Partnering Against Corruption Initiative (PACI) Principles for Countering Bribery, and identified a number of improvements. Given the increasingly far-reaching legislation in the area of bribery and corruption, and the potential reputational impact of being implicated in corrupt activity, in 2010 we commenced a process of improving our Anti-Corruption Programme. This included:

- Establishing an anti-corruption steering committee and working group;
- Reviewing our zero tolerance Anti-Corruption Policy;
- Upgrading internal anti-corruption controls and monitoring systems; and
- Upgrading procedures to deal with incidents of corruption.

**Stakeholder question**

*What is De Beers’ policy on 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, and are fully disclosed. These are parties that support regular multi-party elections, sound financial/fiscal policies, executive accountability and parliamentary oversight. We believe these criteria support our shared long term goal of a more transparent and responsible business environment.

No political donations were made by the Family of Companies in 2010.

**Case study:**

*Stakeholder Engagement to tackle corruption, 2010*



### Reporting corruption

Employees within the Family of Companies are encouraged to report any activity that they believe is, or may be, unsafe, unethical, unlawful or otherwise contrary to our Values and Principles. We have a number of channels through which concerns can be raised:

- Reporting concerns to line management or a local member of the Human Resources team;
- Contacting the group General Legal Counsel; and
- Reporting concerns via our independent and confidential 'whistleblowing' hotline (p101).

In 2010, we started work on revising our Reporting ('whistleblowing') Policy and consolidated the provision of the reporting facility under a single service provider to facilitate better monitoring and management.

### Whistleblowing hotlines

Whistleblowing hotlines are safe and secure channels through which employees can confidentially report instances related to fraud, corruption, theft, diamond control, intellectual property or deviations from good corporate governance practice without fear of recrimination. The hotlines are independently managed and all contacts received are reviewed and investigated. Operators respond to the call in a number of languages 24 hours a day, 7 days a week, 365 days a year. Information reported is passed to a designated senior executive who decides how it should be followed up. The identity of the caller remains confidential at all times.

### Anti-corruption training

In 2010, De Beers postponed the roll-out of its training programme in order to ensure its content was in line with the UK Bribery Act, the enactment of which was delayed. Our training programme will now begin in 2011. It is anticipated that the training will use a mix of face-to-face workshops and web-based learning to enhance employees' understanding of corruption and give them the confidence to report corrupt practices either through conventional channels or the whistleblowing hotlines.

### Anti-corruption assurance

The BPP Assurance Programme verifies compliance with national and, where appropriate, international legislation with respect to corruption. The Assurance Programme 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.

### Performance in 2010

No significant incidents of corruption were identified during 2010. 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. The Family of Companies does not tolerate unethical or illegal behaviour and will dismiss individuals that breach our anti-corruption requirements.

In 2010, there were 710 internal investigations into alleged illegalities and/or breaches of the current Code of Business Conduct and Ethics at our operations (2009: 634).<sup>9</sup> This figure includes all allegations irrespective of severity, though they mainly relate to dishonesty including diamond theft.

As a result, 132 employees (0.98% of our total workforce) were dismissed (2009: 165, 1.23%).<sup>9</sup> Of these, 83 employees (0.62% of our total workforce) were referred to the appropriate law enforcement agencies (2009: 126, 0.95%). Not all of these cases were as a result of

whistleblowing. A number were identified independently by the investigation departments of the various business units through a variety of means, including security controls, audits and investigations.

### Anti-money laundering and terrorist financing

The Family of Companies is committed to the prevention of money laundering and to combating the financing of terrorism. Our policy applies to all our operations and it has been communicated to both joint ventures and partner companies.

In 2010, no fines or non-monetary sanctions were imposed on the Family of Companies in relation to money laundering. No material breaches relating to anti-money laundering were identified for the Family of Companies or Sightholders through the BPP cycle in 2010.

### Compliance with competition law

The Family of Companies works hard to ensure continued compliance with competition and anti-trust laws and regulations in all jurisdictions in which we operate.

Employees are requested to report any breaches of this policy through our whistleblowing hotlines. De Beers will not tolerate violations of competition law, or mistakes resulting from carelessness or inattention to legal compliance by its employees.

In 2010, over 480 individuals were nominated to take part in online competition compliance training. Two training programmes were used: a 45 minute programme and a refresher session for those nominees who successfully completed the 45 minute programme in 2009. The average completion and pass rates across the group were 95% and 90% respectively.

### Anti-corruption objectives for 2011

In 2011, ongoing activities will include:

- Completion of a formal corruption risk assessment;
- Explicit communication and awareness-raising, including with third parties; and
- Comprehensive training of staff.

## *Maintaining pipeline and sector standards*

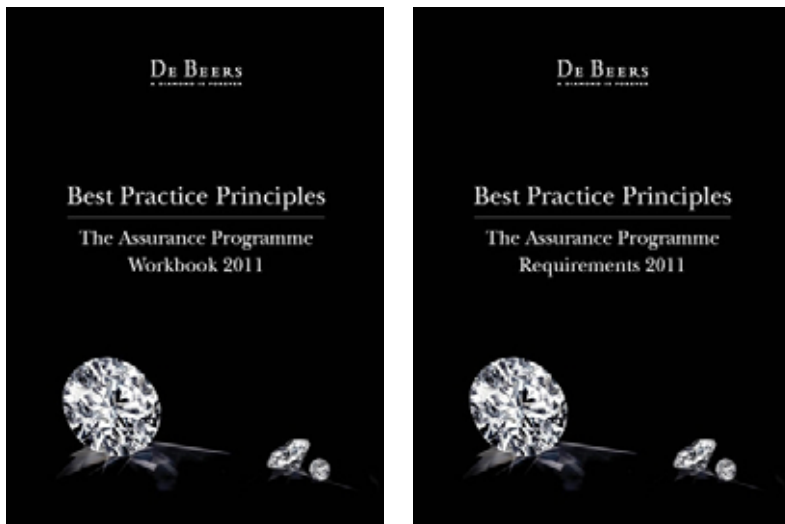
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It is in the long term interest of the diamond industry to meet consumer and stakeholder expectations relating to business ethics, economic contribution to diamond producing countries, health and safety, labour standards and the environment. We work towards meeting these expectations through the application of our business principles, policies and standards, as well as the BPPs.

### Best Practice Principles

De Beers created the BPPs as a continually 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 as well as social and environmental practices that might undermine consumer confidence in diamond jewellery.

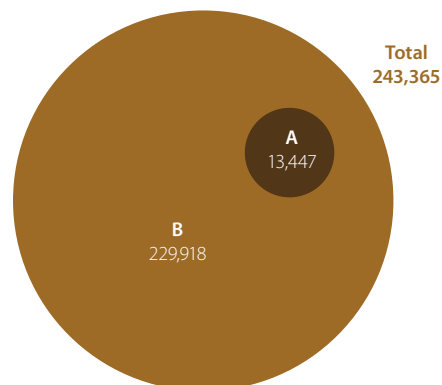
<sup>9</sup>2009 figures differ from those previously reported. Three additional investigations were conducted in 2009 resulting in three additional dismissals.



 Best Practice Principles Assurance Programme workbook and requirements guidelines

Fig. 14

### Best Practice Principles coverage, 2010



- A** Employees of the De Beers Family of Companies (excluding E6 and DBDJ) covered by the BPPs
- B** Employees of Sightholders and their contractors, Family of Companies contractors and DTC accredited businesses covered by the BPPs

#### Coverage

The BPPs apply to all De Beers’ operations and, since 2005, have applied to those of our customers – the Diamond Trading Company (DTC) Sightholders. The BPPs also apply to De Beers’ and Sightholder contractors.

Contractors that derive 75% or more of their revenue from a Sightholder or a Family of Companies’ entity have participated in the BPP Assurance Programme since 2008. Contractors that fall below the 75% mark are required to sign a declaration of integrity stating that they are free of any material breaches of the BPP standards.

As a result, the BPPs cover almost a quarter of a million people globally who work in the diamond industry (see Fig. 14).

#### BPP requirements

The BPP Programme Requirements are based on local and international legislation and conventions, including the International Labour Organization (ILO) standards and United Nations conventions, and incorporate best practice measuring and reporting standards such as the Social Accountability International (SA8000) standard and the Global Reporting Initiative (GRI).

The BPPs also require the disclosure of all use of synthetic diamonds, diamond treatments and simulant diamonds, and for participants to adhere to strict social and environmental requirements, including those relating to health and safety, child labour and forced labour.

#### The BPP Assurance Programme

All De Beers companies, Sightholders and contractors that participate in the BPP process must complete and submit annual self-assessment workbooks outlining their conformance with the requirements of the BPPs. Our internal audit team also assesses all De Beers’ companies each year.

An independent third party verifier – Société Générale de Surveillance (SGS) – undertakes desktop verification of a randomly selected sample of these workbooks (one-third of total workbooks submitted on a yearly basis). SGS also conducts annual onsite verification audits of a sample of all De Beers companies, Sightholders and DTC Accredited

Businesses. The number of verification visits allocated to each Sightholder Group is dependent on the total number of assessable entities within their Group, and selection is made in consideration of certain risk parameters and audit history.

Entities participating in the BPP Programme are required to submit Corrective Action Plans (CAPs) to address any areas where certain Minor Infringements and all Major Infringements are found. Evidence is submitted on the bespoke in-house SMART System or the third party auditor will revisit the site to ensure that CAPs have been successfully and continuously implemented.

In 2010, we continued to use the ‘SMART’ approach to the BPP Assurance Programme launched in early 2009. The BPP SMART System has dramatically increased the efficiency of the BPP process by generating customised self-assessment workbooks for each entity that are based on their risk profile regarding the BPPs.

The SMART system also acts as an online database for the legal, commercial, sales and distribution functions of the DTC, providing considerable efficiencies for both the DTC and Sightholders. It is also used as a screening tool by *Forevermark* and *Diamdel* and has become a key due diligence tool for assessing all parts of the supply chain.

#### BPPs and our Sightholders

As the rough diamond distribution arm of De Beers, the DTC is responsible for implementing our sales strategy. Our strategy seeks to balance working with Sightholders that will drive demand for rough diamonds, and the promotion of appropriate business practice.

We select Sightholders based on a pre-defined set of performance criteria relating to core business strengths and their ability to meet BPP requirements (see Stakeholder question, p44). Compliance with the BPPs, and the maintenance of a good business reputation and financial standing, are mandatory requirements.

Each Sightholder operation employs a BPP manager, who is responsible for maintaining BPP systems and processes, data accuracy, and for submitting BPP workbooks each year, which detail Sightholder performance against the BPPs.



**Stakeholder question:**

*What happens if a Sightholder does not adhere to the BPPs?  
What systems of accountability are in place?*

The BPP Assurance Programme is designed to be a continually evolving standard that promotes ongoing improvement in ethical practices along the De Beers diamond pipeline. As such, while acting in a manner inconsistent with the BPPs and the requirements set out in the BPP Assurance Programme Documents can constitute a breach of contract entitling the DTC to terminate a Sightholder’s appointment (i.e. cease to supply rough diamonds), the aim of the programme is to identify and rectify poor performance.

Annually, one-third of all self-assessment workbooks submitted by Sightholders are randomly selected for independent desk-based verification by a third party assurer – Société Générale de Surveillance (SGS). Each Sightholder Group is also visited on a yearly basis by SGS, with the number of verification visits allocated to each Sightholder Group dependent on the total number of entities within their Group. In 2010, 10% of these entities were assessed on average, equating to around 114 visits.

Non-compliances fall into the following broad categories:

- An Improvement Opportunity: Not a compliance issue if a satisfactory solution is found and implemented during the course of an annual Assessment. These are usually listed for the record to assist the participating entity towards continuous improvement.
- A Minor or Major Infringement: Any compliance issue that can be rectified within a short period and that, if managed responsibly, is not deemed by the Assessors or Independent Verifiers to result in any adverse impact.
- A Material Breach is any serious non-compliance issue that contravenes the core BPPs. For the avoidance of doubt, material breaches may include, but are not limited to:
  - the use of child labour or forced labour;
  - trade in conflict diamonds;
  - non-disclosure of synthetics, treated diamonds or simulants;
  - money laundering or the financing of terrorism;
  - wilful or negligent acts or omissions resulting in serious injury or death;
  - abuse of human rights;
  - non-payment of minimum wages;
  - causing a significant adverse effect to the environment; or
  - otherwise bringing the industry into disrepute.

Corrective Actions Plans (CAPs) are required for minor and major infringements, and for material breaches, detailing how the non-compliance will be addressed. For major infringements the CAP must include milestones/timelines. If CAP milestones are not achieved to the Independent Verifier’s satisfaction, the infringement may be escalated to the next level.

All major breaches found in 2009 were closed during 2010. The 2010 audit cycle showed 12 Sightholders to have at least one major case of non-compliance (2009: 14), from a total of 135 infringements across all Sightholder groups (2009: 136) (see Table 2).

Sanctions for non-compliance will vary according to the seriousness and frequency of the breach, and the accuracy of the self-assessment workbook. They may ultimately result in the DTC suspending supply to the Sightholder concerned, or terminating the Sightholder’s Supplier of Choice contract.

*Table 2: BPP infringements by Sightholders, 2008-2010*

	2008	2009	2010
Business	54	17	17
Social	186	119	118
Environment	21	0	0
TOTAL	261	136	135

### BPPs and our operations

A full review of conformance by the Family of Companies to the BPPs can be found in our first and third party assurance statements completed by De Beers Group Services Internal Audit and SGS, respectively (see p96-99). No material breaches of the BPPs were identified in the 2010 audit cycle for the Family of Companies. However, four major and two minor infringements of the BPPs were noted at Victor Mine and corrective action plans developed (see p56).

Table 3: SGS review and findings from the 2010 BPP cycle for De Beers Family of Companies

Business unit	Workbooks			Status
	Submitted	Reviewed	Site visits	
De Beers Canada	13	3	1	Under Observation
DBCM	9	3	2	Compliant
De Beers Global Mining	6	1	0	Compliant
De Beers Group Services	4	1	1	Compliant
Forevermark	5	1	1	Compliant
De Beers SA	2	1	0	Compliant
Debswana	4	1	0	Compliant
Diamdel	3	1	0	Compliant
De Beers UK Ltd	6	2	0	Compliant
Exploration	13	2	0	Compliant
Namdeb	15	4	0	Compliant
<b>TOTAL</b>	<b>80</b>	<b>20</b>	<b>5</b>	

Data note 6: Namdeb's Compliant status includes the verification of eight contractors.

### The BPPs and the Responsible Jewellery Council

De Beers is a founding member of the Responsible Jewellery Council (RJC). The RJC is a not-for-profit membership organisation that aims to reinforce confidence in the diamond and gold jewellery supply chain through promoting responsible ethical, human rights, and environmental practices. De Beers is represented on the RJC Board of Directors and Executive Committee.

### The RJC certification system

Over the last three years, the Family of Companies has been involved in developing the RJC certification system. The system, which was launched in December 2009, certifies RJC members for responsible ethical, social and environmental practices throughout the jewellery supply chain.

### RJC Code of Practices

The RJC Code of Practices is the standard against which members' compliance is assessed. It covers four key areas:

- Business ethics – including bribery, the Kimberley Process and synthetic diamonds;
- Human rights – including child labour, health and safety, security and artisanal mining;
- Environmental performance – including hazardous substances, energy use and biodiversity; and
- Management practices – including impact assessment, closure planning and reporting.

All members are required to receive third party verification to ensure compliance with the Code of Practices. In 2010, a number of organisations were appointed as certifiers by the RJC, including Société Générale de Surveillance (SGS).

 [www.responsiblejewellery.com](http://www.responsiblejewellery.com)

*Over the last three years, the Family of Companies has been involved in developing the RJC certification system. The system, which was launched in December 2009, certifies RJC members for responsible ethical, social and environmental practices throughout the jewellery supply chain through promoting responsible ethical, human rights, and environmental practices.*

### The BPP/RJC hybrid system

As a mining entity, the Family of Companies aims to be RJC certified in 2012. To reduce duplication of effort for Sightholders in having to comply with similar codes of conduct, in 2010 we integrated the requirements of the new RJC certification scheme into the BPP Assurance Programme in 2010 and provided all Sightholders with an option to facilitate the RJC certification process through our bespoke in-house systems.

The hybrid approach enables Sightholders that are already members of the RJC the option to become RJC certified by participating in the BPP process in 2011. Sightholders that are not aiming for RJC certification can continue to use the established BPP system, although in 2011 it will include updated elements that have been added to align the BPP with the RJC system.

The hybrid system is in place for the 2011 BPP cycle and has been developed by:

- Integrating any RJC certification requirements into the BPP Programme that were previously not included. The similarity of the two systems means that the changes are minor, but include new sections on anti-bribery and product security and sections specific to mining entities; and
- RJC certification includes standards that are applicable to the gold jewellery supply chain. These requirements have been integrated into the BPP programme to cover Sightholders that have gold-related activities and wish to become RJC certified through the BPP process.

# Diamond integrity

Diamonds are a unique luxury product. They hold a special place in people's hearts and minds. Maintaining consumer confidence in diamonds and protecting their ethical integrity is essential to ensuring diamonds live up to the emotional promise they embody.

Different social, ethical and environmental issues arise along the diamond pipeline. These range from conflict diamonds, to corruption, to environmental degradation. We work across our operations, and with our partners and industry peers, to address these issues at multiple levels.

Consumers want to know that when they purchase a diamond it is natural and untreated. As part of our work to maintain consumer confidence we invest in developing

cutting-edge detection technologies, which are used by leading diamond grading labs and major diamond companies worldwide. We also work with governments to ensure that the right regulatory frameworks are in place so that synthetics, simulants and treated diamonds are disclosed.

## 1. Consumer confidence

**Detection and disclosure**  
The non-disclosure of the treatment of natural diamonds, and the misrepresentation of simulants and synthetics as natural diamonds, undermines consumer confidence in the integrity of our product. In addition to our Best Practice Principles Assurance Programme, we actively support international standards around disclosure, and our Research and Development Division produces innovative detection technology to support the identification of treated diamonds, simulants and synthetics.

## 2. Transparency and accountability

**Anti-corruption**  
De Beers operates in a number of countries that are independently recognised as having a high risk of corruption. We work to ensure that employees who are most exposed to this risk receive appropriate training and have access to relevant channels to learn how to combat corruption and, where necessary, confidentially disclose the activity.

**Extractive Industries Transparency Initiative (EITI)**  
De Beers has supported the EITI since its inception. The international initiative aims to improve governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

## 3. Conflict free diamonds

**Kimberley Process**  
The issue of conflict diamonds has been the greatest single threat to consumer confidence in diamonds in western markets over the past decade. The Kimberley Process has been highly successful in stemming the flow of conflict diamonds with over 99% of the global supply of rough diamonds estimated to be conflict free by the World Diamond Council. De Beers' diamonds are 100% conflict free and we require all of our business units and partners across the pipeline to be fully compliant with the Kimberley Process Certification Scheme and the System of Warranties.

## 4. Ethical Standards

**Best Practice Principles Assurance Programme (BPPs)**  
The BPPs apply to all De Beers' operations and to those of our customers – the Diamond Trading Company Sightholders – and Significant Contractors. A third party verified programme, the BPPs require disclosure of all use of synthetic diamonds, diamond treatments and simulant diamonds, as well as adherence to strict social and environmental standards. They cover issues such as health and safety, human rights, child labour, corruption, and environmental management. Since the implementation of the BPPs in 2003, they have transformed the international cutting and polishing industry. In 2010 over 243,000 diamond industry workers in 57 countries were covered by the BPPs.



## Forevermark




Launched in 2008, *Forevermark* is De Beers' proprietary diamond brand. *Forevermark* diamonds come with a promise of quality and integrity. Each one is inscribed with the *Forevermark* icon and a unique identification number that provides quality assurance and enables traceability. The inscription is made using highly advanced technology. Invisible to the naked eye, it can only be seen using a special viewer, in authorised *Forevermark* Jewellers.

Every *Forevermark* Diamond partner must meet the *Forevermark* Pipeline Integrity Standard – a groundbreaking set of rigorous responsible sourcing standards for the diamond industry. Written in conjunction with the British Standards Institution, it incorporates the Kimberley Process Certification Scheme and compliance to the De Beers Best Practice Principles Assurance Programme as well as additional *Forevermark* requirements. It is currently the world's largest Track & Trace system for diamonds and is independently verified. Only the highest quality diamonds are selected as *Forevermark* diamonds.

*Forevermark* diamonds are now available in over 300 authorised Jewellers in Hong Kong, Japan, China, Singapore, the Caribbean, and Mexico.

For further information please visit

 [www.forevermark.com](http://www.forevermark.com)