

A photograph of a man and a woman, both of African descent, leaning over a table and examining small, sparkling stones, likely diamonds, laid out on a white surface. The man, on the left, is wearing a blue and white striped polo shirt and is using a small tool to pick up one of the stones. The woman, on the right, is wearing a white shirt and a grey vest, and is holding a small black container. The background is blurred, showing other people in a similar setting, suggesting a workshop or a training session. The overall tone is professional and focused.

Living up to diamonds

From natural resources to shared national wealth

About De Beers

De Beers Société Anonyme (DBsa – hereafter referred to as De Beers) has three shareholders: Anglo American (45%), Central Holdings (40% – representing the Oppenheimer family) and the Government of the Republic of Botswana (15%). It is the holding company of what is regarded as the De Beers group or “Family of Companies” (p7). The Family of Companies is involved in most parts of the diamond value chain and employs about 20 000 people around the world (p29).

In this report

3.1 3.2 3.3 3.6 3.7 3.8

This is the third annual sustainability report prepared by the Family of Companies. It is designed to be read alongside the Operating and Financial Review 2007. Together these two reports cover the financial, operational and sustainability performance of the Family of Companies and provide insight into our governance processes and recent organisational change.

They also detail the contribution of diamonds to development, and the translation of natural resources into shared national wealth. Performance and operational statistics in this report relate to the 2007 calendar year unless otherwise stated. Use of “our” or “we” in this report relates to the Family of Companies. Use of “De Beers” relates to De Beers sa.

New in 2007







This report presents stakeholder viewpoints on our performance and partnerships. It provides stakeholders with an opportunity to say “you are” performing in accordance with our expectations. These viewpoints are presented in the “voices of stakeholders” boxes, in case studies and interviews and in our portfolio of mission-guided assurance (p120). The report also includes answers to “questions from stakeholders” logged during the course of 2007. This includes questions asked by the Multi-Stakeholder Forum and participants at our quarterly Diamond Dialogue roundtables in London (p13).

Reporting standards

We believe this report together with our Operating and Financial Review 2007 represents an A+ application of the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines. It also forms part of our Communication on Progress to the United Nations (UN) Global Compact. Further detail is presented online at www.debeersgroup.com

Using icons

Icons are used throughout the report as references to reporting standards, external initiatives or sources of further information.

-  Global Reporting Initiative indicators
-  UN Global Compact principles
-  UN Millennium Development Goals
-  Policies or tools that support performance
-  Relevant web content and resources
-  Relevant content elsewhere in this report

Our Purpose, Vision, Values and Principles framework¹

The world of diamonds is about making “dreams” come true. Geologists dream about finding the next big mine, nations dream about the jobs, wealth and development opportunities that diamonds can bring, shareholders dream of superior returns, employees dream of a successful career and couples dream about the diamonds that symbolise their love and commitment.

Our Purpose

To turn diamond dreams into lasting reality.

Our Vision

We have big dreams for our Family of Companies – an ambitious growth vision focused on unlocking the full economic value of our leadership position across the diamond pipeline in a safe and sustainable manner. We will make it a reality by maximising the potential of our global partnerships, the skills and commitment of our people and the magic and emotional value of our product.

Our Values

Be Passionate

We will be exhilarated by the product we sell, the challenges we face and the opportunities we create.



Pull Together

Being united in purpose and action, we will turn the diversity of our people, skills and experience into an unparalleled source of strength.



Build Trust

We will always listen first, then act with openness, honesty and integrity so that our relationships flourish.



Show We Care

The people whose lives we touch, their communities, nations and the environment we share, all matter deeply to us. We will always think through the consequences of what we do so that our contribution to the world is real, lasting and makes us proud.



Shape the Future

We will find new ways. We will set demanding targets and take both tough decisions and considered risks to achieve them. We will insist on executional excellence and reward those who deliver.



¹ Our Principles are presented on p136-137

Table of contents¹

	Page	Global Reporting Initiative indicators	UN Global Compact principles
Introduction from the Chairman	2	1.1	10
Performance overview from the Managing Director	4	1.1 1.2 4.12	
Approach	6		
The Family of Companies	6	2.1 2.3-2.8 3.5-3.8 3.11	
Sustainability as part of our business strategy	10	1.2 3.13 4.9 EC2	
Stakeholder engagement	11	3.5 4.12-4.17	
Sustainability management	16	3.13 4.1 4.4 4.8 4.9 4.11 HR2	
Targets	20		
Economics	22		
Contribution to economies	24	1.2 EC1 EC9	1
Investment in people and infrastructure	27	EC7 EC8 EC9 SO1 SO5 MM1	8
Sustained contributions through diversification	34	EC8 EC9 SO1 SO5 MM2	8
Ethics	44		
Conflict diamonds	46	4.8 4.12 4.13 HR1-2 HR8 PR3-4	1 2
Business principles	49	4.8 4.12 4.13 4.16 PR9 SO2-8	10
Diamond value chains	54	4.8 4.12 4.13 EC6 HR2 PR5-8	
Employees	58		
Safety	60	LA6 1.2 4.1 4.4 4.9 4.11 MM12	
Health and wellbeing	63	4.1 4.9 4.11 LA6 LA9	
HIV/AIDS	68	1.2 4.4 4.8 4.9 LA9 LA8	6
Human rights	73	EC5 LA2 LA4 LA5 LA11 HR3-8	1 2 3 4 5 6
Harnessing and developing talent	79	LA11 LA12	
Communities	82		
Our strategy	84	4.8 4.12 4.16 SO1	1
Engaging with communities	86	EC8 EC9 HR9 SO1 MM7	1
Investing in communities	91	4.8 EC1 EC8 EC9	
Environment	98		
An evolved strategy	100	EN23 EN26 EN28 SO8 MM5 MM12	7 8
Biodiversity	104	1.2 4.8 4.12 EC8 EC9	7 8
Energy and climate	110	1.2 4.8 4.12 EC2	7 8 9
Water management	116	4.8 EN8 EN9 EN10 EN21	7 8 9
Materials and waste	118	4.12 EN1 EN2 MM5 MM6	7 8 9
Assurance	120		
Mission-guided assurance	120	3.13	
Portfolio of statements	121		
Compliance table	132		
Our Principles	136		
Extended contacts	137		

Acronyms

AP Assurance Programme	DTC Diamond Trading Company	NDTC Namibia Diamond Trading Company
APPs Assurance Programme for the Principles	DTCB Diamond Trading Company Botswana	NIHL Noise Induced Hearing Loss
ART Anti-Retroviral Treatment	ECohS Environment, Community, Health and Safety	NWT Northwest Territories (Canada)
BEE Black Economic Empowerment	HDN Historically Disadvantaged Namibian	OIFR Occupational Illness Frequency Rate
BPPs DTC Diamond Best Practice Principles	HDSA Historically Disadvantaged South African	SASA South African Sea Areas
DBCM De Beers Consolidated Mines	KPCS Kimberley Process Certification Scheme	SEAT Socio-Economic Assessment Toolbox
DBDJ De Beers Diamond Jewellers	LTIFR Lost Time Injury Frequency Rate	SHE Safety, Health and Environment
DBIA De Beers Internal Audit	LTISR Lost Time Injury Severity Rate	SLP Social and Labour Plan
DDI Diamond Development Initiative	MCDP Mwadui Community Diamond Partnership	VCT Voluntary Counselling and Testing

¹ Table includes a sample of relevant GRI indicators for each section. Detailed references are available in our compliance table on p132

Introduction from the Chairman

1.1 10 1 8

Natural resources to shared national wealth

Across the De Beers Family of Companies, we view sustainability far more broadly than simply meeting the environmental and social targets that we set for our operations. Rather, our understanding of sustainability is shaped by the societal imperatives of the countries in which we work. This includes the vision of an ever more prosperous Africa we share with our host and partner governments and our commitment to the United Nations Millennium Development Goals.

As a company firmly rooted in Africa, the most prominent among these imperatives are: the challenge of defining a positive role for our business in facilitating sustainable, long term economic growth as a platform for socio-economic development; the HIV/AIDS pandemic; and, the effective management of the environmental, social and economic impacts of climate change. Success in meeting these challenges is a foundation of our long term business plan as our future prosperity depends ultimately on the stability and prosperity of the countries in which we operate.



Nicky Oppenheimer, Chairman, De Beers

In some African countries, the wealth derived from natural resources has done little to improve the lives of their peoples. Thus what is now referred to as “the resources curse” has entered into the popular lexicon of Africa’s perceived woes. But this need not, and indeed should not, be the case.

In contrast to those countries that have been associated with the resource curse, the governments with which De Beers partners have deployed revenues derived from their natural resource wealth to drive sustainable development. Nowhere is this more apparent than in Africa’s most established democracy, Botswana, where, subsequent to the discovery of diamonds at Orapa and Letlhakane in 1966, the combination of economic growth and stability has been unparalleled on the continent. For almost 40 years diamonds have been the single largest contributor to Gross Domestic Product (GDP) and government revenues by a significant margin.

If natural resources are to be transformed into national wealth it is of course a government’s responsibility firstly, to create an investment environment suitable to attract private sector backing; and, secondly, to deploy the revenues they derive from this in the national interest. The role of business, by contrast, is the creation, generation and protection of that wealth in the first place. In the case of De Beers, this involves the mining and distribution of diamonds whilst simultaneously driving demand for diamonds in key markets. It is this kind of clear understanding, of how the different capacities of parties acting in partnership are aligned to their responsibilities and accountabilities, which ensures the best overall results of an enterprise.

De Beers and its partner companies contribute in the region of US\$4.7 billion to African economies every year. We believe that this sum will increase in the near future as beneficiation initiatives, aimed at unlocking as much downstream value from diamonds in producer countries as is commercially viable, begin to bear fruit. These initiatives, which involve the migration of our diamond sorting and distribution capacity from London to major producer countries, are intended to generate additional local value from diamonds, create employment and stimulate downstream diamond cutting and diamond jewellery manufacturing capacity. This in turn will drive the sustainability of our operations through reaffirming our commitment to the economic growth of our producer countries and securing long term access to diamond resources. It should not be any great surprise, then, that the De Beers Family of Companies believes that strengthening communities and countries through extracting greater value from their natural resources is the right strategy for Africa today.

The same philosophy that frames our relationships with our producer partners at a national level guides the way we work at our mining operations. Conscious of the limitations of driving sustainable local development on the back of local employment and procurement deals alone, we work to extend the benefits enjoyed by our employees into local communities. In addition to working with local community organisations, government agencies and other institutions to resolve these problems, we make direct social investments in community health, education and welfare, and seek to leverage the involvement of appropriate partners from the private sector and civil society.

While the size of these community investments is small relative to the scale of our overall economic contribution in producer countries, this does not in any way diminish their importance. Our contributions to the upliftment of these communities are critical to managing risk, promoting stability and growth; enhancing local capacity and ensuring consumer confidence in our product. We also believe that it is the right thing to do.

Consequently in 2007, we carefully assessed our global Corporate Social Investment (CSI) strategy and structures with a view to ensuring that our CSI draws more effectively on our core capacities and enhances the developmental impact of our business. To this end, 2007 saw the launch of the De Beers Namibia Fund and, in Botswana, the Diamond Trust, a joint initiative between Debswana and De Beers created specifically to fund projects in Botswana of too large a scale to be catered for through existing funding mechanisms.

Business lessons for a strong Africa

The unique contribution that diamonds have made in countries like Botswana gives us cause to reflect on what lessons might be drawn from this success and whether these might be deployed effectively elsewhere on the continent. We are confident that we have a meaningful contribution to make to the ongoing discussion about the role of business in Africa's development.

We have, for example, learnt the value of building local capacity through employing local people and ensuring local management of our operations. We also appreciate the need to support local businesses.

We do this through preferential procurement and the provision; of engaged support for initiatives that promote good governance and transparency and the paramount value of industry leadership in driving ethical business practices to underwrite consumer confidence in diamonds. Above all we have learnt that building strong mutually beneficial partnerships wherever we work creates a shared responsibility for success.

Our appreciation of the value of partnership is further enhanced by the value of ongoing collaborative initiatives like the Kimberley Process. We are optimistic that other similar initiatives that we support such as the Partnership Against Corruption Initiative (PACI) of the World Economic Forum; the Extractive Industries Transparency Initiative (EITI) and the Diamond Development Initiative (DDI) will also bear fruit in the near future.

The rapid progress and wide recognition of the DDI, of which we are a founder member, is particularly encouraging as it represents a concrete commitment to poverty reduction among artisanal diamond mining communities in regions that were once so closely associated with "conflict diamonds".

It is a source of pride to me, as Chairman, that De Beers has been a productive corporate citizen and a constructive partner in our producer countries. I am confident that we will continue to be so in the future. It is my belief that what we have learnt from the success of these states will help define the supporting role that business can play building a strong and sustainable Africa.

Nicky Oppenb—



The Acacia School in the vicinity of our Jwaneng mine in Botswana

Performance overview from the Managing Director

1.1 1.2 4.12 1 8

Although De Beers is a global company, our heritage is in Africa. Africa is where our company was founded in 1888, where many of our exploration efforts are focused in pursuit of new mining opportunities and where the company remains centred operationally.

We are currently midway through our Chapter 2 business strategy (2005-2009) in which management is focused on maximising Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), Return On Capital Employed (ROCE) and enterprise value. This Report to Society examines a key strategic driver in our journey - sustainability through partnership. This gives direction to our business model in Africa and informs our approach at our operations around the world.

Our understanding of sustainability is shaped by the unique circumstances and challenges presented by the diverse communities and countries in which we work. The most prominent among these are: the challenge of facilitating sustainable, long term economic growth as a platform for socio-economic development, the HIV/AIDS pandemic, and the effective management of the environment in the face of climate change.



Gareth Penny, Managing Director, De Beers

Reporting to society

The purpose of this report, designed to be read alongside our 2007 Operating and Financial Review, is to document our sustainability performance in a rigorous, transparent and accessible way. The report builds upon best practice standards outlined in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. De Beers is also a committed and active member of the UN Global Compact (UNGC) community. Our own Principles and assurance programmes are directly aligned with the 10 UNGC principles as well as those of the Universal Declaration of Human Rights and the Millennium Development Goals.

Diamonds for development

De Beers' continuing success owes much to the enduring relationships we have built with our neighbours in the communities in which we live and work. We believe that through mutually beneficial partnerships and the effective integration of corporate and national development objectives, the transformation of natural resources into shared national wealth can become a real, powerful and lasting reality.

The incorporation of the State Diamond Trader in South Africa, the Diamond Trading Company Botswana in Botswana (DTCB) and the Namibia Diamond Trading Company (NDTC) in Namibia in partnership with Government partners in each of these countries is testament to this belief. These partnerships are all structured to help these producer countries derive greater downstream value from their diamond production. We are confident that these beneficiation initiatives will also lead to increased job creation, technology and skills transfers and increased economic diversification.

In 2007, De Beers paid more than US\$6.2 billion (2006: US\$5.9 billion) to stakeholders around the world, with US\$4.7 billion being spent in Africa. Payments to partners, joint ventures and to suppliers amounted to US\$4.9 billion. About US\$3.2 billion of this was paid for diamonds in Africa (2006: US\$3.2 billion).

De Beers paid over US\$1.4 billion in taxes and royalties to governments globally; 91.6% of which was paid in Africa.

Our approach to community development

We follow a three way approach when working with our community neighbours that integrates communication, respecting community interests and providing support, where appropriate, for initiatives aimed at improving the environmental, economic and social sustainability of communities affected by our operations.

In 2007, progress in the community discipline was underpinned by three key initiatives. These were, the refinement of the Community Policy, its endorsement by the ECoHS Committee and the development and piloting of innovative new tools to enable world leading community engagement and social investment.

Promoting conservation and addressing energy concerns

Never before has the world's population been more acutely aware of its impact on the environment. De Beers prospects and mines for diamonds in a rich variety of ecosystems be it frozen tundra, scorched desert or deep sea – each demands sensitive, bespoke and academically robust considerations in order to ensure that the "cost" of our activities in the broadest sense are exceeded at all times by wider societal benefits.

In 2007, our environmental strategy focused on biodiversity, energy security, and water usage. Performance improvements were achieved through the development of our professional capacity and the production and collection of environmental data.

At the end of 2007, our mining activities had affected 3.7% of the 960 792 hectares (ha) of our mining licence areas. Our biodiversity strategy seeks to integrate internationally accepted guidelines and proactively support biodiversity research activities in the vicinity of our operations. In 2007 many of these projects took place in the 185 000 ha of our owned and managed property that has been set aside as nature reserves.

Energy supply within the Family of Companies is critically important to our ability to maintain our optimal level of operation. Our diamond mines are run on a continuous basis and therefore any interruption jeopardises production and economic viability. While energy efficiencies and diversification strategies were pursued in 2007, power shortages in southern Africa represent a key risk to business continuity in 2008. With South Africa facing electricity blackouts on a regular basis, we have reduced our own energy usage in line with national quotas which presents new challenges to maintaining our diamond production levels in the country. As a major purchaser of South African energy, Botswana is expected to succumb to similar energy challenges. Energy consumption in 2007 was 16.25 million GJ (2006: 14.47 million GJ). Additional use of energy, water and higher rates of CO₂ and sulphur dioxide emissions were accounted for largely by the expansion of our activities and the increasing age of our operations.

Instilling a culture of safety and health awareness

While highly formalised and controlled, diamond mining, like all industrial activities, still has its dangers. In our experience, the safety of employees rests not just with management, but with employees themselves. While our safety performance has improved immeasurably in recent years, I remain acutely aware that a small number of accidents continue to occur. This is unacceptable and we will continue to address the matter through the deployment of appropriate guidelines, training, the promotion of peer groups and engagement with expert external advisory bodies.

At the end of 2007, the De Beers Family of Companies employed approximately 19 300 people in Africa, primarily in Botswana, Namibia and South Africa, accounting for about 93.6% of our workforce. With the high levels of HIV/AIDS in these countries, HIV/AIDS represents both a well-documented health risk and a threat to the continuity of our business. We are committed to addressing HIV/AIDS in a positive, supportive and non-discriminatory manner. This includes eliminating stigma.

Achieving this vision means focusing on, and investing in, the management of prevention, care, treatment and support initiatives.

Living up to diamonds

Whilst small, the risk of conflict or illicit diamonds entering the legitimate global supply chain remains. Through robust supply chain management, expert monitoring and meticulous assurance, De Beers is fully confident in its 100% conflict diamond free status. Furthermore, the company remains committed to working with civil society, industry and governments through the Kimberley Process to permanently halt this destructive and abhorrent threat.

These are exciting and challenging times for De Beers. Our ambition to transform and expand our business, while delivering on sustainability through partnership, is matched only by the commitment, passion and expertise of our employees. I invite you to read and regularly review this report and let us know whether you believe De Beers is "living up to diamonds".

Coretta Penny

Safety campaign at the Orapa mine in Botswana



The Family of Companies

2.1 2.3 2.4 2.5 2.6 2.7 2.8

De Beers has three shareholders: Anglo American (45%), Central Holdings (40% – representing the Oppenheimer family) and the Government of the Republic of Botswana (15%). It is the holding company of the De Beers group or “Family of Companies” (Figure 1-1). These include DBCM, our oldest operation, originally established in South Africa in 1888. De Beers is officially managed from its head office in Luxembourg.

Use of “our” or “we” in this report relates to the wider Family of Companies. Use of “De Beers” relates to De Beers sa majority owned or managed companies.

 www.debeersgroup.com

Products and services

The Family of Companies is involved across the breadth of the diamond value chain (p9). This includes exploring for new deposits on four continents and mining in Botswana, Canada, Namibia, South Africa and Tanzania. It sorts and sells rough diamonds to independent clients or Sightholders with operations in 58 countries, that cut and polish diamonds prior to the manufacture of jewellery. These sorting and sales operations take place primarily in Botswana, Namibia, South Africa and the United Kingdom. The Family of Companies also plays a role in the marketing of diamonds in 11 major consumer markets. It produces about 40% of world production by value and is responsible for about 45% of rough diamond distribution.

At the end of 2007, we employed about 20 000 people worldwide (p29). About 93% of these employees work at our operations in Africa, mainly in exploration and mining functions and at our campus in Johannesburg.

Report scope and boundary

3.5 3.6 3.7 3.8 3.11

This is the third sustainability report produced by the Family of Companies. It includes information on those businesses that De Beers either owns or has significant influence over and that have significant economic, environmental and social impacts. The content in this report has been defined largely through our ongoing review of best practice standards and our direct engagements with producer governments, local communities, civil society organisations and

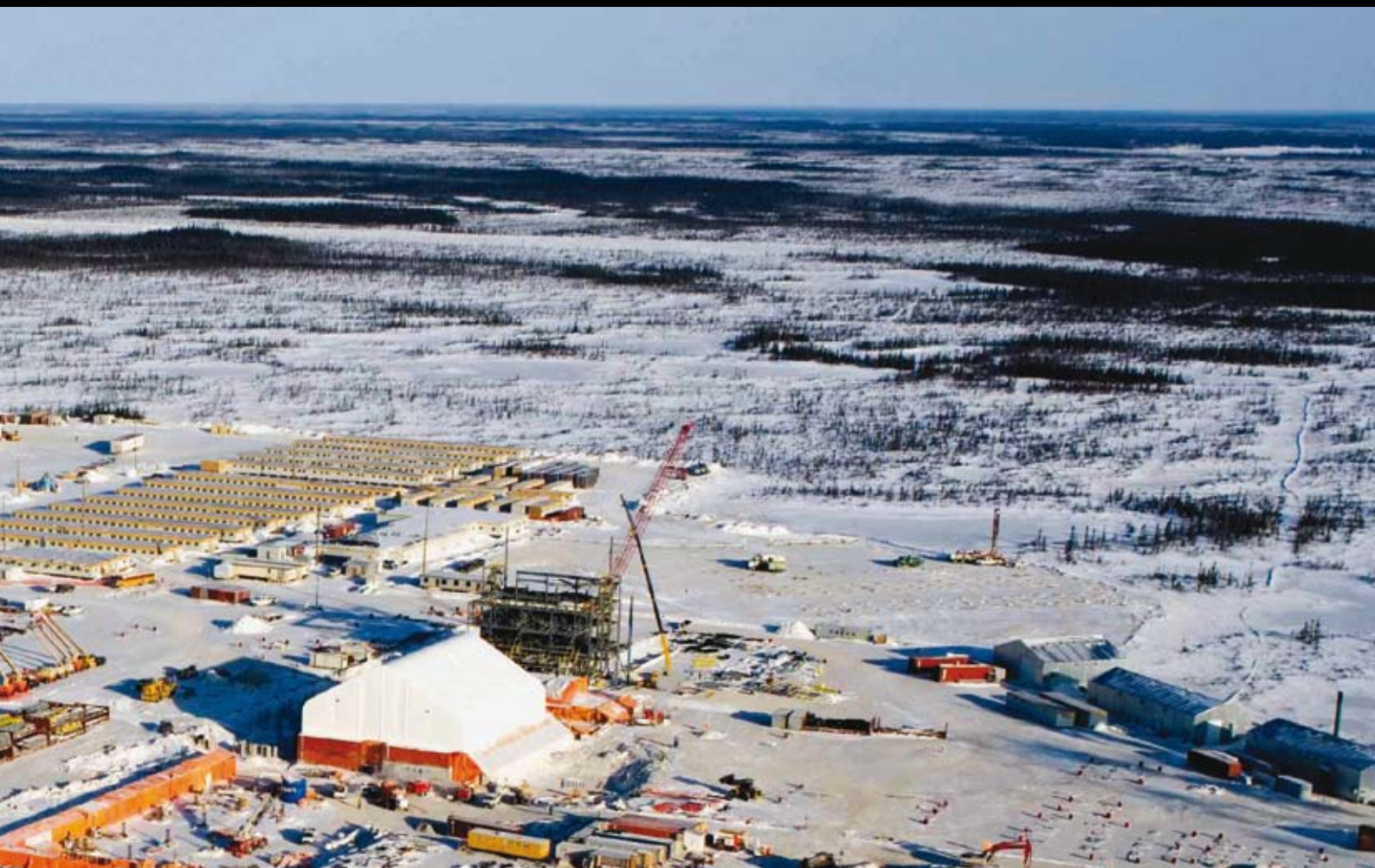
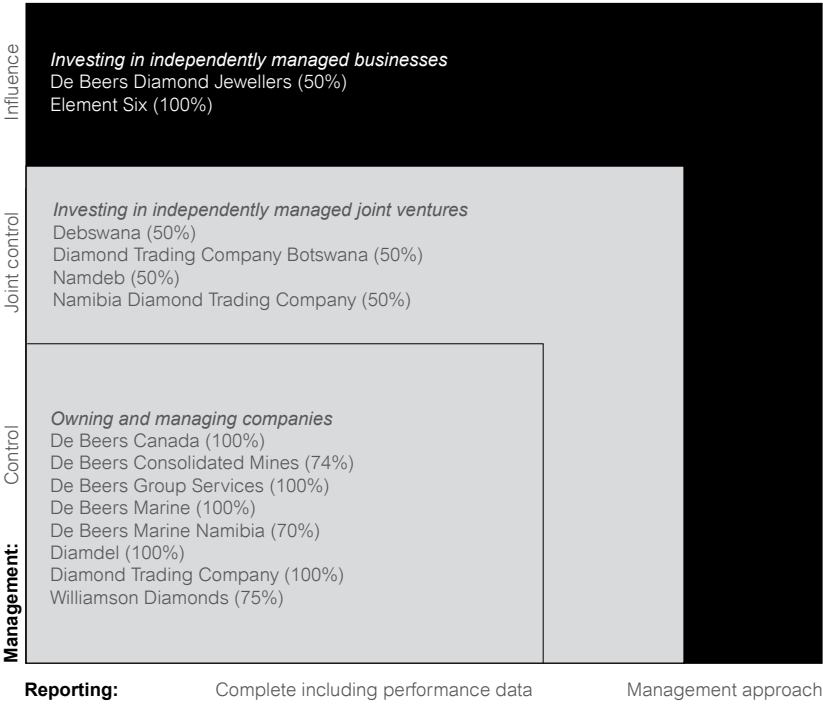
Our Victor mine in Canada



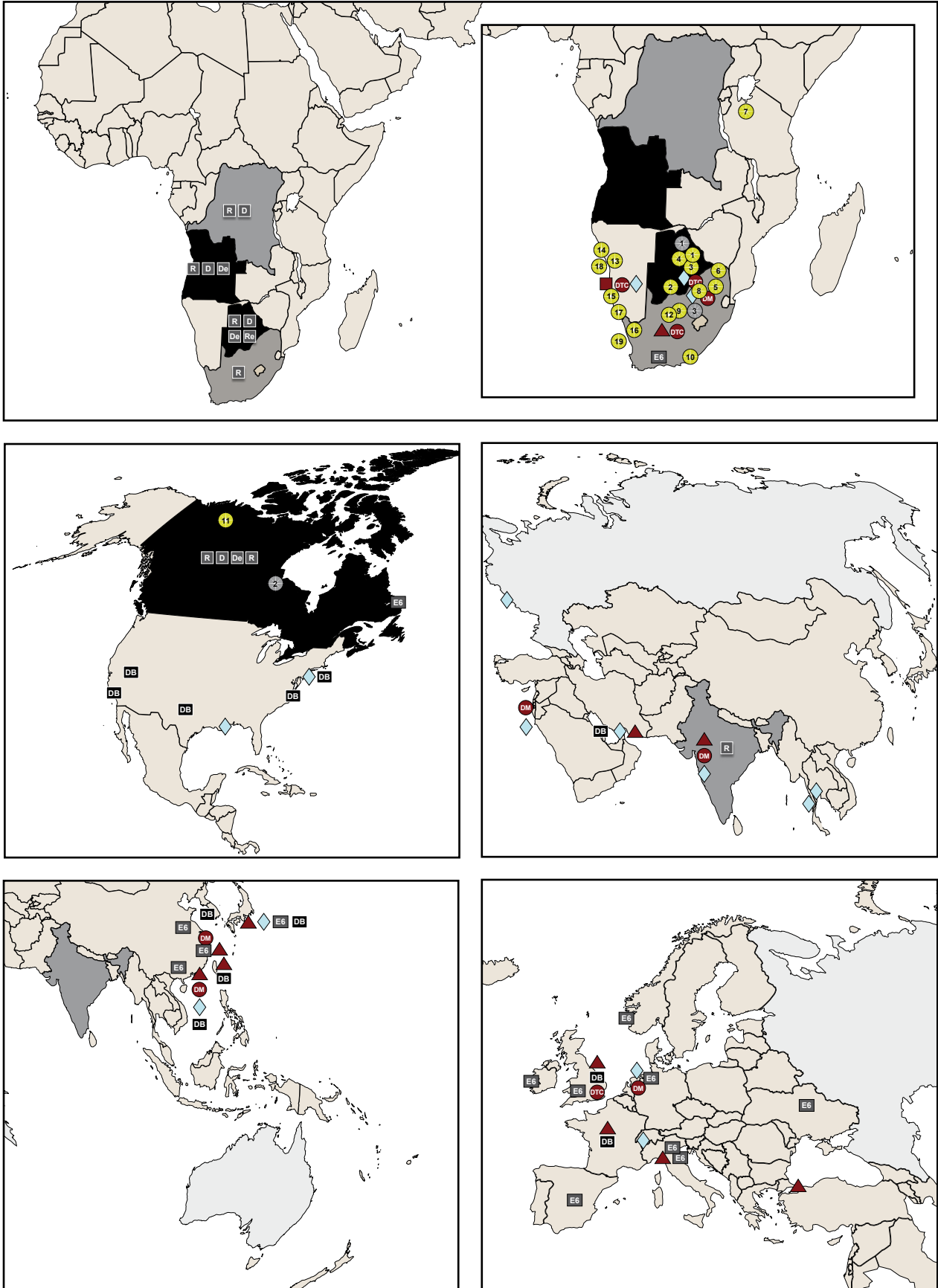
inter-governmental organisations (p11). Our review of best practice standards enables us to identify those issues society considers to be relevant and material. Our direct engagements determine what issues our own stakeholders consider to be relevant and material.

This report includes detailed performance data for De Beers majority owned and managed businesses, as well as for Debswana and Namdeb. The report also includes narrative content on relevant management approaches for independently managed companies such as De Beers Diamond Jewellers and Element Six. Explanation of performance highlights and organisational change in 2007 is included in the Operating and Financial Review 2007.








Figure 1-1: The De Beers Family of Companies and reporting boundaries





























































Our global operations **MM1**









Our role in the diamond value chain

Exploration			
	Exploration office ¹		Reconnaissance ²
	Early stage exploration		Discovery
	Advanced stage exploration		Deposit
			Resource

Major projects	Start of production	End of production ³
 AK06	2010	2019
 Victor 	2008	2020
 Voorspoed	2009	2021

Mining	Start of production	End of production ³
Open-pit		
 Damtshaa   ▽	2002	2021
 Jwaneng   ▽	1982	2022
 Lethakane   ▽	1975	2012
 Orapa   ▽	1971	2026
 The Oaks  	1998	2008
 Venetia  	1992	2018
 Williamson  	1940	2031
Underground		
 Cullinan  	1902	2019
 Finsch  	1961	2015
 Koffiefontein (sold in 2007)	1870	n/a
 Snap Lake 	2007	2025
Tailings treatment		
 Kimberley ⁴  	1871	2016
Alluvial		
 Contractors ▽		
 Elizabeth Bay   ▽	1990	2013
 Mining Area 1   ▽	1936	2015
 Namaqualand ⁵  	1928	2013
 Orange River   ▽	1989	2017
Marine		
 Namibian Sea Areas (Atlantic 1)   ▽	1990	2020
 South African Sea Areas  	2007	2025
Notes		
	OHSAS 18001	▽ Owned and operated by independently managed joint ventures
	ISO 14001	

Value-adding activities		
	Sorting and sales ⁶ <small>DTC DTC DM Diamdel⁷</small>	 Marketing ⁸
	Cutting and polishing ⁹	 DTC clients (Sightholders)

Independently managed businesses	
	De Beers Diamond Jewellers ¹⁰
	Element Six ¹¹

¹ The Australian exploration office is intended for closure in 2009

² The exploration process begins with reconnaissance and reaches its most advanced stage with the discovery of an economically viable resource

³ Relates to projected "base case" scenarios or licence expiry. Excludes underground mining options for open-pit operations

⁴ Underground work at Kimberley ceased in 2005

⁵ Namaqualand operations include open-cast and surf zone mining of large-scale alluvial diamond deposits

⁶ Sorting and sales in India is completed by Hindustan Diamond Company as an associated member of the Diamdel network

⁷ Diamdel is an independently managed business

⁸ Marketing is undertaken by DTC except in the United States where it is carried out by J. Walter Thompson (JWT)

⁹ Namgem is the only cutting and polishing entity in the Family of Companies. All other cutting and polishing is undertaken by DTC clients (Sightholders)

¹⁰ De Beers also has Japanese retail outlets in Kyoto, Kobe, Sogo and Hataka

¹¹ Element Six also has offices in Sao Paulo, Brazil

Sustainability as part of our business strategy

1.2 3.13 4.9 EC2

Our business strategy focuses on distinct periods of time which we refer to as “chapters”. The Chapter 1 strategy ran from 1999 to 2004. It started with the re-establishment of De Beers as a company independent of Anglo American, with its own management structure. Chapter 1 involved changing our business model from maintaining diamond supply to driving diamond demand. It included the privatisation of the company in 2001.

A period of growth and expansion

We are currently in Chapter 2, which runs from 2005 to 2009. The focus of Chapter 2 is on growth and expansion in a dynamic social and political environment and during a time of global economic uncertainty. Our strategy for achieving this involves first, driving returns on capital and second, delivering sustainability.

The former is about increasing demand for diamonds, finding new supplies of diamonds, enhancing our value-added services including sorting and sales, and improving our cost and working capital efficiency. The second is about enhancing our relationships with partner governments (p22), building consumer confidence and reputation (p26), and improving organisational effectiveness (p16-21). We describe our performance in these areas throughout this report.

Sustainability and risk management

Identifying and managing risk is an inherent element in the conduct of business. The types of risk that we must consider include: financial, operational, demand-related, supply-related, people and employees, political, reputational and regulatory.

Where we operate in developing countries these risks require constant monitoring to ensure we always act in line with our values and Principles. Our value proposition, as understood by decision makers, and our business goals conform to all legislative requirements. This includes monitoring issues relating to environment, indigenous peoples and health including HIV/AIDS.

Diamonds are a luxury product. We depend entirely on their reputation as a symbol of love, commitment, elegance and integrity to maintain demand. Maintaining the reputation and demand for diamonds means conducting our business with integrity and in a way that actively contributes to the societies in which we operate. It is critical that we lead and maintain industry standards of best practice to ensure the continued confidence of consumers, employees, governments and other stakeholders. We believe responsible, commercially prudent business can be a force for good in Africa while also driving shareholder value. This enables our government shareholders to invest to meet their development goals and transform their natural resource into national wealth. Since our diamond mining activities are undertaken in stable and successful democracies, this optimises the development impact of our investments and creates a shared responsibility for success. When operating in countries with new democracies such as Angola and the Democratic Republic of Congo (DRC), we recognise the value of working with government and civil society to foster a climate of ethical business practice, transparency and accountability.

Sustainability risks are identified through our biannual risk review process. This includes risks identified by each department and entity which are presented to

the Audit Committee by Internal Audit. It also includes risks identified by our global External and Corporate Affairs (ECA) departments, our Principles programme and the Principles Committee. The Board reviews sustainability performance and risks on an annual basis in line with the formal risks review process. Key sustainability issues raised in 2007 include accelerating beneficiation (p34), access to energy in southern Africa (p110), compliance with national empowerment targets (p27, p76), the United States class action settlement (p53) and distribution of diamonds to Sightholders (p52).

Corrective action plans were put in place during 2007 for risks identified by the DTC Diamond Best Practice Principles (BPP) Assurance Programme (p16) and by pilots of the Assurance Programme for the Principles (APPs, p18).

Governance and assurance

Strategic oversight and governance of sustainability issues rest with the De Beers Board and the Boards of each operating company. Robin Crawford and Robin Mills are the Board directors directly responsible for sustainability issues.¹ Robin Crawford is a Non-Executive Director and is Chairman of our Environment, Community, Health and Safety (ECoHS) Committee. Robin Mills is the Executive Director responsible for technical services including oversight of the ECoHS programme of work. Further details on the relationship between governance, risk management and assurance are presented on p19 and p123 and in our Operating and Financial Review 2007. Assurance statements are presented on p124-131.

¹ Julian Ogilvie Thompson and Robin Crawford retired from the Board in February 2008 and have been replaced by Barend Petersen and James Teeger

Stakeholder engagement

3.5 4.12 4.13 4.14 4.15 4.16 4.17

Identifying and responding to the concerns of stakeholders is one of our guiding Principles. Regular engagement with stakeholders helps promote trust between the Family of Companies and those impacted by our operations. It also helps ensure our responsiveness to the risks that define our responsibilities and influence our reputation.

Who are our stakeholders?

We identify our stakeholders by assessing who is impacted significantly by the company and who can have a significant impact on the company. This includes producer government partners, consumer country governments, employees, civil society, local communities in the vicinity of our operations, inter-governmental organisations, journalists and media, opinion formers and academics, our shareholders and Sightholders. Those stakeholders with the most capacity to impact on the achievement of our business goals include government partners, the local and national communities that grant us a social licence to operate and those whose viewpoints impact on diamond equity (p26).

Our engagements in 2007 suggest our contribution to sustainable development where we operate is the issue most relevant to a broad cross section of our stakeholders.

Mapping, dialogue and engagement

The exact profile of these stakeholder groups is different for every country and operation. Each operation identifies and prioritises the specific stakeholder groups most impacted by its activities. Both the impacts and stakeholders are “context dependent” and differ depending on the issue, the stage of the project and the location. The Family of Companies is reviewing its own stakeholder engagement methodologies to assist in the stakeholder mapping and engagement process. We also piloted the Anglo American Socio-Economic Assessment Toolbox (SEAT) at our Venetia mine in order to evaluate the additional rigour it brings to stakeholder engagement at an operational level, with a view to rolling it out across the Family of Companies (p86).

Our engagements are increasingly catalogued for each entity and operating company and also through

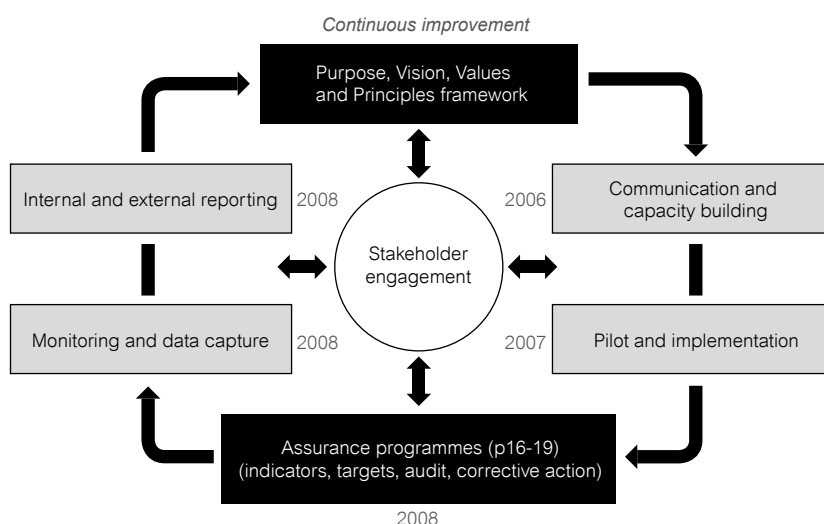
the communications functions. This includes our De Beers Canada operations, where detailed guidance materials have been used to inform the impact assessment and Impact-Benefit Agreement process (p86). Issues identified and follow-up actions are systematically logged using a bespoke electronic database and reporting process.

Working together in partnerships

Members of the Family of Companies engage with a number of civil society organisations, local communities, inter-governmental organisations, academics and other stakeholders in formal partnerships on specific projects and through informal networks. These include partnerships on anti-corruption with the Partnering Against Corruption Initiative of the World Economic Forum (p50), on HIV/AIDS with the Elizabeth Glaser Pediatric AIDS Foundation (p68) and on biodiversity with WWF, the South African National Biodiversity Institute (SANBI) and other groups (p107).

www.panda.org.za
www.sanbi.org
www.ped aids.org

Figure 1-2: Management of sustainability issues relies on stakeholder engagement



Questions from stakeholders

What is the Family of Companies doing to implement a more coherent approach to stakeholder engagement?

The development of a common approach to stakeholder engagement needs to be sensitive to the different legislative requirements and circumstances in each of the countries in which we operate. This necessitates different protocols in engaging local communities and other groups.

In 2007, the Family of Companies drafted a baseline set of Stakeholder Engagement Guidelines. The guidelines provide a framework for managing stakeholder engagement activities and reporting on emerging issues.

Source: Multi-Stakeholder Forum

We also participate in sector-level engagements. These include the Extractive Industries Transparency Initiative (EITI, p25 and p44) and the Voluntary Principles on Security and Human Rights (p47). Of material relevance is engagement undertaken as part of a multi-stakeholder partnership with members of the Kimberley Process to eliminate conflict diamonds. Also important is our engagement with NGOs and others as part of the Diamond Development Initiative (DDI) to promote sustainable business models for improving the working conditions of informal small-scale diamond diggers (p89), even though we are neither involved in, nor purchase diamonds from, these sources.

A more detailed list of stakeholders, as well as relevant public-private partnerships was presented in the Report to Stakeholders 2005/6. The report included an account of our engagements with government stakeholders in the implementation of policy on mine licensing, empowerment and procurement, as well as and on the role of diamonds in contributing to post-conflict reconstruction.

Examples of additional organisations engaged in 2007 are presented throughout this report in case studies, interviews, questions from stakeholders and in our narrative descriptions of performance for each discipline area.

The UN Global Compact

De Beers is a committed and active member of the Global Compact community since joining in 2005. Our own Principles and assurance programmes are aligned with the 10 principles of the Global Compact as well as the Universal Declaration of Human Rights and the Millennium Development Goals. In 2007, De Beers contributed case studies and corporate learnings to the United Kingdom network. It also attended the Leaders Summit in July and contributed towards the *Business Guide to Partnering with NGOs and the United Nations* and the *The Partnership Assessment Tool (PAT)*. We received a letter of commendation on our last Communication on Progress.

The Kimberley Process is one of the issues most relevant and material to our key stakeholders (p15, p46)



Ralton Maree works in our ECoHS and impact assessment teams

Awards received 2.10

Our Report to Stakeholders 2005/6 won two awards during the reporting period:

- ▼ **ACCA South Africa Sustainability Reporting Award**
First runner up in "best sustainability report in the extractive industry" category
- ▼ **Corporate Register Reporting Award 2007**
Second runner up in "best 1st time report" category

 www.accaglobal.com/southafrica
 www.corporateregister.com/crra

Engaging stakeholders in production of this report

Our approach to reporting is to highlight the most relevant and material issues. This is aligned with the completeness, materiality and responsiveness principles of the AA 1000 assurance standard.

Relevant and material issues discussed in this report were identified through a systematic process of engagement with stakeholders. This includes through independent multi-stakeholder dialogue, the use of independent benchmarks and standards that represent societal expectations. It also includes our ongoing risk management processes and direct engagements including surveys, roundtable discussions and focus groups (Figure 1-3), as well as one to one dialogues, including meetings at the World Economic Forum summits and other events.

These issues were further informed by our own direct “ground up” engagements with local stakeholders at each mine and by the External and Corporate Affairs (ECA) functions in each operating country. More than 140 issues were identified, analysed and prioritised to determine those most relevant and material to stakeholders.

Employee engagement

The Managers Perception Survey 2007 was intended to improve our sustainability reporting and ensure its usefulness and value to employees. The survey sought to learn more about how employees use the report, whether it covers the appropriate issues and whether it demonstrated the extent to which we are “living up to diamonds”. The survey found 64.5% of employees were using the Report to Stakeholders 2005/6 to support internal engagements with colleagues. About 60.5% used it as a source of information for their own reports and communications. Aspects of the report most useful to employees included the policy statements and positions on issues (75.8%), performance data (64.5%) and information on how we adhere to best practice standards in support of our Purpose, Vision, Values and Principles (66%). These responses from employees have been instrumental in ensuring we continue to present these statements and data in future reports.

Diamond Dialogues

The Diamond Dialogues are a series of roundtable discussions hosted by De Beers and facilitated by Maplecroft. Dialogues are held at De Beers offices and bring

together civil society, academia, business and other stakeholders in candid discussion of topics relating to mining, beneficiation and how responsible investment in natural resources contributes to sustainable development in Africa.

Four topics were discussed at successive meetings during the course of 2007:

Topic 1

The imperative of transforming informal, artisanal mining in Africa

Topic 2

Balancing risk, responsibility, reputation and returns when investing in countries like Angola and the DRC

Topic 3

Implications of Chinese investment in natural resources in Africa

Topic 4

Measuring and evaluating the development “footprint” of a natural resource business in Africa

Outputs from each dialogue are available online at the Business and Human Rights Resource Centre.

 www.maplecroft.com


 www.business-humanrights.org

Figure 1-3: Engagements to identify relevant and material issues in this report

Independent engagements	Direct engagements
Multi-stakeholder dialogue	Internal risk management processes
Global Reporting Initiative	De Beers sa annual risk logs
UN Global Compact	External and Corporate Affairs risk logs
UN Millennium Development Goals	Assurance Programme for the Principles risk logs
Benchmarks and reviews	Direct engagements with key stakeholders
AICC review of the Report to Stakeholders 2005/6	Managers Perception Survey 2007
KPMG benchmarking of the Report to Stakeholders 2005/6	Diamond Dialogues 2007
SAM benchmarking of sustainability performance	Multi-Stakeholder Forum 2007

More than 25 civil society organisations, opinion formers and academics, shareholders and employees have participated in the dialogues since their inception in January 2007. We have drawn on the outputs of these dialogues to inform our policy-making and projects. We have also drawn on the constructive relationships we develop for advice and consultation.

Multi-Stakeholder Forum

The Multi-Stakeholder Forum met for the first time in December 2007. It included eight individuals from civil society or academic organisations. These individuals were invited to participate as experts on issues previously identified as relevant and material to our stakeholders, and as professionals knowledgeable about one or more of those countries in which the Family of Companies operates across the diamond value chain. Emphasis was placed on prior preparation and education about the diamond industry and the Family of Companies. This helped ensure an informed dialogue.

The Multi-Stakeholder Forum had two key objectives:

- To provide feedback on the Report to Stakeholders 2005/6 and influence the content of future reports by commenting on coverage, relevance, performance and usability to different stakeholder groups.
- To provide independent scrutiny and commentary on issues including the contribution of diamonds to development, the Kimberley Process, interests of indigenous people, mine closure and climate change.

Participants in the forum elected to present a series of questions instead of a formal assurance statement. Our answers to some of these questions are presented throughout this report and in the Operating and Financial Review 2007 in the boxes marked as “Questions from stakeholders”. These answers provide some of our initial responses on issues material to stakeholders.

Relevant and material issues

4.17

Issues identified as relevant and material by stakeholders are presented in Figure 1-5 and at the beginning of each chapter. Some of the issues identified through these engagements are within our direct control to resolve and are our responsibility. Other issues are within our sphere of influence. The latter include reputational risks, aspects of our “social licence to operate” and also moral imperatives of business operating in Africa – addressing these issues is the right thing to do.

This report enables each of our key stakeholders to feed back on the rigour and integrity of the document and our performance through explicit assurance statements or by commenting on the quality of our engagements undertaken in 2007. The latter are presented throughout the report in the form of questions, quotes and stakeholder engagement in the development of case studies and interviews (Figure 1-6).

Figure 1-4: Stakeholder participation in the Diamond Dialogues¹

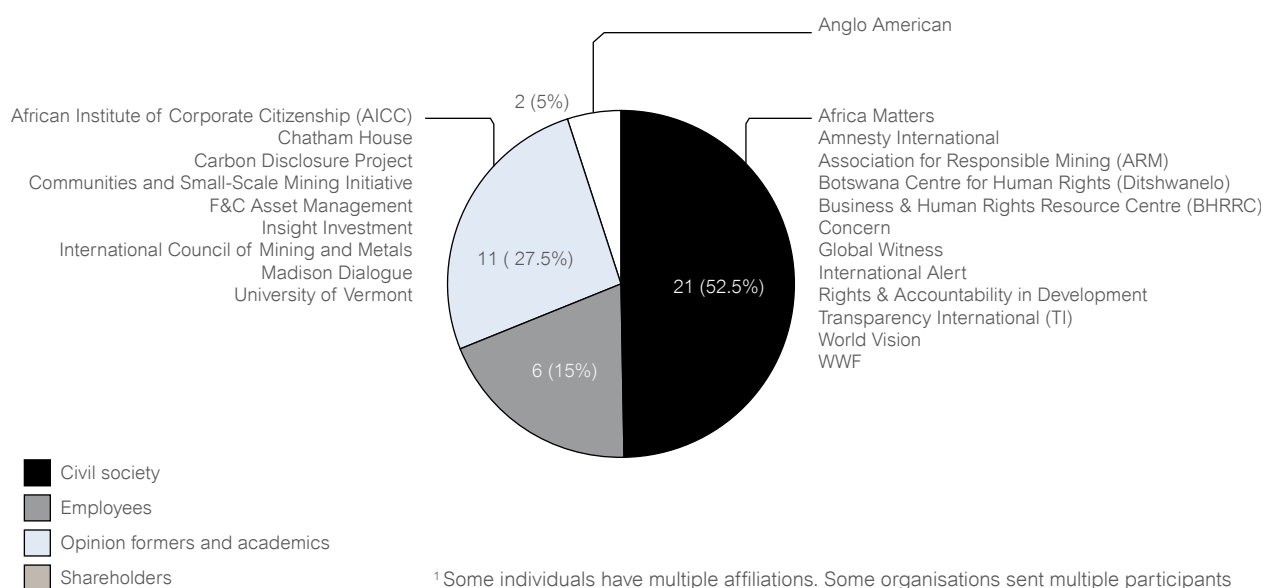


Figure 1-5: Issues most relevant and material to our key stakeholders

Presented in alphabetical order
Anti-corruption and integrity in the context of exploration and the diamond value chain (p47, p50, p54)
Biodiversity impacts, protected areas and marine mining (p104)
Energy security, emissions and climate change (p110)
Governance and Board accountability for sustainability issues (p10, p19)
Informal small-scale diamond digging and support for artisanal miners (p89)
Labour standards, empowerment and gender equity (p74, p76)
Revenue transparency and enabling civil societies to hold governments accountable (p25, p44)
Stakeholder engagement, management systems approach and reporting (inside cover, p6, p11, p16)
The Kimberley Process and monitoring conflict diamond prevention (p46)
Water management, efficiency and addressing community conflicts (p87, p116)

The Multi-Stakeholder Forum (from left): James Nicholson (De Beers), Mauricio Lazala (BHRRC), Dr James Suzman (De Beers), Jermyn Brookes (TI), Professor Alyson Warhurst (moderator - Warwick Business School and Maplecroft), Stephen Lussier (De Beers), Cristina Echavarria (ARM), Vicky McAllister (ACCA), Alice Mogwe (Ditshwanelo), Douglas Kativu (AICC), Robert Napier (Carbon Disclosure Project), Dr Saleem Hassan Ali (University of Vermont), Rob Smart (De Beers). Participants not photographed include: John Githongo (World Vision)



Figure 1-6: Key stakeholders and how their viewpoints are included in this report

Our stakeholders	Stakeholder viewpoints on our performance and engagements			
	Questions	Voices (“”)	Case studies	Interviews
Civil society (organisations)	✓	✓	✓	
Consumer country governments		✓	✓	
Employees	✓	✓	✓	✓ (p77, p81)
Producer government partners		✓	✓	✓ (p37)
Local communities		✓	✓	
Inter-governmental organisations		✓	✓	
Journalists and media		✓		
Opinion formers and academics	✓	✓		
Shareholders	✓	✓		
Sightholders			✓	

Sustainability management

3.13 4.1 4.4 4.8 4.9 4.11 HR2

This section provides an overview of the work streams and management systems in place to manage, report and provide assurance on our sustainability performance (Figure 1-7) and the relevant and material issues and risks identified through direct engagement with our stakeholders (p13).

The progressive integration of these programmes into our core business processes started with the BPPs and its role in enhancing “diamond equity”, which is our investment in building consumer confidence and marketing diamonds in consumer countries. The integration of sustainability programmes into our business is further supported by the development and piloting of our APPs (p18).

Our Principles (p136)

Diamond equity (p26)

The DTC Diamond Best Practice Principles (BPPs)

The BPPs were published in 2000 to promote responsible practice throughout the diamond value chain and to enhance consumer confidence. They apply to the Family of Companies, our suppliers and to Sightholders (DTC clients) and their contractors. The BPPs address performance relating to business, social and environmental issues. They place special focus on the elimination of conflict diamonds, health, safety and labour standards in the diamond industry, and ethics in diamond sales and disclosures. Compliance with the BPP Assurance Programme (AP) is a requirement for DTC Sightholder status. It provides evidence to partners in the value chain, consumers and other stakeholders, that the cutting and polishing of diamonds and the manufacture and sale of diamond jewellery is undertaken in an ethical and responsible manner.

Material breaches, such as non-compliance with the Kimberley Process industry system of warranties or poor health and safety standards, result in penalties that could include the possible loss of supply contract under the Supplier of Choice 2008-2011 contract (p52).

Third party verification

Two cycles of the BPP AP have been implemented with the Family of Companies and Sightholders since 2005. The AP requires entities to assess their own performance by completing a workbook of about 76 questions. Workbooks are submitted annually and externally reviewed by an independent or third party auditing organisation. In 2007, the Family of Companies submitted 108 BPP workbooks for different entities around the world. Desk-top reviews of all workbooks were completed by Société Générale de Surveillance (SGS). SGS also verified the implementation, accuracy and

Voices of stakeholders

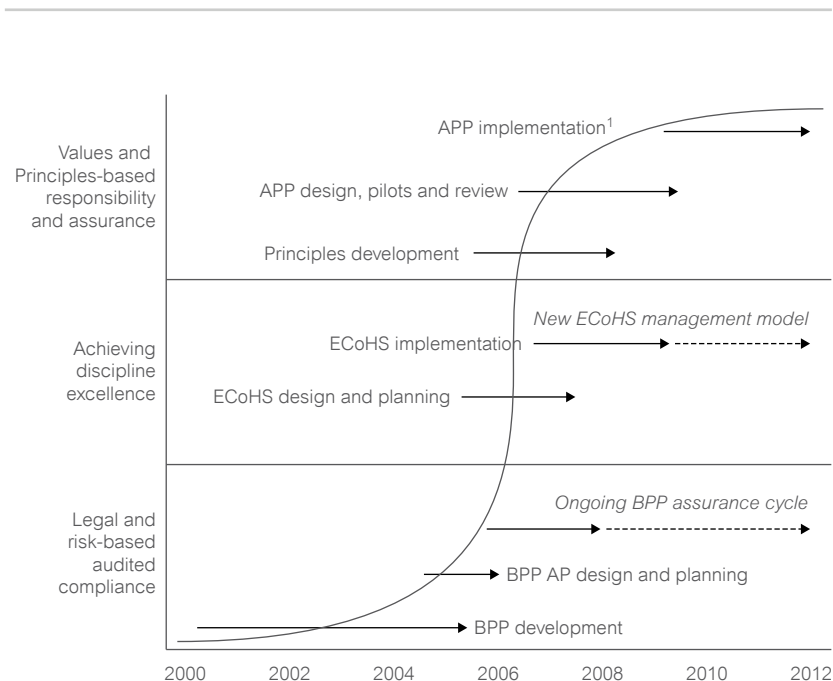
“The BPPs follow major international standards for corporate social responsibility and business partner evaluation and follow all national and international legal requirements ... There were no “material breaches” identified during first or third party assessments.”

Source: Effie Marinos, SGS (p128)

“The description of the De Beers management systems and the progress made in implementing it is generally excellent ... The implementation and auditing of the principles and BPPs is in line with KPMG’s experience of global best practice.”

Source: Extract from the KPMG review of our Report to Stakeholders 2005/6

Figure 1-7: Our sustainability journey



¹ Feasibility of the APPs will be reviewed in 2008 prior to formal implementation

performance of 10% of workbooks through site visits to nine Family of Companies entities and 114 Sightholder entities. These included exploration, mining and corporate entities in Angola, Botswana, Namibia and South Africa. The integrity of the BPP AP programme and the rigour of work completed by SGS was fourth party assured by United Research Services (URS).

Areas under observation

Diamdel was the only entity in the Family of Companies not rated as "compliant" with the BPP programme (Figure 1-8). This was due to queries with respect to the Hindustan Diamond Company (HDC) workbook. HDC supplies rough diamonds to small-medium manufacturers in India. It was found not to have ratified or fully implemented policies on freedom of association, anti-money laundering or health and safety, although it was operating within the law. Policies had

been drafted but were not signed-off or enforced by senior management. Since submitting its workbook, HDC has taken significant action to improve its health and safety performance – including fire drills and the elimination of acids from the sorting and valuation process. HDC conformance with the BPPs will continue to be tracked during the course of 2008.

The ECoHS programme

The ECoHS programme provides the technical skills and leadership to align ECoHS performance with our core business strategy (p10). It also drives the integration of ECoHS practices and accountability into core business processes at each stage of the diamond pipeline. The ECoHS programme is responsible for the delivery of world class standards and talent. It also provides assurance on our performance to the Boards of each family company and to the

De Beers ECoHS Committee. In 2007, the programme was expanded to include occupational hygiene as a separate discipline.

Peer groups

The Family of Companies ECoHS programme is managed by a core set of specialists or discipline principals on each of the five key areas. They work with peer groups comprised of discipline leads for business units from across the Family of Companies. These leads are accountable for driving performance on their specific discipline in their business unit. The peer groups are responsible for the development and review of policies and guidance materials. They ensure policies and guidance materials are applicable, practical and adopted by each business unit. Peer groups also enable knowledge sharing and discussion on issues, risks and talent within each discipline area (Figure 1-9).

Figure 1-8: SGS review and findings from the 2007 BPP Assurance Programme cycle¹

Business unit	Workbooks			Status
	Submitted	Reviewed	Site visits	
Debswana	4	4	1	Compliant
De Beers Canada	10	10	0	Compliant
De Beers Consolidated Mines	15	15	3	Compliant
De Beers Group Services	4	4	0	Compliant
De Beers Marine Namibia	6	6	0	Compliant
De Beers Marine South Africa	4	4	1	Compliant
Diamdel	7	5	0	Under observation
Diamond Trading Company	13	13	0	Compliant
Exploration	20	18	1	Compliant
Namdeb	18	18	3	Compliant
Williamson	2	2	0	Compliant

¹ Additional workbooks were submitted by other De Beers entities, amounting to a total of 108 workbooks

Figure 1-9: ECoHS peer group achievements in 2007

Peer group	Key outputs in 2007
Environment (p104)	Updates to Environment Policy Development of Projects Environmental and Social Guideline Development of Exploration ECoHS Guideline
Biodiversity (p102)	Development of Biodiversity Strategy and associated initiatives
Energy and Climate Change (p102)	Development of Energy and Climate Vision and Strategy, as well as associated initiatives
Communities (p84)	Updates to Community Policy Development of Social Impact Assessment Guidelines Development of Stakeholder Engagement Guidelines and tools Evaluation of the SEAT programme
Social Investment (p91)	Development of Social Investment Policy Development of Social Investment Guidelines Development of Social Investment Accounting Framework
Occupational Health (p63)	Development of Occupational Health Policy Restructuring of Health Management and Reporting Framework Guidelines for Emergency Medical Response, Fitness for Work, Physical Ability Assessment
Occupational Hygiene (p63)	Development of Occupational Hygiene Policy Development of Reporting Framework Development of Guidelines for Emergency Preparedness Identification of Key Indicators and Risks
Safety (p60)	Updates to Safety Policy Fatal Risk Control Guidelines Evolution of Diamond Grading System

Peer groups are the principle means through which universal standards on the ECoHS disciplines are socialised and established across the Family of Companies. Peer groups have contributed to the development of workbooks for the APP pilots.

The work of each discipline principal and peer group is also informed by stakeholder expectations and independent benchmarks against international best practice standards including, in 2007, the Dow Jones Sustainability Index. Most peer groups meet on a quarterly basis.

The ECoHS Committee

Discipline principals provide quarterly submissions on progress and reputational risks to the ECoHS Committee. The ECoHS Committee provides strategic oversight of the ECoHS disciplines and their respective peer groups.

It attains assurance regarding our adherence to common ECoHS policies, guidelines and operational practices, as well as appropriate local and international standards and relevant legislation. Summaries of proceedings from each ECoHS Committee meeting are submitted to the De Beers Board for review. Further information on the Committee and its reporting lines is provided in our Operating and Financial Review 2007.

The Principles programme

3.5 | 4.8

In 2006, we committed ourselves to a set of Principles that translate our Purpose, Vision and Values into practice (p1). They define the way we do business, inform our understanding of what is right and wrong and describe what is important to us. They also articulate how we contribute to sustainable development through partnerships

with stakeholders and help deliver on our commitment to “living up to diamonds” (p136).

The Principles are more comprehensive, rigorous and relevant to diamond mining than the BPPs. They cover the same economic, ethics, employee, community and environment issues included in this report. The Principles are also based on best practice standards including ISO 14001, OHSAS 18001 and sector initiatives as well as the BPPs.

Piloting the assurance programme

In 2007, we piloted our risk-based APP at five different entities. This included the Jwaneng mine, Namdeb, De Beers Marine Namibia (DBMN), the Williamson and Venetia mines. Pilots were completed in partnership with entity ECoHS professionals, Internal Audit as well as external advisors.

Risks identified during the pilot phase are currently being addressed by each pilot entity and tracked through the multi-disciplinary Principles Committee.

Mission-guided assurance

We are also exploring further the possibility of developing a mission-guided approach to assurance and the promotion of continuous improvement in our sustainability performance. This approach focuses on key risks and opportunities. It invites expert stakeholders to comment on how well we are managing and reporting on “relevant and material” sustainability issues about which they have specialist knowledge. This allows us to draw on specific expertise to improve performance beyond what a traditional assurance provider might offer. It also provides greater scope for building stronger relationships with stakeholders groups.

This mission-guided assurance is likely to place greater focus on outcomes versus process, but will also include explicit assurance statements such as that from SGS (p128). In 2007, we obtained expert commentary from the London Benchmarking Group on our social investment accounting (included online). We also received an assurance statement from Deloitte on our compliance with the Kimberley Process (p130).

The Principles Committee

A Principles Committee was established in 2007 with the remit to review compliance, risks and opportunities relating to the Principles and outcomes from the APP pilots. The Principles Committee addresses all sustainable development issues contained in the Report to Society including those that fall outside the scope of the current ECoHS Committee.

The Principles Committee also tracks our progress with respect to addressing reputational risks and other responsibilities, as well as the implementation of those actions identified during benchmarking of our performance and in this report.

At the end of 2007, the Principles Committee was tracking the completion of 100 actions to address identified reputational and sustainability risks and responsibilities. The top 10 actions as well as top 10 risks emanating from this process are reported to Internal Audit and to the Executive Committee. Our progress with respect to implementing these actions is presented throughout this report. Information on the Committee is also provided in our Operating and Financial Review 2007.

 Operating and Financial Review (p32)

Safety helmets used at our Lucapa exploration site in Angola



Targets

Approach	Goals relating to relevant and material issues
Sustainability management (p16)	<ul style="list-style-type: none"> • To ensure legal and risk-based compliance is independently verified through the annual BPP AP process • To develop further our assurance model and management system in order to monitor our accountability to our Principles and sustainability performance
Economics	
Preferential procurement (p29)	<ul style="list-style-type: none"> • To increase our “preferential” procurement including procurement from Historically Disadvantaged South Africans (HDSA), empowered groups and local suppliers
Ethics	
The Kimberley Process Certification Scheme (p46)	<ul style="list-style-type: none"> • To confirm our commitment to the elimination of conflict diamonds from world diamond flows
Anti-corruption (p50)	<ul style="list-style-type: none"> • To monitor and report on our business ethics and anti-corruption compliance in high risk countries
Employees	
Safety (p60)	<ul style="list-style-type: none"> • To continuously improve our safety management systems • To reduce our Lost Time Injury Frequency Rate (LTIFR)
HIV/AIDS (p68)	<ul style="list-style-type: none"> • To improve our employee HIV/AIDS awareness
Non-discrimination and employment equity (p75)	<ul style="list-style-type: none"> • To increase our employment equity status, in particular with respect to HDSAs, empowered and local citizens
Community	
Investing in communities (p91)	<ul style="list-style-type: none"> • To implement a consistent approach to our annual social investment accounting and project evaluation
Environment	
Beyond ISO 14001 (p100)	<ul style="list-style-type: none"> • To improve our environmental management systems
Energy and climate (p110)	<ul style="list-style-type: none"> • To reduce our energy use and climate change impacts
Water management (p116)	<ul style="list-style-type: none"> • To reduce our water use

¹ This table represents a sub-set of more than 100 actions that are being systematically tracked through our Principles Committee (p19). This includes actions relating to those issues identified as most relevant and material by our stakeholders and discussed throughout this report, including biodiversity, revenue transparency and informal small-scale diamond digging (p15)

Performance

▲ Improved

▶ On-track

▼ Declined

Target for 2007 and beyond	Progress in 2007
<ul style="list-style-type: none"> To ensure Senior Compliance Officers require further training on workbook completion To ensure auditable entities provide evidence of compliance in future workbook submissions To complete APP pilots at five operations in 2007 with a focus on priority risk areas To appraise the APPs for implementation across the Family of Companies in 2008 	<ul style="list-style-type: none"> Workshops were held to train and prepare for the third cycle of the BPP AP in 2008 ▶ Conference sessions have been held with Senior Compliance Officers to ensure evidence is provided in the BPP AP in 2008 ▶ APP pilots were completed at five entities. Further pilots will be completed in 2008 as part of final testing ▶ The APP will be rigorously reviewed and appraised for possible implementation end of 2008 ▶
<ul style="list-style-type: none"> To ensure 40% of South African procurement spend is with HDSA owned and empowered suppliers by 2009 	<ul style="list-style-type: none"> 54% of South African procurement spend was with owned, empowered and influenced suppliers (2006: 50.7%). DBCM operations spent 37.8% with owned and empowered suppliers (2006: 41.7%) ▶
<ul style="list-style-type: none"> To obtain third party verified compliance with the Kimberley Process for the Family of Companies 	<ul style="list-style-type: none"> Compliance with the Kimberley Process and the industry system of warranties was reviewed by Deloitte & Touche ▲
<ul style="list-style-type: none"> To ensure the Anti-Corruption Policy is communicated and implemented across the Family of Companies To implement a confidential third party provider for our whistle-blowing hotline by end 2007 	<ul style="list-style-type: none"> Anti-Corruption Policy requires further communication across the Family of Companies. An internal Corruption Perception Survey was completed to identify which departments are most exposed and require specific guidance and training ▶ An outsourced global Fraud and Ethics Hotline Services will be implemented and officially communicated in May 2008 to replace the existing in-house facility. Debswana implemented its own independent hotline in 2007 ▶
<ul style="list-style-type: none"> To implement OHSAS 18001 at 100% of major mining operations by end 2007 To ensure 25% reduction in LTIFR per year 	<ul style="list-style-type: none"> All active mining operations except Snap Lake are currently certified to the standard. Snap Lake expect to attain certification in 2008 ▼ LTIFR decreased from 0.19 in 2006 to 0.18 in 2007 (5.3%). Lost Time Injury Severy Rate (LTISR) decreased from 37.89 in 2006 to 22.53 in 2007 (40.5%) ▶
<ul style="list-style-type: none"> To ensure 95% of employees in southern Africa are undergoing Voluntary Counselling and Testing (VCT) by end 2008. Note: This usefulness of this indicator is currently under appraisal 	<ul style="list-style-type: none"> We estimate at least 80% of our employees have participated in VCT programmes. We are currently appraising the accuracy of this figure and will validate for the next reporting cycle. Our HIV/AIDS reporting now includes more detailed metrics on our Anti-Retroviral Treatment (ART) programmes ▶
<ul style="list-style-type: none"> To ensure 40% HDSAs in management by end 2009 To ensure 100% local citizens in management at Debswana 	<ul style="list-style-type: none"> At the end of 2007, DBCM had achieved 39% designated groups (including HDSA) in management (2006: 35%) ▶ At the end of 2007, Debswana had achieved a 94.5% localisation rate and 90.5% in senior management ▶
<ul style="list-style-type: none"> To develop an electronic reporting application that allows for more rigorous social investment accounting 	<ul style="list-style-type: none"> Social investment accounting used the London Benchmarking Group (LBG) methodology and was reviewed by LBG. The electronic reporting application remains under review ▶
<ul style="list-style-type: none"> To implement ISO 14001 at 100% of major mining operations and other key operations by end 2007 	<ul style="list-style-type: none"> ISO 14001 is in place at 100% of major mining operations. This now includes our Williamson mine in Tanzania ▲
<ul style="list-style-type: none"> To deliver a 15% reduction in energy use by 2015 for our DBCM operations from the 2005 base level To ensure individual targets are in place at different business units, with an aligned Family of Companies target established by end 2007 	<ul style="list-style-type: none"> DBCM energy consumption increased to 5.87 million GJ (2006: 5.31 million GJ) due to the increased age or our operations, the expansion of activities and increased use of liquid fuels to mitigate against national energy security issues ▼ Our delay in identifying these additional targets is because of the need to ensure accurate energy and greenhouse gas accounting prior to informed target setting. We expect to develop formal energy and emissions targets by end 2008 ▼
<ul style="list-style-type: none"> To develop a set of Water Management Guidelines To identify viable water consumption targets for all operations in water-scarce areas 	<ul style="list-style-type: none"> Water Management Guidelines have been developed and implemented at DBCM operations ▶ DBCM and Debswana have set water consumption reduction targets of 15% and 50% respectively ▶

Natural resources to shared national wealth¹

Diamonds continue to make a significant contribution to development in southern Africa. This contribution has been most marked in Botswana and Namibia, where diamonds remain the largest single contributor to Gross Domestic Product (GDP), export earnings and government revenues.

The rapid development of Botswana and the success of De Beers, since we partnered with the Government of the Republic of Botswana (GRB) in 1967, illustrates how the effective integration of both company and national development objectives can lead to the formation of a powerful business model. This model is based on an understanding of the relationship between two compatible aims. First, our need for long term access to natural resources in a secure and stable environment.

Second, a government's need to generate reliable revenues from natural resources to invest in its people. This is particularly important in diamond mining given the long lead times before investment in a mine returns a profit and the fact that the life of a diamond mine is typically measured in decades rather than years.

We believe that this business model, based on forging mutually beneficial and effective partnerships, enables the transformation of natural resources into shared and lasting national wealth. It underwrites our continued commitment to work with producer governments to develop diamond resources and benefitate them in southern Africa and is instructive as we seek new mining opportunities elsewhere in Africa.

Highlights in 2007

- ◇ De Beers paid US\$6.2 billion (2006: US\$5.9 billion) to stakeholders around the world
- ◇ Payments to partners, joint ventures and suppliers amounted to US\$4.9 billion (2006: US\$ 4.6 billion). About US\$3.2 billion of this was paid for diamonds in Africa (2006: US\$3.2 billion)
- ◇ Payments to employees in Africa amounted to US\$332 million
- ◇ Including capital investment, De Beers returned more than US\$4.7 billion to Africa
- ◇ De Beers paid US\$1.4 billion in taxes and royalties to governments; 91.6% of this was paid in Africa

The Venetia mine in South Africa



Figure 2-1: Issues relevant and material to our stakeholders that are addressed in this chapter²

Contributing to sustainable economies	p24
Payments to stakeholders	p25
Revenues and taxes	p25
Employment (including wages and benefits)	p26, p29
Preferential procurement	p29
Economic empowerment	p27, p29
Capital investment	p31
Innovation and technology transfer	p33, p34
Beneficiation	p34
Enterprise development	p39
Planning for closure	p41

¹ This chapter is dedicated to the memory of Dr Gavin Lamont and the considerable impact of his exploration leadership in Botswana. In 1997, in recognition of his contribution to the nation, Dr Lamont was awarded the Presidential Order of Honour by Sir Seretse Khama, the first president of the Republic of Botswana

² Identified partly through our Managers Perception Survey, Multi-Stakeholder Forum and in our quarterly Diamond Dialogue roundtables (p11)



Contribution to economies

1.2 EC1 EC9 1 10

Our African producer partners – South Africa, Botswana, Namibia and Tanzania – all consider wealth creation and distribution, the reduction of poverty, employment generation, the building of a knowledge and skills-based economy and the development of value-adding activities, as national priorities. The mining of diamonds and other natural resources in these countries plays a critical role in enabling governments to meet these development goals.

This chapter articulates the socio-economic impacts of our operations in the context of the respective development visions of the countries in which we operate.

GDP and export earnings

Diamond mining is the biggest single industry in both Botswana and in Namibia. In Botswana, diamond mining consistently accounts for around 30% of GDP and around 80% of export earnings (Figure 2-2). In Namibia, diamond earnings have recently shown a strong recovery after weakening considerably in the early 1990s.

Over the past 15 years, diamonds have consistently contributed around 8% of GDP and 40% of foreign exchange earnings, although future production is forecast to fall due to declining last based operations. Botswana and Namibia contribute about 22% and 6% respectively to global rough diamond production.

While by no means the primary contributor to GDP, export earnings or employment in South Africa and Tanzania, diamond mining contributes about 1% of GDP and less than 1% of export earnings for both countries. South Africa, which has a large and diverse economy, accounts for close to 10% of global rough diamond production by value. The R7.8 billion (US\$1.1 billion) industry employs some 14 500 people and also contributes through taxes, payments to suppliers and the promotion of small and medium-sized enterprises (SMEs). Tanzania's economy is considerably smaller than South Africa's and the effectiveness of formal diamond mining is challenged by low ore grades. The country contributes slightly less than 1% of global rough diamond production.

Questions from stakeholders

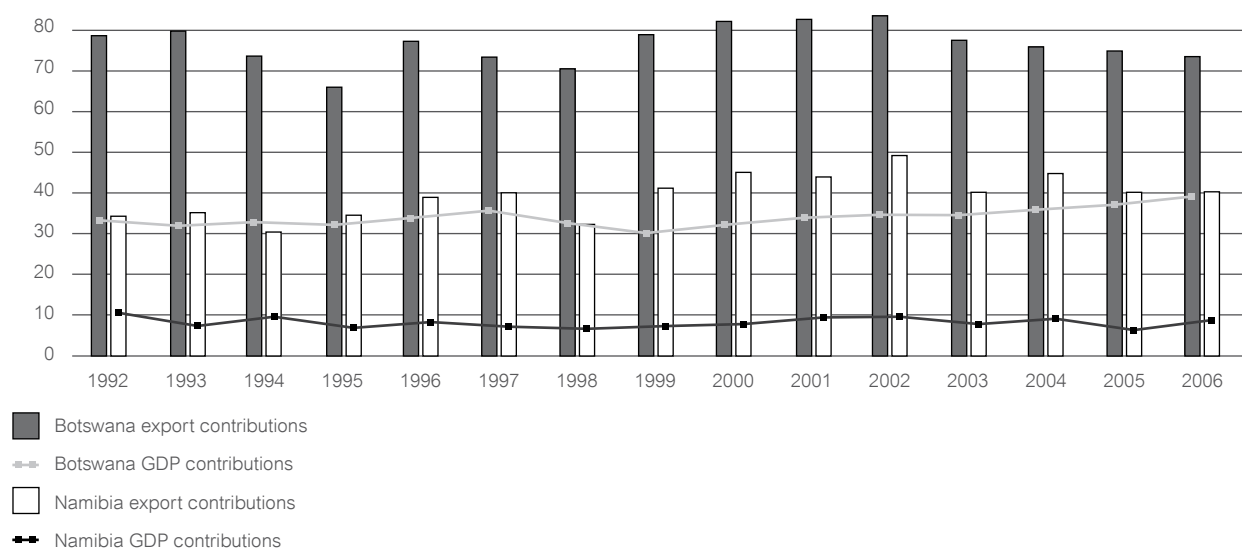
What are some of the challenges of working in partnership with government?

There is a clear correlation between the reputation of diamonds as a luxury product and how diamonds are extracted and manufactured. African governments that promote the rule of law, implement sound economic and social policies, attract foreign investment and enhance the reputation of natural resources help reinforce positive imagery and contribute to the value of diamonds. The Family of Companies works in partnership with these governments to promote transparency and sustainable development.

Working with governments requires an appreciation of their obligations, as part of the democratic process, to consult and engage internal and external stakeholders in decision-making. This can take time. Governments also have to engage constituents beyond their own boundaries, particularly in view of the importance that stakeholders in consumer countries attach to country risk and reputation. The political and economic stability that is so vital to the long term interests of investors in the extractive industries means that it is in their interest, as well as ours, to help promote a business environment that is conducive to the proficient management of risk and reputation.

Source: Multi-Stakeholder Forum

Figure 2-2: Contribution of diamonds to GDP and foreign exchange in Botswana and Namibia (%)



Canada accounts for about 15% of global rough diamond production by value. The Snap Lake mine in the Northwest Territories (NWT) and the Victor mine in the province of Ontario are our first mines in North America. Both are operated by De Beers Canada and are expected to achieve full production in 2008 and 2009 respectively.

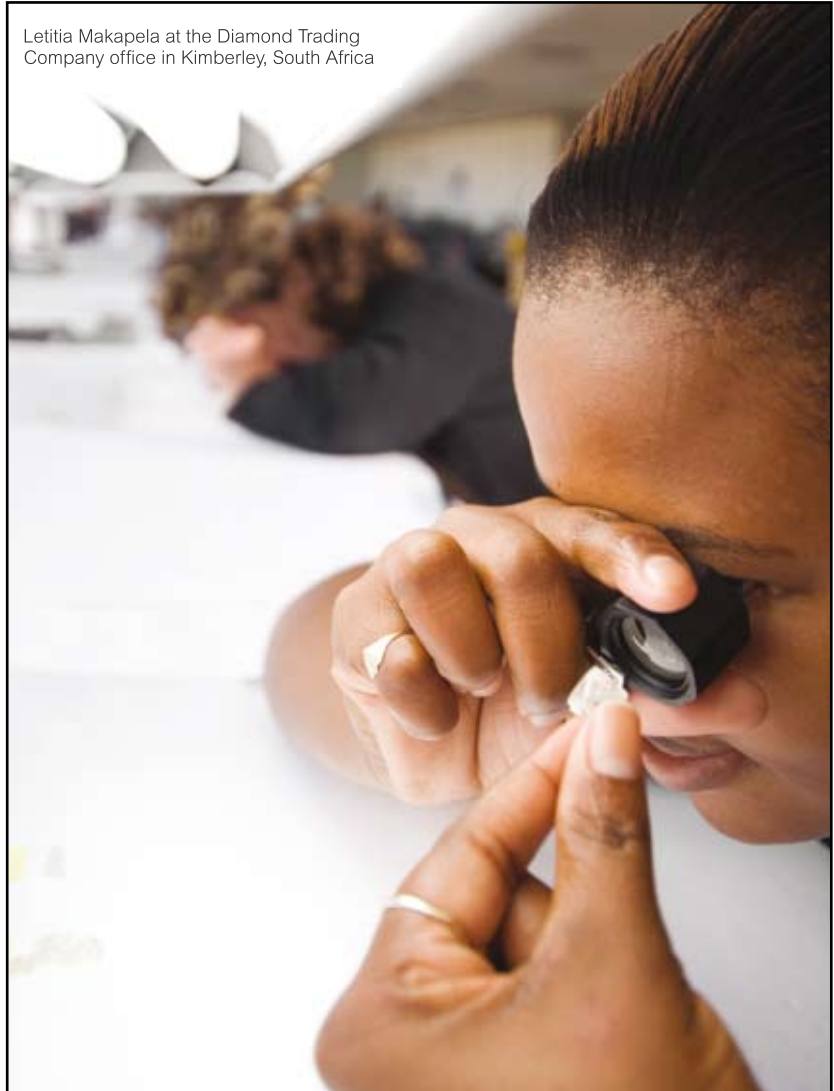
Payments to stakeholders

In 2007, De Beers paid more than US\$6.1 billion (2006: US\$5.9 billion) to stakeholders including governments, suppliers, employees, shareholders and other finance providers (Figure 2-3). More than US\$4.2 billion (70.7%) of this US\$6.2 billion was paid to stakeholders in Africa (2006: 70.9%). About US\$4.9 billion (2006: US\$4.6 billion) of this total was paid to partners, joint ventures and suppliers. This includes payments of about US\$3.2 billion for diamonds (2006: US\$3.2 billion) from our wholly owned businesses and joint venture partners in Africa.

Taxes and revenues

In 2007, the payment of taxes and royalties by De Beers to governments was US\$1.4 billion (2006: US\$1.4 billion). This included US\$238 million in payroll taxes. Almost 91.6% (US\$1.3 billion) of these payments were made to governments in Africa (2006: US\$1.3 billion). This reflects the productive contribution of our diamond operations and joint ventures. Further indirect tax benefits are generated through payments made by our shareholders, suppliers, contractors, Sightholders and business partners in the diamond value chain.

Letitia Makapela at the Diamond Trading Company office in Kimberley, South Africa



Questions from stakeholders

How does De Beers promote the principles of revenue transparency?

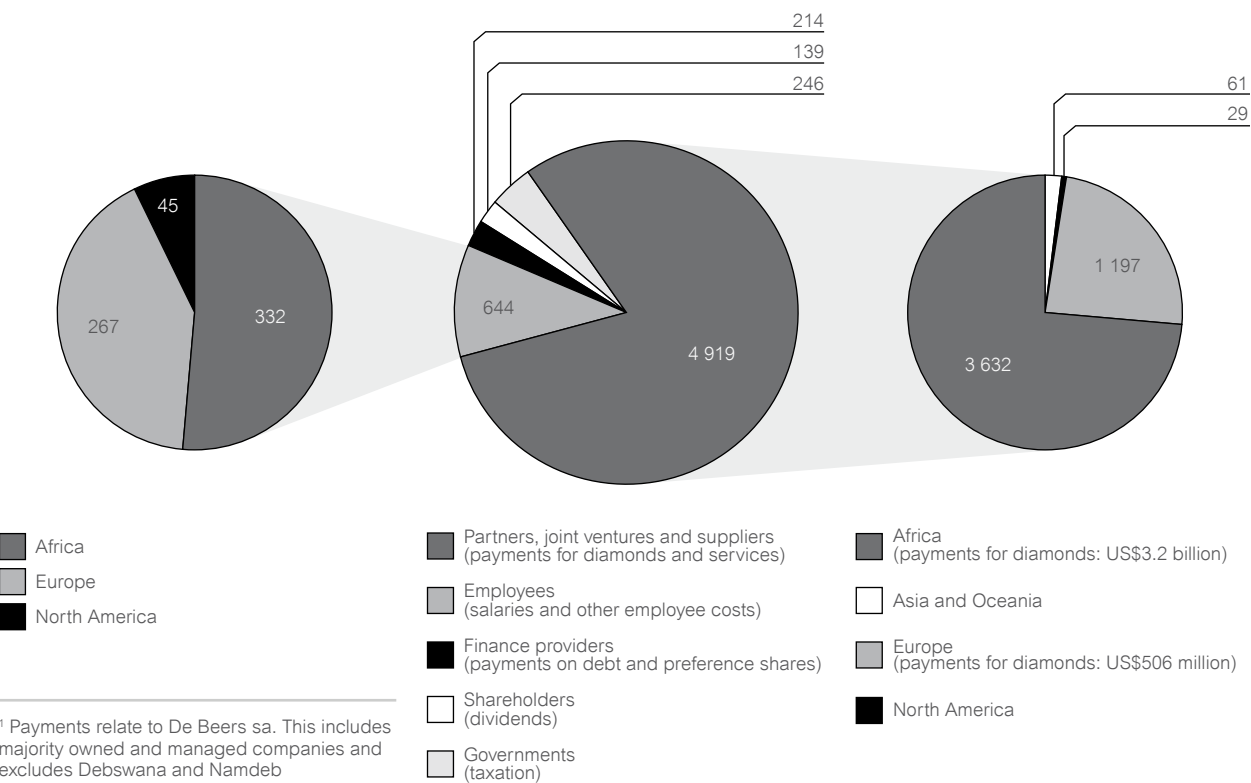
In 2003, De Beers participated in the inaugural meeting of the Extractive Industries Transparency Initiative (EITI), where it pledged support for the disclosure of all payments to governments. The EITI aims to ensure revenues from the extractive industries contribute to development and poverty alleviation in host countries.

De Beers regularly participates in EITI meetings and actively works with producer country governments to achieve greater revenue transparency and accountability. Botswana is currently in the process of implementing the EITI principles. The Democratic Republic of Congo (DRC) also participates in EITI activities.

In December 2007, De Beers participated in a joint G8/EITI international conference in Berlin. The conference included representatives from governments, civil society and the private sector. It discussed ways of further improving cross sector co-operation to combat corruption and promote transparency. De Beers also works closely with organisations such as the Partnership Against Corruption Initiative (PACI) of the World Economic Forum. We view the role of civil society as an essential element in overcoming bribery and corruption, and have been working with Transparency International and others through our association with both EITI and PACI. Members of Transparency International have been regular attendees of the De Beers Diamond Dialogues (p13).

Source: Multi-Stakeholder Forum

Figure 2-3: Payments to stakeholders, 2007 (US\$ millions)¹



Debswana and Namdeb are the largest taxpayers in Botswana and Namibia respectively. Their predictable and reliable contributions to government revenues help ensure macro-economic stability and underwrite government capacity to deliver on long term development programmes. The GRB consistently derives around 50% of its revenues from diamonds. This includes dividend income from its 15% shareholding in De Beers. In Namibia, government revenue from diamonds averaged around 8% over the past 10 years.

Both Botswana and Namibia spend up to half of their total revenue on public services including health, education and housing. The remaining not strictly social expenditures include investments relating to national defence, law and order and public infrastructure.

Revenues are also spent on public administration and public debt interest payments.

The reliability of diamond mining as a revenue stream for governments in Namibia and Botswana is due in part to the sound management of our operations and distribution activities. It is also due to efforts by De Beers to maintain consumer confidence and drive demand for diamonds in key markets around the world. We call this “diamond equity”.

- www.debswana.com
- www.dtc.com
- www.namdeb.com
- www.adiamondisforever.com

Questions from stakeholders

What is diamond equity?

Diamond equity is essentially the value that consumers attach to diamonds. It rests principally on the fact that diamonds are a scarce natural resource with a particular emotional significance to consumers.

Diamond equity helps build and maintain demand for diamond jewellery, which also ensures stable revenue streams for producer countries.

The Diamond Trading Company (DTC) has helped build consumer confidence in diamonds through its implementation of the Diamond Best Practice Principles (BPPs, p16) and support for the Kimberley Process (p46), as well as sustained research and marketing activities. These activities help ensure diamonds are derived from ethical and responsible sources.

DTC producer country marketing activities directly benefit producer countries by promoting African diamonds and driving consumer demand. This is illustrated by our investment in diamond equity.

Source: Managers Perception Survey

Investment in people and infrastructure

EC7 EC8 EC9 SO1 SO5 MM1 8 6

We invest substantially in people and skills, local businesses and infrastructure development wherever we have major operations. This takes place at all levels of our business and includes indirect empowerment through preferential procurement (p29), enterprise development (p39) and social investment (p91).

Equity ownership

Equity partnerships with local communities and governments are a critical part of the De Beers business model in Africa. This approach has played a key role in enabling a shared sense of responsibility and the ultimate success of our operations. All of our mining companies in Africa are part owned by either governments or empowered communities. Debswana is 50% owned by the GRB. Namdeb is 50% owned by the Government of the Republic of Namibia (GRN). Williamson Diamonds is 25% owned by the United Republic of Tanzania.

This ensures producer countries receive additional dividends through their shareholdings. The GRB also owns a 15% stake in De Beers.

In South Africa, the sale of a 26% equity interest in De Beers Consolidated Mines (DBCM) in 2006 to Ponahalo Holdings enabled De Beers to meet the ownership element of the Mining Charter significantly ahead of the legal requirement. The charter requires 26% Historically Disadvantaged South African (HDSA) ownership of all extractive companies by 2014.

Ponahalo Holdings is a broad-based Black Economic Empowerment (BEE) company that includes trusts for employees of De Beers, historically disadvantaged women, people with disabilities and communities around our DBCM mines. It is 90% owned by HDSAs and 50% owned by DBCM employees and pensioners, with at least 27% overall participation by women.¹

In September 2007, DBCM sold the underground operations of Kimberley mines to Petra Diamonds and its BEE partner, Sedibeng. In October 2007, it concluded the sale of a portion of its tailings mineral resources to the Small Miners Forum (100% broad-based BEE consortium). In November 2007, a sale agreement was signed for the Cullinan mine with the Petra Diamonds Cullinan Consortium (PDCC). PDCC comprises Petra Diamonds, Al Rajhi Holdings and their empowerment partner Thembinkosi Mining Investments.

In 2008, DBCM will continue to seek ways to further the transformation of the South African economy and to increase participation by companies with empowerment credentials throughout the diamond value chain. This includes working towards meeting internal BEE targets on management, employment equity, skills development, procurement and social investment. Progress towards these targets is presented throughout this report.

Questions from stakeholders

What is economic empowerment?

Economic empowerment in South Africa is incorporated in the national BEE Policy and programme. BEE is a pragmatic growth strategy that aims to realise the country's full economic potential by "empowering" HDSAs. This includes black and Asian people, women, youth and rural communities. BEE is a South African philosophy progressively applied in Namibia. The national BEE framework in Namibia is still in development, although the mining industry has developed its own BEE charter with government.

In Botswana, the focus is on using revenue from diamonds to finance education, health and infrastructure development. The national Citizen Economic Empowerment (CEE) agenda involves the development of local capacity, locally owned industry and economic diversification.

Source: Multi-Stakeholder Forum



Clyde Johnson (Thembinkosi Investments) and David Noko (DBCM)

¹ More than 100% due to category overlap

Transforming the diamond industry in South Africa

De Beers is committed to playing a constructive leadership role in the South African diamond industry. It believes there are opportunities for other smaller businesses to take advantage of assets that are no longer aligned with the De Beers strategy that is focused on industrial-scale high value resources. The sale of these assets also helps facilitate wider industry growth, broad-based BEE ownership and supports the government's aspirations for a transformed and empowered diamond industry.

In 2007, DBCM agreed the sale of the Cullinan and Kimberley underground mines to Petra Diamonds.

Both agreements include BEE partners. The Cullinan and Kimberley mines were established in 1902 and 1871 respectively. The dormant Kimberley diamond tailings have also been sold to the Small Miners Forum. These actions form the basis for DBCM's drive to secure future profitability in South Africa by focusing on mines that offer long term strategic and financial returns beyond 2014.

DBCM continues to focus on the implementation of its R2.2 billion (US\$313 million) capital investment programme. This includes the mining vessel *Peace in Africa*, which started operating in 2007.

Progress has also been made in the construction of the new Voorspoed diamond mine in the Free State province. Voorspoed is expected to start operating in 2009. This past year also saw the funding of new exploration activities in South Africa, which is still believed to be highly prospective.

DBCM's activities in South Africa reflect our wider journey from being the world's leading supplier of diamonds to being an industry leader that is focused on driving greater returns on capital. It is through such efforts that DBCM aims to help build and sustain a strong South African diamond industry well into the future.

Nicky Oppenheimer and the South African Minister of Minerals and Energy, Buyelwa Sonjica, at the earth turning ceremony of the Voorspoed mine






Direct employment and multipliers

EC1 EC9 LA1 MM1 MM2

The Family of Companies employs over 20 000 permanent and non-permanent personnel in more than 25 countries worldwide. More than 19 000 (93%) of these employees are based at our mines, exploration entities and offices in Africa.

Permanent employees are complemented by non-permanent employees and contractors. The Family of Companies employs about 10 000 contractors, mainly at its mining operations.

In 2007, employee salaries and other costs including social security, health care and pension contributions, amounted to US\$644 million (2006: US\$700 million). Of this total, 51.6% of payments were made in Africa. This excludes employee salaries and other costs paid by our Debswana and Namdeb joint ventures, which are the largest private sector employers in Botswana and Namibia respectively.

 www.bullion.org.za
 www.debeersgroup.com
 www.petradiamonds.com

Third party verification through the BPP Assurance Programme demonstrates that all employees earn greater than their respective country's minimum wage. Many of these wage agreements are derived together with the relevant mineworkers unions in each operating country.

Questions from stakeholders

How does De Beers plan for the associated (multiplier) economic benefits of new developments?

Because mining is capital intensive rather than labour intensive, our direct employment is minimal compared to our wider economic contributions. The "employment multiplier" of mining, at less than 0.5, is low compared to other sectors (at least 1). However, this still means that for every 10 new workers hired by a mine, an additional five persons will be employed throughout the economy.

Assuming a dependency ratio of 1:10 for every employee and contractor (based on figures from the Chamber of Mines of South Africa) the direct number of individuals supported by the Family of Companies is about 330 000. We support about 100 000 people in Botswana (6% of the population) and about 40 000 in Namibia (2% of the population).

Source: Multi-Stakeholder Forum

Preferential procurement

EC6

Preferential procurement helps ensure that mining revenues stimulate growth in other sectors. It also helps offset any historical economic inequalities.

Procurement arrangements form a critical component of the De Beers strategy for driving economic development wherever it operates. Procurement policies and procedures are most developed in South Africa, Botswana and Namibia and are being extended to other operations including De Beers Canada. Each of our operations also works with existing suppliers to assist them in their transition to becoming BEE owned and "transformed" businesses.

In 2007, about US\$1 billion was allocated to preferential procurement in southern Africa and Canada. In South Africa, nearly R3.2 billion (US\$460 million) out of R6 billion (US\$852 million) was spent on HDSA owned, empowered and influenced companies. This represents 54% of procurement spend (2006: 50.7%).

Figure 2-4: Total workforce by region¹

	Permanent			Non-permanent		
	2005	2006	2007	2005	2006	2007
Africa	19 431	17 604	17 021	2 555	1 635	2 274
Asia	170	89	42	26	0	6
Europe	725	691	566	93	2	8
North America	207	260	656	21	55	42
Total	20 533	18 644	18 285	2 695	1 692	2 330

¹ Employee numbers for Asia and Europe in 2005 are approximations

Debswana

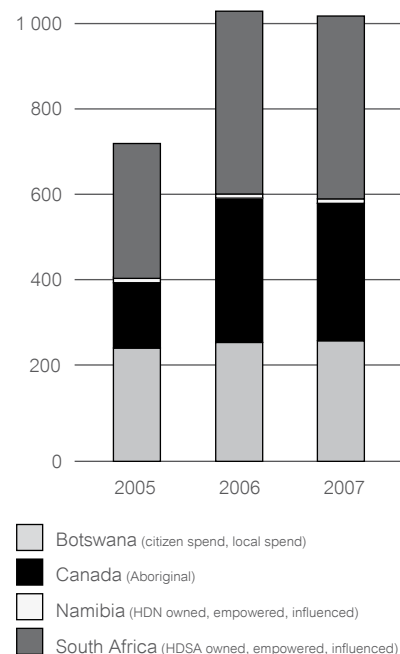
The size of the Botswana economy has an implication for the nature and size of firms able to establish themselves in the country. Historically South African companies have met most of Debswana's supply requirements. Debswana aims to address this imbalance and stimulate local economic diversification by encouraging foreign direct investment, joint ventures with suppliers, SME development and increasing its expenditure with companies owned by Botswana citizens.

Procurement spend from citizen owned and local companies increased from P1.62 billion (US\$265 million) in 2006 to P1.79 billion (US\$293 million) in 2007 (Figure 2-5). This represents about 82.8% of total procurement spend. About 15.6% (P339 million or US\$55 million) of this was spent with citizen owned suppliers (2006: 11.2%).

Namdeb

The Namdeb BEE Policy provides guidance on how the company can contribute to Namibian transformational requirements and the national Vision 2030 development strategy. It aims to foster a culture of entrepreneurship among Historically Disadvantaged Namibians (HDNs), promote the development of commercially viable and sustainable businesses, and facilitate the transfer of capacity to Namibian suppliers. Specific guidance on the identification and prioritisation of historically disadvantaged local suppliers is given through the Namdeb Preferential Procurement Policy that requires the accreditation of a supplier's BEE status. Preference is given to enterprises owned by HDNs, BEE enterprises and Namibian enterprises. The Namibian Preferential Procurement Council (NPPC) is working with the government to develop consistent HDN criteria and guidance.

Figure 2-5: Preferential procurement spend (US\$ millions)¹



¹ The South African total includes expenditure for De Beers Group Services, the Ecology and Exploration divisions, DTC South Africa, De Beers Marine, supply chain centres and other entities beyond DBCM

DBCM concludes R5.8 billion, 10 year BEE fuel supply contract in South Africa

Case study

In 2007, DBCM concluded a BEE fuel supply contract worth R5.8 billion (US\$739 million) over 10 years. An initial list of 19 tenders resulted in the awarding of contracts to Masana Petroleum Solutions (64% BEE), Shell South Africa (25% BEE) and KZN Oils (100% BEE). This marked the largest BEE supplier deal concluded by DBCM and the highest value private sector contract secured by KZN Oils.

The objective of the tendering process was to reduce costs, ensure continuity of supply, promote BEE and further the company's social investment.

Each of the selected suppliers has concluded a Memorandum of Agreement whereby they will cooperate with DBCM on social investment initiatives within the communities where they will be supplying fuel under the contract.

The supply contract also offers substantial commercial benefits, representing one of the best average fuel rebates in the market with a potential 10 year Net Present Value (NPV) saving of R200 million (US\$28.5 million). DBCM intends to implement continuous improvement processes in order to maximise supplier value.

The final contracts demonstrate that synergies can be achieved between company performance and the promotion of BEE objectives in South Africa.

The contracts also provide an example of how DBCM can use its position as an industry leader to promote the spread of social investment initiatives into the supply chain, and to extend and distribute the revenues and positive impacts of business to as many beneficiaries as possible.

www.kzn oils.com
www.masana.biz

In 2007, Namdeb spent US\$7.8 million with HDN owned, empowered and influenced businesses. This expenditure is likely to increase as the national framework is progressively implemented.

De Beers Consolidated Mines


Total procurement from HDSA owned, empowered and influenced companies during 2007 amounted to R2.3 billion (US\$328 million) out of a total R3.8 billion (US\$537 million) discretionary spend. This accounts for 61% of total discretionary spend (2006: 57.6%). DBCM aims to spend 40% of its procurement costs with HDSA owned and empowered suppliers by the end of 2009.

In 2007, DBCM spent R1.4 billion (US\$204 million) with HDSA owned and empowered suppliers. This accounts for 37.8% of total discretionary spend (2006: 41.7%) and remains on-track to achieve the 2009 goal of 40%.

De Beers Canada

The De Beers Canada Snap Lake mine is located in the northern part of the NWT in Canada. The Victor project is located in Ontario province (p8).

Significant effort has been made at both operations and in our purchasing processes to ensure the involvement of aboriginal and local businesses in contracting and procurement. In 2007, De Beers Canada procurement spend with aboriginal suppliers was C\$291 million (US\$269 million). About 67.2% (US\$181 million) of this was for our Snap Lake mine. About C\$279 million (US\$258 million) was spent with local NWT businesses. This accounts for about 76.9% of all purchases for Snap Lake mine.

 www.debeerscanada.com

Capital investment

EC8 MM1 MM2

Our capital investments are focused primarily on exploration for new diamond deposits, mine or project development, "stay-in-business" and maintenance investment on existing operations and, where appropriate, on expansion programmes at existing mines. The initiation of new projects provides economic benefits to a diverse range of stakeholder groups by creating employment, generating income and direct procurement spending, and improving regional economic development by catalysing further investment and the development of local businesses.

Of the US\$1.4 billion of capital investment in 2007, 34.8% (US\$500 million) was made in Africa and 60.1% (US\$862 million) was invested in North America at our Snap Lake and Victor mines in Canada (Figure 2-6 and Figure 2-7).



Figure 2-6: Capital investment (US\$ millions)

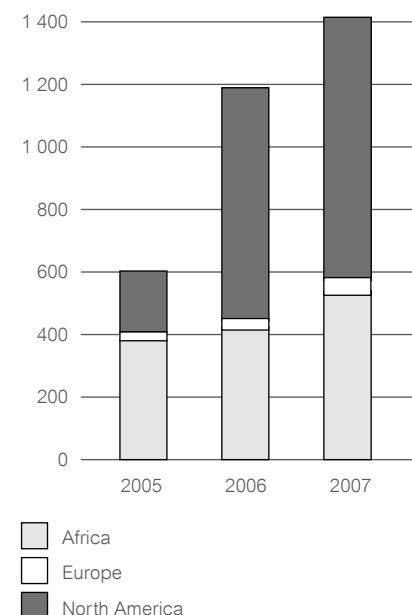
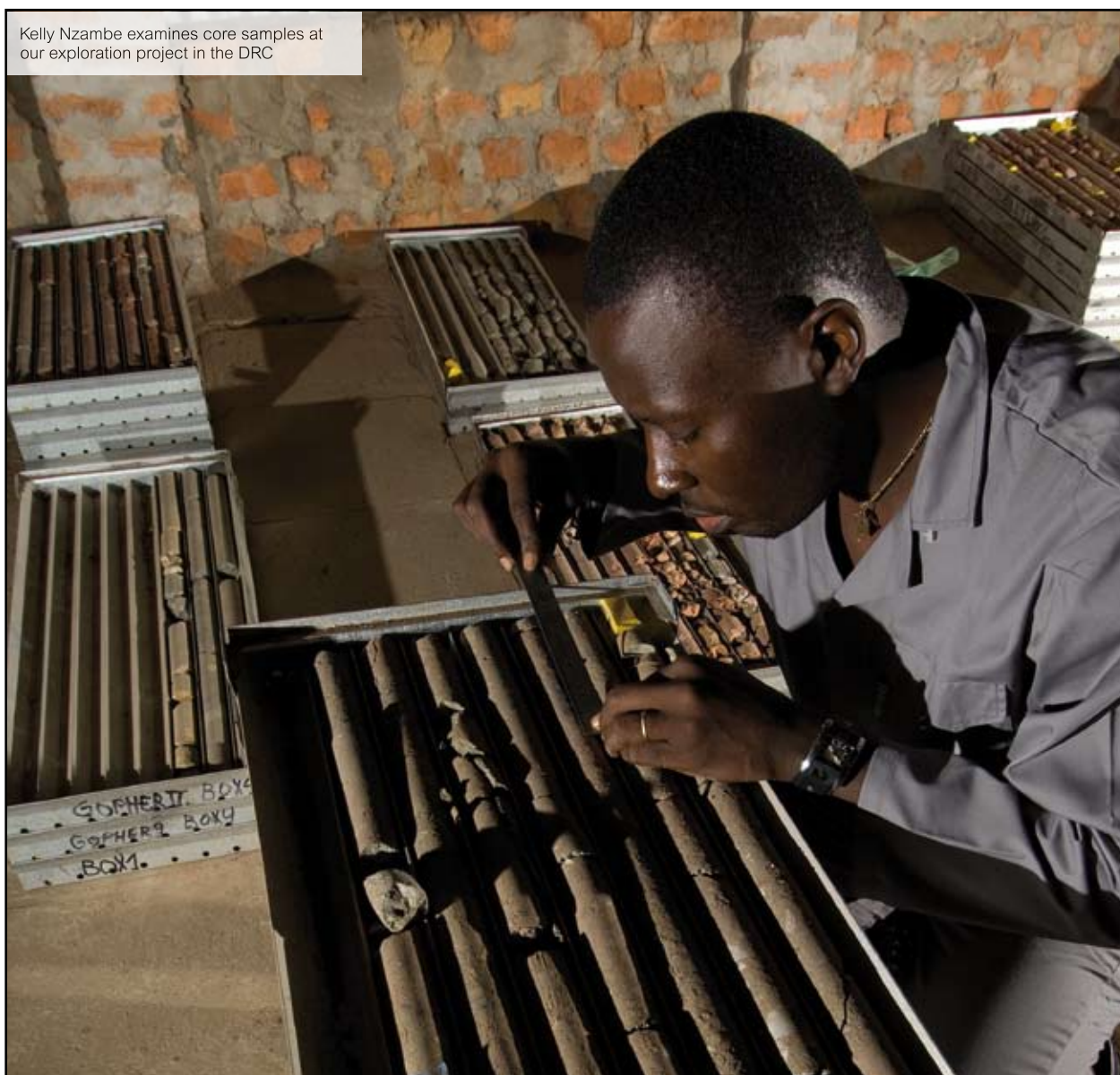


Figure 2-7: Cumulative actual expenditure on significant projects and estimated expenditure on new mines to date

	Country	Full production	Expenditure	Production volume
Major projects				
AK06	Botswana	2010	US\$43 million	11.1 million carats over 10 years
Victor	Canada	2009	US\$998 million	6.2 million carats over 12 years
Voorspoed	South Africa	2009	US\$185 million	8.3 million carats over 13 years
Mining				
Snap Lake	Canada	2008	US\$975 million	25.7 million carats over 20 years
SASA	South Africa	2008	US\$159 million	3.4 million carats over 17 years



Exploration and major projects

In 2007, US\$126 million was spent on exploration (2006: US\$140 million). Exploration in Africa is in its most advanced stages at our ENDEB joint venture with Endiama in Angola. Our AK06 joint venture project in the Orapa region of Botswana is being developed by the Boteti Exploration Company, a joint venture partnership between De Beers, African Diamonds plc and Wati Ventures. This is in addition to our Voorspoed project, which is expected to start production in 2009. The Victor project in Canada is expected to start production in mid-2008. The advanced exploration project at Gahcho Kué in Canada's NWT is also progressing, including the environmental permitting process.

Mining

Mines are usually located in remote and inaccessible areas, necessitating the development of new infrastructure. The provision of such infrastructure can benefit local communities and host countries by providing better access to key utilities, education and healthcare. In 2007, Debswana completed a major road in Botswana (linking Letlhakane with the main Orapa-Francistown road), with an estimated spend of P22 million (US\$3.6 million). Employees and other residents of the mine towns are often provided with free access to water and energy. Investment in health and education is also considerable. The mine hospital at Jwaneng cost P33 million (US\$5.4 million) to operate in 2005 with 67% of this allocated to local communities. Of the hospital's in-patients, 90% are community members. Company hospitals and subsidised schools also exist at the Orapa mine, Namdeb operations in Oranjemund and at Williamson mine in Tanzania.



Euride de Almeida is a trainee at our laboratory in Luanda, Angola

Innovation and technology transfer

In addition to capital investment, the Family of Companies also invests in innovation and technology transfer, particularly in southern Africa. This includes research and development to support marine and large-scale industrial alluvial mining. Being a technology leader enables the Family of Companies to develop low margin diamond deposits in an economically viable manner.

DebTech is our main research and development division. It is located in Johannesburg and has over 300 products in its portfolio, including sorting and X-ray equipment used across the Family of Companies. In 2007, DebTech won a

Technology Top 100 award for the best South African company in the category of Excellence in the Management of Research. DebTech was also a finalist in the category of Excellence in the Management of People. The awards were sponsored by the South African Department of Trade and Industry to recognise excellence in the innovation and management of technology in South Africa. DebTech was one of about 200 technology companies that entered the competition in 2007.

 www.dst.gov.za/other/techttop100

Sustained contributions through diversification

EC8 EC9 SO1 SO5 MM2 8

Reliance on a single commodity poses significant risks to sustained economic growth. These range from vulnerability to external shocks caused by changes in the diamond market and variable consumer demand, to the complex consequences of currency over-valuation. Diamonds are also a finite resource. This means for any one deposit, diamond earnings will eventually plateau and decline.

While it is primarily the responsibility of government to manage the revenues generated from natural resources today to build a solid foundation for a strong economic future tomorrow, the Family of Companies can make a valuable contribution to this process. We also understand the importance of good governance wherever we operate, in order to ensure these one time revenues are fairly invested and distributed within the economy.

We can assist our partner governments in meeting their economic diversification goals through, on the one hand, ensuring that their countries derive the maximum value from their resources by optimising mine profitability, finding new deposits and driving demand. On the other, we can assist in the groundwork for developing more diversified economies through developing beneficiation opportunities, diligent closure planning, supporting other industries by procurement agreements (p29), strategic social investment (p92) and direct support for enterprise development (p39).

Beneficiation

DTC is delivering beneficiation in close cooperation with its partner DTCs and Sightholders. The objective selection process for Sightholders qualifying for supply under the 2008-2011 contract was completed in late 2007. In total, 75 companies will receive a United Kingdom, South African (19 companies) or Canadian Sightholder. Combined with the Sightholder lists for Botswana (16 companies) and Namibia (11 companies) the DTC's global network of clients totals 79 individual companies.

In the diamond industry, the term beneficiation refers to local downstream economic activities that add value to locally mined rough diamonds. It includes the process of sorting and valuing rough diamonds, their subsequent cutting and polishing, and the manufacture and sale of diamond jewellery. Our southern African producer partners have broadly similar interests and objectives with regards to beneficiation. This includes the desire to create employment opportunities, building a more skills-based labour market and fostering an economic environment that attracts further foreign investment.

The DTC is leading the De Beers effort to help diamond producing governments meet their beneficiation targets, working in partnership with its Sightholders. This includes the establishment of new joint venture companies DTC Botswana (DTCB) and Namibia DTC. The establishment of DTC Botswana, a US\$83 million investment, will bring diamond sales activities to Botswana for the first time and supply a number of local cutting and polishing factories. Sixteen world class Sightholder companies have made investments in diamond beneficiation in Botswana, with the potential to create 3 300 new jobs.

Botswana

The wealth generated from diamond revenues in Botswana has been used for economic development including healthcare, education and transport infrastructure. Since its independence in 1966, Botswana has made the transition from one of the world's poorest countries to one with Africa's highest credit rating. It has one of the world's highest economic growth rates (4.7% annually in 2006-2007).

In May 2006, the GRB and De Beers signed three agreements that ensure the continued development of diamond resources and promote economic diversification: the renewal of the mining licences for Debswana mines for 25 years; the sale of Debswana's production to the DTC for another five years; and the establishment of the DTCB joint venture.

In addition to sorting and valuing Debswana's production, DTCB will also make aggregated rough diamond assortments available for sale in Botswana for local manufacturing. This will support the GRB's economic vision to drive employment and value creation from the country's diamond resources. It is expected that by the end of 2010, up to US\$550 million of rough diamonds will be supplied in Botswana. This equates to 3% of national GDP.

DTCB will sort and value in excess of 30 million carats a year, making it the largest sorting facility in the world. The new company is housed in a newly constructed building, which has the capacity to process 45 million carats per annum and to accommodate up to 600 employees. It incorporates state of the art sorting technology, designed and manufactured by DTC research teams. The building will be occupied in early 2008.



Construction of the DTCB offices in Gaborone, Botswana

Questions from stakeholders

What is diamond aggregation?

Aggregation is the generic term used by the DTC to refer to the process of blending, like for like, rough diamonds from different countries that have already been accurately sorted and valued. The process underpins the DTC's ability to provide consistent assortments of diamonds to its clients. The diamonds are then divided into boxes for sale to the DTC's clients, who are among the world's leading diamantaires.

In May 2006, De Beers and the GRB signed a suite of agreements that included an intention to establish facilities to carry out aggregation in Botswana. All aggregation is currently completed at the DTC in London.

Source: Managers Perception Survey

Operational focus

Debswana's previous sorting and valuing company, Botswana Diamond Valuing Company (BDVC), ceased operating at the end of 2007. Most of the BDVC employees are now employed by DTCB. DTCB is being established independently from both Debswana and BDVC, so that Debswana can focus on mining, while DTCB can focus on capturing the full value of Botswana's diamonds and further support the development of Botswana's industry.

Sales

The sale of diamonds from DTCB, sourced from the DTC's aggregated mix, will be made available locally to clients in Botswana for the first time in 2008. Local cutting factories are supplied as per Supplier of Choice criteria and in line with agreed beneficiation targets. Determination of eligibility for supply rests with DTCB. Applicants for supply applied directly to DTCB for client (Sightholder) status and the successful applicants have now been awarded three year contracts from 2008. DTCB Key Account Managers helped facilitate the selection process.

“For the African diamond producing countries, beneficiation is not optional ... but is an imperative, an absolutely essential and critical part of macro-economic policy designed to uplift [producer country] economies, to provide education, jobs and healthcare for people, and to make poverty history. We embrace this imperative completely and with great energy.”

Source: Gareth Penny, Managing Director, De Beers, at the Antwerp Diamond Conference, 15 October 2007

International impact

DTCB seeks to support other cutting centres and protect the integrity of diamonds as a major source of income for the country and for many other people worldwide. While the value of goods cut and polished in Botswana relative to the value of production is small, it is very significant relative to economic activity in Botswana. From 2009, DTC will be responsible for aggregating rough diamonds in Botswana from producer countries around the world.

Safdico's contribution to the development of Botswana as a world-class diamond centre








Safdico is a DTC Sightholder and one of 16 in Botswana. In August 2006, it started construction of a new Diamond Technology Park (DTP) in Gaborone. The park became operational in September 2007. It aims to formalise and centralise Botswana's young diamond industry by creating a state of the art, secure and efficient environment within which the sector can develop and flourish.

Safdico has built a world-class manufacturing facility in the DTP. It has trained six qualified Botswana engineers in the full spectrum of diamond manufacturing and maintains a total staff of 36.

Twenty four of these employees are Botswana citizens. Safdico intends to increase the number of its employees to 100 within the next five years, with particular focus on employing and training local Botswana citizens.

The establishment of the DTP will encourage international companies that service the diamond industry to invest in Botswana. This includes the Gemological Institute of America, First National Bank, Stanbic Bank, Sarin (a diamond technology provider), DiamonEx (a diamond mining company) and Hennig and Bonas (diamond brokers).

The Botswana Ministry of Minerals, Energy and Water Resources, as well as the Botswana Police have also established a presence in the Diamond Technology Park. The project has created significant local employment opportunities, with the five year construction process expected to create more than 200 jobs for citizens of Botswana.

 www.safdico.com
 www.gia.edu
 www.fnb.co.za
 www.stanbic.com
 www.sarin.com
 www.diamonex.com.au
 www.gov.bw

The client identification criteria also ensure that those selected have the capacity and experience to build a sustainable local diamond manufacturing industry.

Marketing

DTCB also intends to work together with clients on marketing initiatives to stimulate local and regional consumption of diamonds and to maintain the integrity of the gems as a magnificent and unique natural product. It is hoped that, through the support of DTCB's clients, a small and viable market can be developed in the country, focusing on local consumers and tourists.

Namibia

The newly established Namibia Diamond Trading Company (NDTC) is a 50/50 joint venture between the GRN and De Beers. Its core objective is to deliver maximum long term value from diamonds to Namibia. It does this by developing world class sorting, valuing, selling and marketing practices.

The establishment of NDTC also supports the GRN's Vision 2030 (a National Development Plan). Sightholder selection criteria are designed to select only those companies that deliver on the beneficiation goals of the government and the Family of Companies. Sightholders provide a commitment to cut and polish diamonds in Namibia in order to qualify for supply from NDTC.

A catalyst for wider growth

Up to N\$2 billion (US\$300 million) worth of diamonds will be made available locally in Namibia by 2009. This represents almost 5% of Namibia's GDP. The formation of NDTC also acts as a catalyst for wider development of the Namibian economy, including the banking, security and IT sectors. The growth of cutting and polishing operations is expected to help reinforce a positive investment climate for other foreign businesses.

NDTC's commitment to beneficiation is also about job creation and skills transfer. NDTC will work together with Namibian-based diamond manufacturers, to support local marketing initiatives and create a local Namibian brand focused on local consumers and tourists. NDTC will have access to De Beers expertise in diamond marketing. This encourages consumer demand for diamonds and diamond jewellery and creates a sustainable market for diamonds from producer partners.

NamGem

NamGem is a wholly owned Namdeb subsidiary and the only cutting and polishing entity in the Family of Companies. It employs 137 people and is a major source of revenue for the town of Okahandja, located 70km north of Windhoek. In 2007, NamGem was identified as one of 11 successful applicants to receive supply as a Sightholder of the newly formed NDTC.

Since 2004, NamGem has been working in association with Lazare Kaplan International under a technical and marketing cooperation agreement that enables NamGem's production to reach the international consumer market. NamGem also markets a proportion of its production to a number of Namibian outlets, adding further value to the Namibian economy. NamGem predominantly supplies diamonds to Kolmanskop in Luderitz and a Windhoek-based retailer that largely purchases polished diamonds on behalf of the Jewellers Association of Namibia.

In 2006, NamGem sponsored a community centre for use by orphans and vulnerable children in the local Okahandja community. The project, sponsored with assistance from the Namdeb Social Fund, aims to help children and parents affected by HIV/AIDS. In 2007, NamGem spent N\$36 000 (US\$5 100) on the community project and N\$14 000 (US\$2 000) on sponsoring sports activities in schools in Okahandja.

South Africa

De Beers is active in helping to establish a sustainable, integrated diamond industry and further the wider economic goals of the South African government. Its work includes the sorting and distribution of rough diamonds. It also facilitates the development of local cutting, polishing and jewellery manufacturing skills and the marketing of diamonds in South Africa and abroad.

Sorting and distribution

Historically and in terms of value, beneficiation has been undertaken in South Africa for diamonds more than for any other mineral resource. In 2007, DTC South Africa sorted and valued 14.7 million carats of diamonds (2006: 14.5 million).

About 50% of De Beers total production by value in South Africa is sold to the local cutting industry. In 2007, more than US\$667 million in rough diamonds were sold to local South African Sightholders (2006: US\$684 million) (Figure 2-8).

South Africa supplied 19 Sightholders for the 2005-2008 contract period. These Sightholders currently provide employment to approximately 1 600 personnel. Twelve (63%) of these Sightholders had BEE partners at the beginning of the contract period. This has

increased to nearly 100%. All Sightholders will have BEE partners by July 2008 in order to comply with the new licence requirements.

In 2007, the DTC's sorting, valuing and sales operations in South Africa were merged into one office in Kimberley, forming the new DTC South Africa. This is in line with government beneficiation objectives and helps ensure a more efficient supply of rough diamonds to local manufacturers.

Abbey Chikane, CEO, State Diamond Trader, South Africa

What is the role of the State Diamond Trader?

The role of the SDT is to promote equitable and local beneficiation of South Africa's diamonds. In addition to securing South African diamonds for local manufacturing, the SDT may also acquire diamonds from other diamond producing countries. This is in line with government strategy to add value to South African mineral resources and to develop the cutting and polishing industry.

What is the partnership arrangement between De Beers and the State Diamond Trader

The SDT entered into a Services and Licence Agreement with DBCM. The agreement is crafted in terms of section 16 (2) (b) of the Diamonds Amendment Act. In the agreement, DBCM offers to provide the SDT with technical expertise, equipment and intellectual property. This has enabled the SDT to establish a technically sound diamond operation and a solid foundation for the company.

 www.statediamondtrader.gov.za

How will the State Diamond Trader impact employment opportunities?

The Minister of Minerals and Energy has recently announced that the SDT will be moving to Kimberley in the Northern Cape from Johannesburg. Such a move has the potential to create jobs and wealth in the area. Most importantly, the move will restore Kimberley's pride as "the diamond mother city". This move is not expected to have any negative impact on cutters and polishers based in Johannesburg. On the contrary, such a move should enhance our overall national operation including Johannesburg.

What is the vision of the State Diamond Trader?

Our vision is to create a business environment in which South Africa can become Africa's diamond trading hub. To achieve this vision, the SDT aims to become a globally recognised and respected source of rough diamonds as well a facilitator of local beneficiation opportunities.

As part of its commitment to improving local access to rough diamonds, De Beers has worked with the Department of Minerals and Energy (DME) to establish and launch the State Diamond Trader (SDT). De Beers has made its management, technical expertise and assets available for three years to facilitate start up of the SDT.

DBCM, like all other South African diamond producers, will sell up to 10% of its production to the SDT. In December 2007, the SDT and DBCM conducted a pilot sale to ensure all necessary process, resources and systems are in place and ready for the first sale in 2008.

Skills development

DTC South Africa is helping to develop local cutting and polishing skills. Since its establishment in 1999, about 450 students have graduated from the Harry Oppenheimer Diamond Training School in Johannesburg. In 2007, DTC South Africa started working with the Northern Cape provincial government to develop a business case for the establishment of an international diamond and jewellery academy in Kimberley. The academy intends to develop local skills in key areas such as rough diamond evaluation, cutting and polishing, polished grading, jewellery design and manufacture, marketing, retail.

A project team is currently assessing the diamond academy concept with the aim to establish training activities by the end of 2008.

Over 10 years ago, the DTC launched the Shining Light Awards for Excellence in Diamond Jewellery Design. The awards encourage and develop South African jewellery design talent, and create opportunities for skills development and job creation. Since the awards began, there have been over 90 winners. The 2006-2007 collection went on an extensive exhibition road show at the beginning of 2007, following the launch of the collection in Johannesburg.

DTC Shining Light Awards diamond design competition 2007

Case study

The DTC Shining Light Awards aim to encourage South African design talent. They also provide opportunities for skills development and job creation. The biennial competition provides a platform for showcasing South African talent both locally and internationally, as well as supporting the sustainability of the South African diamond market. It helps bring together the DTC's clients, competition sponsors, local manufacturers and local designers to create innovative and progressive design work.

All entrants are invited to one of three DTC sponsored Design Forums. The forums provide individual tutoring from world experts in diamond jewellery design. Sponsorship is sourced and secured, and winning designers are provided with a manufacturer to help them realise their creative design. Completed pieces are submitted for final judging and the winning collection is launched to the public through local and international roadshows.

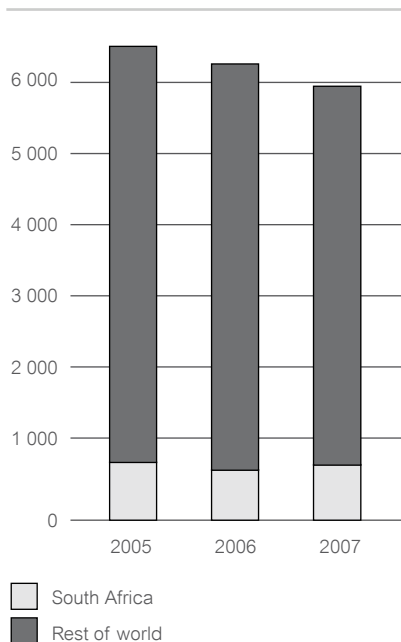
The DTC provides five bursaries of R10 000 (US\$1 400) each to educational institutions around South Africa for each competition.

Many of the competition winners have gone on to form successful careers in the industry. Five of the 10 finalists in the 2006-2007 round have already secured employment.

Organic gold ring created using 231 diamonds weighing 3.35cts. This design was sponsored by Ponahalo Capital, a new generation BEE company featuring three broad-based trusts that benefit disadvantaged women, people with disabilities and communities around DBCM operations. Model: Phuti Khomo



Figure 2-8: Sales to DTC Sightholders (US\$ millions)



The 10-piece collection also travelled to the United States, where it was the main focus of Washington DC's annual All Africa Day exhibition. Additional global destinations have included London, Japan, Belgium, China, Taiwan, Israel and Canada. Pieces were also shown to the Deputy President of South Africa and to numerous African heads of state and dignitaries from the United States. The collection has already achieved in excess of R46 million (US\$6.6 million) worth of print and television publicity both locally and internationally.

Marketing

Marketing is now carried out by De Beers Group Marketing (DBGM) as a separate business unit. DBGM will continue to focus on three core activities: developing and marketing big ideas like *Trilogy*, which have proved so successful at driving demand; further developing the FOREVERMARK programme; and maintaining consumer confidence in diamonds.

The Kya™ brand was launched in 2006 and is the first diamond jewellery brand in Africa. Four DTC Sightholders were signed up as flagship partners. Kya gives the domestic consumer a compelling reason to buy diamonds. In South Africa, the Kya marketing initiative has boosted diamond jewellery sales to female consumers. The collection reflects the bold expression of young successful, independent South African women.

The brand is now distributed through 100 retail outlets and has experienced wide consumer interest. In 2007, it was featured on seven billboards nationwide, with creative executions highlighting the three new signature Kya diamond jewellery pieces. Several consumer promotions were also run during 2007. The DTC also provided accredited retailers with new Kya-branded point-of-sale materials for shop windows.

Enterprise development

Debswana, Namdeb and DBCM operate investment funds in Botswana, Namibia and South Africa. These funds facilitate enterprise development, employment, economic diversification and alternative livelihoods that last post-mining. Each of the funds is operated as a separate business with its own corporate governance structures. They also submit accounts and annual reports on performance to their respective shareholders.

In addition to investing capital, the funds provide the companies they invest in with advice and mentoring. This includes skills development relating to project and personnel management, finance techniques and business procedures.

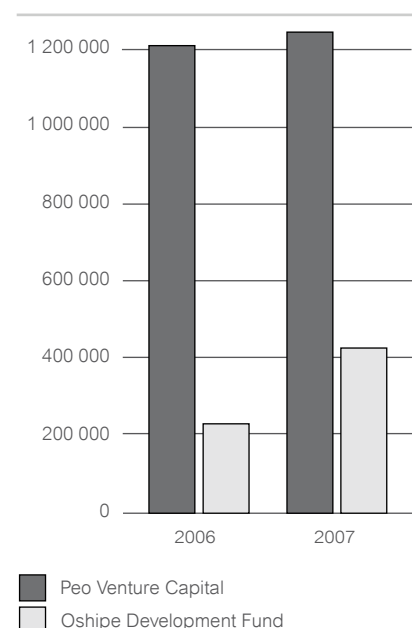
The provision of skills development is vital to avoid the high failure rate typically associated with small businesses. It has helped build a portfolio of investments in line with international norms of small and medium business sustainability.

Peo Venture Capital

Peo ("seed") is a 50/50 joint venture between Debswana and De Beers Botswana. It was founded in 1997 to support the development of citizen owned businesses. The mission of Peo is directly aligned with the national development strategy of citizen empowerment, sustainable development and skills transfer. Financial assistance for new and existing businesses is provided in the form of debt (loan) and equity finance, with Peo taking a maximum stake of 49% in each new business.

Since its inception, Peo has assisted in the establishment of 58 businesses and has invested a total of P32.6 million (US\$5.3 million). It has created employment for 1 167 Batswana. About 80% of businesses in the Peo portfolio are profitable.

Figure 2-9: Investment in enterprise development (US\$)



Accounting of Oshipe investments in 2007

Okawe Vegetables**N\$1 000 000 (US\$142 000)**

Okawe produces 23 different crops of vegetables each year for the markets of Oranjemund and Rosh Pinah in southern Namibia. Oshipe invested N\$900 000 (US\$128 000) in the start-up of Okawe in 2006. This new investment will enable the expansion of Okawe operations to satisfy increasing demand.

Africa Garment Manufacturers**N\$965 000 (US\$138 000)**

African Garment Manufacturers produces safety wear, uniforms and fashion clothing. Since its inception in 2007, it has already acquired a number of tenders and repeat business contracts.

Arandis Wood Connection**N\$300 000 (US\$43 000)**



This well-established business obtained a loan from Oshipe to expand its manufacture of school furniture, including tables and chairs. Arandis is located in Windhoek and also provides carpentry services.

Dikke Willem Diamonds**N\$200 000 (US\$29 000)**

Dikke Willem is one of 13 small-scale mining contractors that operate on behalf of Namdeb to access isolated and geographically dispersed small deposits on land and in the shallow marine environment. It also complies with the BPP Assurance Programme.

Oshinge Hair and Skin Cosmetics**N\$720 000 (US\$103 000)**

Oshinge is located in Windhoek. It started manufacturing artificial hair pieces, skins cosmetics and related products in 2006. Products are of high quality and have been very well accepted by the local Namibian market. Oshinge has significant export potential within the Southern African Development Community (SADC).

 www.sadc.int
 www.namdeb.com
 Report to Stakeholders 2005/6 (p39)

Peo funds businesses in all sectors based on their commercial viability, management ability, business risk and contribution to national development goals. About 10% of applications are successful.

In 2007, Peo invested P8.4 million (US\$1.4 million) in two large greenfield projects: Crittal-Hope and Forensic and Allied Services. Crittal-Hope employs 20 people in the manufacture of windows and door frames. It anticipates first year turnover of P24 million (US\$3.9 million). Forensic and Allied Services is a forensic science laboratory and consultancy that employs five people. It anticipates turnover of P1 million (US\$163 000) in the first year of operation.

Peo is managed by De Beers Botswana with guidance and support from the Debswana supply chain function. These links help Peo to ensure alignment with the Debswana CEE Policy and local procurement guidelines.

Peo aims to increase its visibility in 2008 in order to highlight its achievements and the services it can offer local people hoping to start or develop their own businesses. Peo is also planning a stakeholder engagement exercise to align its activities more effectively with national policies and agencies.

Oshipe Development Fund

Oshipe Development Fund (Oshipe) is a wholly owned subsidiary of Namdeb. Its mission is to promote and facilitate sustainable business development and growth of small and medium-sized enterprises through the provision of financial assistance and business support. Preference is given to SMEs owned partly or wholly by previously disadvantaged Namibians. Oshipe screens investment opportunities based on commercial and technical viability, growth potential and opportunities for inclusion within the Namdeb supply chain.

Oshipe occupies a shareholding of between 26-49% in the invested company and is represented on the Board throughout its investment. Oshipe ends its involvement when the business is self-sustainable, adequate skills transfer has taken place and managers have proven they are capable of operating the business independently of external support. This ideally takes place within five years.

In 2007, Oshipe invested N\$3.2 million (US\$456 000) in five projects. Projects are located throughout Namibia, but focus ideally on the Oranjemund and Luderitz region. Initiatives are increasingly aligned with the Namdeb closure planning process and are intended to provide additional revenues in the absence of land-based mining (p43). About N\$8 million (US\$1.1 million) has been invested in 11 projects since the inception of Oshipe in 2005. A further N\$3 million (US\$430 000) is available for 2008.

De Beers (DB) Matlafalang

DB Matlafalang was launched in September 2003 as DBCM's enterprise development vehicle. It facilitates the creation, promotion and expansion of sustainable, black owned businesses in South Africa. In 2007, DB Matlafalang focused primarily on the development of large-scale partnerships with third party experts, financial institutions and other businesses. These partnerships aim to develop sustainable business opportunities in and around our older mining operations where there is declining income from mining activities. This is different to Peo and Oshipe, which rely largely on the submission of business proposals from SMEs.

DBCM and Ponohalo, the joint venture partners, have recently approved in principle an investment of R32 million (US\$4.6 million) on a 150 tonne abalone project in the vicinity of our Namaqualand mine. The project will be operated in partnership with a leading seafood brand. It will be established as a BEE company with a mainly local employee base. DB Matlafalang aims to identify additional investors in 2008, and will also initiate a public consultation and awareness raising exercise with local communities.

DB Matlafalang is also in the final stages of developing a R50 million (US\$7.1 million) environmental rehabilitation project in the vicinity of the Namaqualand mine.

Planning for closure

EC9 SO1 MM10

All of our mining operations have closure plans in place (p42, p85). Provisional plans are developed as part of the impact assessment process for all new operations, and are progressively refined throughout the lifetime of the mine. This helps promote the sustainability of the project for all involved and limits post-closure liability from the outset.

Closure plans are developed in accordance with national law and international best practice. They are based on the results of stakeholder consultation. Plans are aligned and adaptive to changing local and national conditions, regulations and development priorities. They cover socio-economic and environmental issues including labour transition, employee skills training, enterprise development, social investment, reclamation and rehabilitation.

Closure policy

The Family of Companies has developed a Closure Policy. The policy is not applied prescriptively, but is intended more as a set of guidelines to inform the determination of national and mine-specific closure requirements. The policy builds on work completed by the International Council of Mining and Metals and the principles endorsed by the International Association for Impact Assessment. It is also aligned with our Principles, social impact assessment guidelines (p87), the Anglo American Socio-Economic Assessment Toolbox and ongoing stakeholder engagement work (p11, p86). The policy requires the identification of measurable and time-bound performance targets to be developed and agreed with stakeholders. It also requires the identification of accountable persons, the allocation of closure budgets and ongoing risks review by senior management.

The Okawe Vegetables project in Oranjemund, Namibia



Mines nearing closure

Closure plans are most developed at The Oaks, Finsch and Namaqualand mines and Namdeb land-based operations, all of which have “end of production” dates before 2020. As a minimum, closure plans for these operations ensure legal compliance and the remediation of environmental impacts. They also aim to ensure positive contributions to the livelihoods of employees and communities post mining. Regular reviews of the mine closure strategies are completed with employees and other stakeholders including government, unions, local communities and relevant civil society organisations.

The Family of Companies aims to have financial provisions for closure in place for all mining entities by the end of 2008. A number of our current plans include provisions for the remediation of environmental impacts, but exclude social criteria on alternative livelihoods (p85).

Divestments

In the case of divestments, both the Family of Companies and the purchaser prepare a status report on potential liabilities against a minimum set of closure planning requirements and relevant national legislation. This includes largely physical and environmental criteria. These liabilities are formally catalogued and benchmarked through an independent State of the Environment Report. The cost of addressing these liabilities is factored into the sale price of the operation. In 2007, provision was made by PDCC for a R332 million (US\$47.3 million) environmental rehabilitation guarantee as part of the agreement for sale of the Cullinan mine, in order to ensure effective ongoing rehabilitation by the PDCC post acquisition. The sale of Cullinan mine to the PDCC is expected to complete in 2008.

Mesembryanthemum hypertrophicum is a succulent found in the vicinity of our Namdeb and Namaqualand operations on the west coast of southern Africa



Closure planning for a positive legacy in Namibia

Namdeb land based diamond mining operations are situated in five main mining licence areas in Namibia's south west Sperrgebiet ("forbidden") region: Orange River, Mining Area 1, Bogenfels, Elizabeth Bay and Douglas Bay. These licences cover 10 014 km² (37%) of the Sperrgebiet surface area. Diamond mining on these licence areas is alluvial, but the different types of deposit require a number of mining techniques. The feasibility of these deposits is continuously re-evaluated as new mining techniques and equipment become available and make previously marginal deposits economically viable.

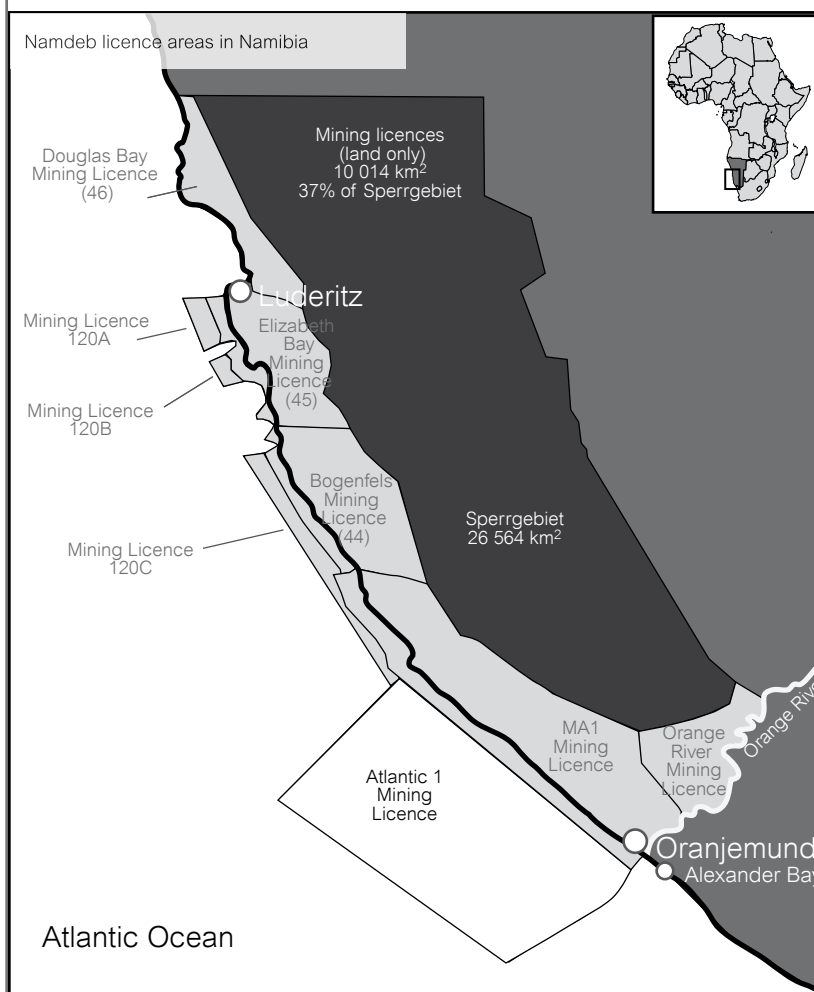
Current projections indicate diamond deposits will be exhausted between 2016-2020. Future Namdeb production will come largely from its marine licence areas.

The physical Namdeb mining footprint includes mined-out areas and excavations from sampling and road maintenance. It also includes man-made landforms such as dumps, seawalls, ponds and infrastructures such as processing plants, offices and workshops. Roads, pipelines, telecommunications and waste disposal sites add to the physical and environmental footprint.

The socio-economic footprint is significantly greater. It affects Oranjemund most directly through local employment, procurement and town sustainability. It also affects the Karas region and the wider country of Namibia. Revenues and taxes from these land based operations account for approximately 4% of national GDP. The closure plan for these operations takes local, regional and national impacts into account in its identification of alternative revenue streams that will last post-mining.

The integrated closure plan framework builds on existing socio-economic and environmental baseline and impact assessment reports. It also draws on the viewpoints of employees, government, the Mine Workers Union of Namibia and local communities as well as other stakeholders as a means of identifying relevant and material issues and a set of activities to ensure sustainable mine closure. These include skills building, enterprise development through Oshipe (p40), feasibility studies for alternative livelihoods including mariculture, and tourism projects.

These issues and activities are quantified and tracked in terms of their economic significance, as well as how proficiently they are being addressed and managed by Namdeb operations. The framework is linked to accurate production data and employee numbers in order to identify and resolve higher risk activities as a priority. It also has demonstrable links to local, regional and national development goals.



Our commitment to business ethics

Our commitment to meeting or exceeding ethical standards is a reflection of the way we work as expressed through our Values and Principles. It is also essential to achieving our business goals. Meeting these standards helps maintain our social licence to operate and hence access to diamonds. It builds our reputation as a good corporate citizen and our ability to attract and retain top talent. It underwrites consumer confidence in diamonds thereby enabling demand growth and ensuring that both the Family of Companies and our government partners in producer countries are able to derive sustained value from diamonds.

The specific emphasis of our activities to embed ethical standards in our business differs for each part of the diamond value chain.

In our producer countries we focus on issues such as Kimberley Process certification, anti-corruption, human rights and security. We work with programmes like the Extractive Industries Transparency Initiative (EITI) to ensure transparency of flows of diamond revenues.

In our distribution and marketing activities, we work with organisations such as the Council for Responsible Jewellery Practices (CRJP) to drive high standards throughout the diamond industry on issues like good governance, labour standards and anti-money laundering. We also actively support ethical initiatives that materially impact the entire diamond value chain. This includes the Kimberley Process, which has helped ensure the conflict-free status of about 99.8% of world rough diamond production.

Highlights in 2007

- ▽ *All diamonds sold by De Beers are 100% conflict free. Compliance with the Kimberley Process and system of warranties for 2007 was verified by Deloitte & Touche*
- ▽ *Our Corruption Perception Survey found operations in Tanzania and the supply chain function to be most at risk of unethical business practice. Mitigation measures will be implemented in 2008*
- ▽ *A review of our Anti-Money Laundering Policy by internal audit found most business units to have implemented the policy and received appropriate training*
- ▽ *In April 2008, the Federal District Court in New Jersey verbally indicated that it would approve settlement of class actions in the United States involving De Beers*

Figure 3-1: Issues relevant and material to our stakeholders that are addressed in this chapter¹

The Kimberley Process	p46
The system of warranties	p46
Countries recovering from conflict	p47
The Diamond Task Force	p48
Political donations	p49
Anti-corruption	p50
Anti-money laundering	p51
Competition laws	p52
Whistle blowing	p53
Ethical supply chain management	p54
FOREVERMARK	p56
The Council for Responsible Jewellery Practices	p57

¹ Identified partly through our Managers Perception Survey, Multi-Stakeholder Forum and in our quarterly Diamond Dialogue roundtables (p11)



Conflict diamonds

4.8 4.12 4.13 HR1-2 HR8 PR3-4 1 2 1 8

The United Nations (UN) defines conflict diamonds as “diamonds that originate from areas controlled by forces or factions opposed to legitimate and internationally recognised governments, and are used to fund military action in opposition to those governments, or in contravention of the decisions of the Security Council.” Conflict diamonds were used by rebel movements, mainly during the 1990s, as a source of funding for wars against legitimate governments in countries such as Angola, Côte d’Ivoire, the Democratic Republic of Congo (DRC) and Sierra Leone.

The Family of Companies works in full compliance with the letter and spirit of all UN resolutions.

De Beers guarantees that 100% of the diamonds we sell are conflict free and are purchased in full compliance with national law, the Kimberley Process and our DTC Best Practice Principles (BPPs).

De Beers has played a leadership role in seeking to eliminate conflict diamonds from global diamond flows. We have also actively worked with members to ensure the Kimberley Process is continuously strengthened and that weaknesses identified are rectified through constructive engagement and the lending of our expertise where it is helpful.

The Kimberley Process Certification Scheme

The Kimberley Process was established by the UN, governments, Non-Governmental Organisations (NGOs) and the diamond industry to prevent conflict diamonds from entering the legitimate diamond supply chain. Today, about 99.8% of world diamond production is from countries that participate in the Kimberley Process Certification Scheme (KPCS).

Requirements for participants

The KPCS is a joint government, diamond industry and NGO initiative that imposes requirements on participants to certify that international shipments are free from conflict diamonds. The KPCS came into effect on 1 January 2003 and requires all participating governments to enact laws and regulations to this effect. It currently has 48 members representing 74 countries including the European Community and its Member States.

Today, diamonds are one of the most monitored and audited of any natural resource in the world. Under the KPCS, all international rough diamond shipments must be traded in tamper-proof boxes and accompanied by a forgery-proof certificate that states they are conflict free. The certificate is issued by the exporting country governments. Certification is backed by a system of internal controls in the producing countries, as well as those countries that trade, cut and polish rough diamonds.

Verification of compliance

3.13

De Beers compliance with the Kimberley Process and the industry system of warranties in 2007 was reviewed by an independent auditor, Deloitte & Touche. The limited assurance engagement excluded Element Six, Hindustan Diamond Company and De Beers Diamond Jewellers (DBDJ). The review assessed compliance with respect to the KPCS and with relevant European Council regulations, which implement the KPCS within the European Community. The assessment related to the period commencing 1 January 2007 and ending 31 December 2007. It found De Beers to be materially compliant with the requirements of the Kimberley Process.

The system of warranties

The international diamond industry also developed a system of warranties to support implementation of the Kimberley Process. The Kimberley Process is restricted to the trading of rough diamonds between countries.

Diamonds are rigorously tracked through the Kimberley Process and system of warranties to ensure they are conflict free



The system of warranties applies to both rough and polished diamonds. It requires companies to implement a system that ensures all invoices for the sale of diamonds, and jewellery containing diamonds, include a written guarantee that the diamonds are conflict free. Records of all warranty invoices given and received must be kept and externally audited on an annual basis.

The Family of Companies was instrumental in developing the system of warranties through its work with the World Diamond Council. The Kimberley Process and the system of warranties are also embodied in the BPPs and our Principles. The BPPs apply to both our operations and those of our Sightholders. Non-compliance with the Kimberley Process and system of warranties on the part of Sightholders would result in a material breach and subsequent sanction. No material breaches were identified for the Family of Companies or Sightholders in the 2007 BPP assurance cycle.

Recovering from conflict

Evidence demonstrates that diamonds have provided significant economic and social benefits where De Beers operates (p8). We recognise the same has not always been true for some countries home to small-scale informal diamond mining. These countries include Angola, Central African Republic, the DRC, Côte d'Ivoire, Sierra Leone, Liberia, Ghana and Tanzania.

De Beers has exploration operations in Angola and in the DRC. We are taking every precaution to ensure our activities in these countries contribute positively to political stability and development. This includes the implementation of rigorous socio-environmental baseline studies, completion of a Corruption Perception Survey with employees (p50) and ongoing risk reviews. All operations also comply with our Environment, Community, Health and Safety (ECoHS) Guidelines for Exploration. They are also subject to the BPP Assurance Programme (p16).

Questions from stakeholders

What is the position of De Beers with regards to the Voluntary Principles on Security and Human Rights?

De Beers supports the Voluntary Principles on Security and Human Rights and has voiced its interest through direct engagements with the Foreign and Commonwealth Office in the United Kingdom. In 2007, we completed an appraisal of the security arrangements and procedures in place at our operations. All of our operations are already subject to the third party verified BPP Assurance Programme. This includes criteria on security services and human rights including forced and bonded labour.

In 2007, all of our operations were found to be compliant with our commitment to use security services appropriately and not to keep people against their will. The Council for Responsible Jewellery Practices, of which we are an active member, is to embed the Voluntary Principles into its Responsible Practices Framework. The Responsible Practices Framework, to which we will be subject, is currently under development and is due to be finalised in 2008. We are appraising and raising awareness with our partner companies about the implications of formally implementing the Voluntary Principles.

Source: Managers Perception Survey



Rough diamonds from our Venetia mine in South Africa





The BPPs include criteria relating to the KPCS, anti-money laundering and counter-terrorism financing as well as human rights. We contribute to economic stability through our social investment initiatives in partnership with local stakeholders and NGOs.

In 2008, our exploration teams will also receive training and prepare for pilot implementation of the Assurance Programme for the Principles (APPs). The programme includes a module on security services and human rights. The APPs are aligned with the International Alert conflict-sensitive business practice tool.

The Diamond Task Force

In 2000, De Beers established a Diamond Task Force (DTF) to provide technical services to those countries rebuilding their post conflict diamond industries. The DTF facilitates technology transfer and professional cooperation in partnership with stakeholders such as governments, international organisations, NGOs and local communities. Most recently this included the provision of geology, diamond valuation, project management and policy formulation expertise to the Mwadui Community Diamond Partnership (MCDP). The DTF has also helped build institutional capacity in Liberia and

Sierra Leone in partnership with the USAID sponsored Peace Diamond Alliance, the Dubai Diamond Exchange, the US Geological Survey and the US State Department. Both countries now have democratically elected governments. De Beers has not been commercially active in Sierra Leone or Liberia since 1985 and has no plans to return.

-  www.kimberleyprocess.com
-  www.dtc.com/conflictfree
-  www.diamondfacts.org
-  www.voluntaryprinciples.org
-  www.usaid.gov
-  www.electionsontario.on.ca

Assisting Liberia join the Kimberley Process

Support by Charles Taylor, the ex-president of Liberia, for the rebels in Sierra Leone caught the attention of the UN, other institutions and the world's media in the late 1990s. On 7 March 2001, the UN Security Council passed Resolution 1343 (2001) imposing a ban on Liberian diamond exports and imports of uncertified diamonds from Sierra Leone. This action barred Liberia from becoming a member of the Kimberley Process. Since the ending of conflict in Liberia and Sierra Leone, De Beers has played an active role in assisting Liberia to achieve membership of the Kimberley Process. This has allowed Liberia's legitimate government to better use diamond revenues, and has effectively stopped rebel groups in both Liberia and Sierra Leone from funding their activities through the sale of rough "conflict" diamonds.

De Beers has worked closely with the Government of Liberia since 2004 to build the capacity of the Government Diamond

Office (GDO) to value and sort diamonds for the purposes of revenue collection and the issuing of Kimberley Process certificates. As part of such efforts, three Liberian officials attended training courses at our Kimberley office. In addition, De Beers has (in a 50/50 partnership with the Dubai Diamond Exchange) equipped Liberia's GDO with scales, computers and other technical equipment. De Beers is also an active participant in the UN Development Programme's "Diamonds 4 Development" initiative, working closely with the NGO International Alert and the Ministry of Land, Mines and Energy on the redevelopment of the Liberian diamond industry.

As a result of these and other factors, on 27 April 2007, the UN Security Council lifted its diamond embargo on Liberia. On 4 May 2007, the European Community, as chair of the Kimberley Process in 2007, admitted Liberia as a participant in the process.

Questions from stakeholders

How is De Beers supporting the economic and social development of artisanal mining communities?

The hazardous and exploitative working conditions experienced by small-scale diggers are a direct result of the nature of artisanal mining. Inherent characteristics include low-grade deposits, large numbers of diggers, primitive equipment, as well as a lack of formal contracts and secure property rights. Although conditions are poor, the absence of alternative livelihoods and lack of education attracts many diggers and creates a cycle of poverty.

Equally, governments and communities that are home to artisanal mining do not receive their fair share of revenue. This is a particular issue in Africa, where most artisanal diamond mining takes place, as it compromises the ability of governments to invest in post conflict reconstruction and to finance development through, for example, investment in education and health.

De Beers is working to address these gaps by providing expertise and assets, in partnership with NGOs and governments, through the Diamond Development Initiative (DDI) (p89) and the MCDP (p90) pilot project in Tanzania. While the formalisation of artisanal and small-scale diamond mining is not within our control, it is within our sphere of influence to facilitate and participate in the development of local solutions that might be replicated in other regions.

Source: Managers Perception Survey

Business principles

4.8 4.12 4.13 4.16 PR9 SO2-3 10 8

“Living up to diamonds” means achieving the highest standards of business behaviour and complying with our own Purpose, Vision and Values. This means taking an ethical stance towards our interaction with our host governments, our business partners and our competitors. It also means using our influence to encourage a similar stance amongst others in the diamond pipeline who are outside our direct control.

Political donations

The Family of Companies does not directly or indirectly participate in party politics nor make payments to individuals. Political donations may exceptionally be made in support of the democratic process in Africa. We view such donations as crucial to the continent’s long term development. Eligible parties are registered and dedicated to democracy. These parties should also be dedicated to the protection of human rights.

Eligible parties should also have a firm commitment to good governance, the rule of law, regular multiparty elections and sound revenue policies, executive accountability and parliamentary oversight. They aim to create an investment environment conducive to efficient and responsible business for the long term.

Our Government Relations Policy

A draft Political Donations Policy that describes and implements these commitments was developed in 2006. In 2007, the policy was re-branded as a Government Relations Policy and formally communicated across all owned and managed entities. Evidence of the implementation of the policy was provided to internal and external auditors during the APP pilot process in Africa (p18). Similar commitments are also included in social investment policies across the Family of Companies (p91).

The De Beers Code of Business Conduct and Ethics protects the rights of employees to participate independently in the political process. When pursuing such activities, employees should ensure their views are not identified as being those of the company.

Disclosures

Reporting obligations require us to disclose the total value, location and eligibility requirements of any political donations made each year. In 2007, De Beers Canada donated C\$20 870 (US\$19 293) in support of multiparty initiatives during the 2007 Ontario Provincial Election. Initiatives included support of a golf day, a leaders reception and political business meetings. Donations were made in accordance with the Ontario Election Finances Act, R.S.O 1990 as amended. All corporate donations to political parties in the Province are registered with, and published by, Elections Ontario.



Anti-corruption

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

Implementation of the BPPs

Performance by the Family of Companies with respect to the BPPs is first party verified by De Beers Internal Audit (DBIA) and third party verified by SGS (p128).

The BPP process identified an opportunity to develop a distinct Anti-Corruption Policy in addition to clauses already present in the Code of Business Conduct and Ethics. A draft policy was developed in 2006 for implementation across the Family of Companies. It describes how the Principles should be implemented, and requires unequivocal compliance with national and international legislation. It also requires the disclosure of transactions and relationships that might give rise to illegalities. Our APP pilots in 2007 found that while there were no breaches, the policy had not yet been fully communicated across the Family of Companies.

Corruption Perception Survey

Our initial intention for 2007 was to develop scenario-based guidance materials that assist employees in protecting themselves against

corruption and bribery at work. When initiating this work, we found we had insufficient knowledge of the type of guidance that employees required. To learn more, the Family of Companies undertook an internal Corruption Perception Survey. The survey sought to identify which departments were most exposed to different forms of corruption and in which countries. It also sought to identify how these might best be addressed. The survey was disseminated to business units in Angola, Botswana, the DRC, India, Namibia, South Africa and Tanzania.

Tanzania

Tanzania was perceived to pose the most significant corruption risks. Sections of society perceived to be most affected by corruption include political parties, suppliers, contractors, medical providers and permit controllers.

Partnership Against Corruption Initiative

De Beers is a founding member of PACI, which was launched in January 2004. The founding companies originate from the engineering and construction, energy, and metals and mining industries, though PACI now includes 129 companies from across different sectors.

PACI aims to develop multi-industry principles and practices that will result in a competitive level playing field, based on integrity, fairness and ethical conduct. It aspires to a zero-tolerance approach towards bribery and commits signatories to implement effective anti-corruption programmes within their companies. These programmes, including that of De Beers, are benchmarked against the PACI Principles for Countering Bribery.

PACI places the private sector in a unique position to guide governments and international organisations in the development and implementation of strategies and policies on anti-corruption.

PACI has made significant progress since its launch in 2004. At the WEF annual meeting in Davos in 2007, the heads of Multilateral Development Banks (MDB) and the International Finance Corporation reaffirmed their support of PACI. They also agreed to explore the adoption or use of the PACI Principles and tools as a basis for developing their own systems. The MDB presidents agreed to work with PACI on pilot programmes to advance collective anti-corruption efforts.



www.weforum.org/en/initiatives/paci

Voices of stakeholders

“PACI has built strong relationships with the key players and institutions from the global anti-corruption landscape.

The role De Beers has played as one of the founding members of PACI is an example of this private sector commitment to the fight against corruption and the damaging effect it has on business effectiveness and economic development.”

Source: Richard Samans, Managing Director, World Economic Forum

“At De Beers, we believe corruption is anti-business and anti-development. As a company, we benefit most in a transparent and predictable business environment. Furthermore, a level playing field suits our long term approach to investment in our operations and benefits the communities that surround them.”

Source: Stephen Lussier, Executive Director for External and Corporate Affairs, De Beers

Inspection of diamonds at DTC in Kimberley, South Africa



Transparency International ranks Tanzania 94th out of 180 countries in its 2007 Corruption Perceptions Index. Nonetheless, there is growing evidence that the government is trying to tackle the issue, including an increase in high profile probes and dismissals. Our own Principles, policies and practice of business ethics has limited our exposure to these issues and mitigated associated risks.

Supply chains

Our shared services supply chain function was identified as a high risk area. Internal controls to mitigate risks include standardised procurement policies and procedures ensuring transparency in the tendering and selection process. They also include the involvement of senior staff from outside of the supply chain discipline, segregation of duties, internal auditing, as well as surveillance systems to mitigate the risk of pilferage.

Anti-money laundering

The Family of Companies is committed to the prevention of money laundering and to combating the financing of terrorism. While the DTC purchases its diamonds from the Family of Companies and government sorting offices directly, some of our Sightholders do purchase diamonds on the open market. It is for this reason that the De Beers joint commitment with Sightholders is entrenched in the BPPs.

Best Practice Principles

The BPPs require compliance with national and, where appropriate, international legislation with respect to money laundering, terrorism financing, bribery, corruption, smuggling, embezzlement, fraud, transfer pricing and tax evasion.

BPP requirements are very rigorous in this area. Demonstrable compliance is required and audited by a third party through the BPP Assurance Programme. The BPPs require policy, programmes and practice in this area, including the recording of all transactions over US\$10 000. Most importantly, they require evidence of due diligence by third parties and exceptional record-keeping throughout the organisation. Sanctions for non-compliance with the BPPs are strict. No material breaches were identified for the Family of Companies or Sightholders in the 2007 BPP assurance cycle.

Implementation of policy

In 2006, we developed a separate policy on Anti-Money Laundering and Combating the Financing of Terrorism. The policy is applicable to all of our operations worldwide and has also been communicated to joint ventures and partner companies.

It ensures compliance with all relevant legislation and guidelines in the jurisdictions in which we operate. The policy reflects a deep-seated commitment to maintaining the continued confidence of our stakeholders and the integrity of our product. It obliges the Family of Companies to only transact with approved financial institutions and forms part of the Sightholder selection process on the basis of stringent background checks.

In 2007, DBIA conducted a review of how well the policy has been implemented. It found that all business units, group functions and, where applicable, shared services have implemented the policy. It also found De Beers only entered into transactions with financial institutions that met the Group Treasurer's approval. However, an opportunity for improvement was identified with respect to further enhancing and formalising this process.

Good progress was also evident with respect to the introduction of the required background checks on customers and suppliers. De Beers Canada, Namdeb and Williamson Diamonds are still in the process of extending these checks to include all suppliers, whilst the DTC, DTCB and NDTC are awaiting a new system of customer checks, which will be phased in during 2008.

Most staff affected by the policy have received relevant training. Debswana, De Beers Marine, Williamson Diamonds and Namdeb plan to complete their training by mid-2008.

Competition laws

The Family of Companies has taken clear and demonstrable action to achieve compliance with competition and anti-trust laws and regulations at all our operations. We see this commitment as integral to our continued success in a competitive global economy. As an industry leader that prides itself on integrity, the Family of Companies cannot compromise on its commitment to business ethics, which play a key role in our Principles. Compliance with the Principles in this regard will be externally verified through the Assurance Programme (p16).

The Family of Companies has a Competition Policy in place. The policy applies to all relevant members of staff at every level of our wholly owned and managed companies. Companies that are not wholly owned or managed are strongly encouraged to adopt this policy. Compliance training is continually undertaken by our Corporate Legal Services team, including guidance on competition laws and how these apply to our business. Employees will be requested to report breaches of this policy through our Ethics Hotline. De Beers will not tolerate violations of competition law, or mistakes resulting from carelessness or inattention to compliance requirements by its employees.

Diamond sorting activities in South Africa



Supplier of Choice

In 2001, following voluntary notification by De Beers, the European Commission opened an investigation into the DTC's then new and intended supply model: Supplier of Choice (SoC). After almost two years of detailed review and a number of commitments volunteered by De Beers to address potential concerns, the Commission announced in mid-January 2003 that the new model would not give rise to any anti-competitive effect.

A small number of complaints were subsequently made about SoC. During the DTC's further discussions with the Commission, the DTC made a number of enhancements to the SoC process and, in January 2007, the Commission rejected all outstanding complaints against SoC. Two complainants are currently appealing the Commission's rejection decision to the European Court of First Instance (CFI). An update will be provided in the next reporting cycle.

Trading agreement with Alrosa

Under the voluntary commitments De Beers submitted to the Commission, De Beers agreed to reduce its purchases from Alrosa between 2006 and 2008, before ceasing all purchases from 2009 onwards. Furthermore, De Beers agreed to appoint and fund an independent Monitoring Trustee to verify De Beers compliance with the commitments and to report its findings to the Commission. This is demonstrative of our willingness to cooperate with the Commission to find a satisfactory outcome to its concerns over competition.

In July 2007, the CFI annulled the Commission's decision to make De Beers voluntary undertaking to cease purchasing rough diamonds from Alrosa from 1 January 2009 binding. The CFI ruled that the decision was disproportionate and that the Commission had failed to consider less onerous alternatives. The Commission is appealing the CFI's ruling.

Resolution of actions in the United States

In July 2004, De Beers sa entered into a plea agreement with the US Department of Justice (DoJ) to resolve criminal charges against the company over an alleged conspiracy to fix the price of industrial diamonds. On the basis of payment of a US\$10 million fine, the DoJ agreed it would not bring further criminal charges against De Beers sa, related companies or any current or former directors, officers, employees and agents for any act related to those price-fixing allegations as set out in the indictment. This marked the first important step in resolving outstanding litigation against the company in the United States.

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

As part of the class action settlement, De Beers also agreed to offer injunctive relief, which includes a general commitment to comply with the anti-trust laws of the United States, and specific undertakings not to engage in certain conduct with third party producers and Sightholders. In April 2008, the Federal District Court in New Jersey verbally approved the settlement of all of the class actions involving De Beers. A written decision is expected in the near future.

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

Whistle blowing

The current Code of Business Conduct and Ethics covers legal compliance, fraud, corruption, theft, the disclosure of gifts or conflicts of interest, diamond control relationships with external organisations and customers, intellectual property and political support. The Family of Companies Principles and the Assurance Programme augmented the code in October 2006.

In 2007, there were 525 internal investigations into alleged illegalities and/or breaches of the current Code of Business Conduct and Ethics at our operations (2006: 417). These were mainly related to dishonesty including diamond theft. As a result, 143 (2006: 59) employees were dismissed and 67 (2006: 47) of these cases were referred to the appropriate law enforcement agencies. Not all of these cases were as a result of whistle blowing. A number were identified independently by the investigation departments of the various business units by way of reports, discovery, complaints and other means.

An outsourced global Fraud and Ethics Hotline Service will be implemented and officially launched in May 2008 to replace the existing in-house hotline facility. The hotline is a safe and secure channel whereby any information can be anonymously reported without fear of recrimination, be it related to fraud, corruption, theft, diamond control, intellectual property or deviations from good corporate governance practices. This is managed by the Group Security department within De Beers Group Services (DBGS). All employees are encouraged through regular communications to use this facility if they have any information they wish to report. Debswana implemented its own independent hotline in 2007.

-
-  curia.europa.eu
 -  eng.alrosa.ru
 -  www.njd.uscourts.gov
 -  www.usdoj.gov
 -  www.diamondsclassaction.com
 -  www.debswana.com

Diamond value chains

4.8 4.12 4.13 EC6 HR2 PR5-8 1 8

The Family of Companies believes it is in the interest of the diamond industry to encourage long term consumer demand for diamond jewellery. This goal can only be attained if the diamond industry and value chain meet consumer expectations. These expectations increasingly include responsibilities relating to economic contributions, principles, employees, community impacts and the environment. It is the aim of the Family of Companies and Sightholders to address these concerns and expectations through the Principles and the BPPs respectively. The BPPs are also applicable to certain suppliers and contractors (p16).

Suppliers

The BPPs require the Family of Companies to demonstrate “best endeavours” with respect to ethical practices within its operations, including the procurement of goods, services and diamonds from wholly owned businesses and joint ventures (Figure 1-1, p7 and p25).

We addressed this requirement in 2006 and 2007 by contacting all suppliers and advising them of the business ethics, social and environment requirements that form part of our supplier selection process. All suppliers were also provided with a copy of the BPPs as a means of raising awareness and providing support.

Our message is that we only procure third party goods and services from ethical, honest, environmentally aware and sustainable partners. This message is personally conveyed to suppliers through a series of open days, during which we talk to suppliers about issues such as our Principles, the BPPs, HIV/AIDS, Black Economic Empowerment (BEE) and the environment.

Sustainability requirements

Social and environmental requirements for suppliers are also identified by our procurement department depending on the relative risk and exposure of the goods or services being provided. Suppliers of hazardous chemicals will be subject to more rigorous environmental checks – including possible audits by De Beers employees and requirements for the provision of lifecycle data and product data sheets. These actions are partly informed by our own certification to ISO 14001. Additional standards of immediate relevance include the legal requirement for all South African procurement processes to take into account BEE criteria. These criteria seek to ensure Historically Disadvantaged South Africans (HDSA) receive preference in the procurement process. We comply with similar approaches to empowerment being implemented in Botswana and Namibia.

Checking on suppliers

DBGS performs a number of checks on suppliers. Standard checks involve inspection of company registration, tax and credit information, recorded judgements and BEE status. Full commercial evaluations are performed on request by managers or if a supplier is under review. These involve a review of market and financial status, pricing, occupational health and safety compliance, as well as environment and quality checks. In-depth investigations are channelled through DBGS Group Security. These include citizenship checks, a review of criminal records and the financial history of directors, as well as the checking of politically exposed persons and travel records. *Ad hoc* requests for credit checks on individuals are also carried out. De Beers also accesses third party information on all suppliers provided by the South African National Accreditation Society.



This information relates primarily to legal and BEE status. All South African suppliers are also compelled to comply with the Labour Relations Act and its requirements relating to human rights and labour standards.

We also work actively with suppliers to facilitate organisational learning and improved practices. We do this both where there is non-conformance with our Principles or contract requirements and where we can contribute positively by sharing our expertise and knowledge. Examples include HIV/AIDS and other training as well as the capacity building of transformed SMEs to bid for larger projects. Contractors work alongside De Beers employees at our operations and attend our health, safety and environmental training.

Clients

As the sales and marketing arm of De Beers, the DTC is responsible for implementing our SoC sales strategy. SoC seeks to encourage greater efficiency in the supply of diamonds to Sightholders, as well as the promotion of good business practice and strong social and environmental standards. It ensures that rough diamonds are sold to those businesses that can demonstrate strong alignment with the SoC strategy. Client selection starts with an assessment of the applicant's performance against a defined set of DTC Sightholder criteria. These relate to financial standing, market position, distribution ability, marketing ability and technical manufacturing ability. In addition to this performance assessment, there are three mandatory "compliance" criteria relating to adherence to the BPPs, maintenance of a good business reputation and compliance with the DTC's policy on disclosure of synthetics and treatments. Without evidence of these being satisfied, the DTC will not appoint an applicant as a Sightholder.

Bhansali Trust benefits widows and families in India

The Bhansali Trust was established by the DTC Sightholder Bhansali and Co, in order to address the educational, medical, agricultural and socio-economic needs of poor communities in north-western India. Two years ago the trust launched an "upliftment" programme for poor widows and their families living in remote villages in Gujarat. It focused, with the help of social workers, on enhancing the income and skills of families living on an income of less than 600 rupees (US\$15) a month. It did so using what Bhansali and Co knew best – diamond cutting.

The Diamond Cutting Project covers eight villages and 3 200 inhabitants. It operates on a decentralised basis, with a cutting unit in each village. Each unit employs between 60 and 70 widowed workers. In 2007, the Project employed 525 women. This figure is expected to rise to 600 during 2008. Each employee receives intensive training to equip them for this skilled occupation.

This training also helps ensure the future earning potential of employees. During the training period, employees receive between 1 000 to 2 000 rupees from the trust, as well as travel expenses. All profits from the Project are distributed amongst the employees. This contributes directly towards raising standards of health, education and housing in the surrounding areas.

The Diamond Cutting Project also offers a means by which the health and education status of employees and their dependants can be documented. It provides free medical advice and treatment that ensures more sustainable outcomes for both workers and the project. The project also offers participants advice on matters such as remarriage, the prevention of child labour and counselling for opium addiction.

 www.bhansali.biz



The BPPs are a code of conduct 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, social and environmental practices. This includes practices that are considered to undermine the integrity of diamonds and consumer confidence in diamond jewellery. These include a requirement for the recording of all Kimberley Process certificates and “warranty” invoices received and issued when buying or selling diamonds, in order to eliminate any possibility of transactions involving conflict diamonds (p46). They also require the disclosure of all use of synthetics, treatments and simulants, and adherence to strict social and environmental requirements, including those relating to health and safety, child labour and forced labour. The BPPs are supported by the third party verified BPP Assurance Programme (p16).

Consumers

With the growth in global information flows and rise of conscious consumerism, today’s luxury consumers are more discerning than ever before. They have access to more product information via the Internet and media, an abundance of different spending options and an increasing need to feel reassured that what they are buying has been sourced, manufactured, distributed and sold in a responsible way. Not only is responsible practice something consumers expect, but issues affecting confidence are potentially damaging to the reputation of the Family of Companies, the diamond industry as a whole, and the economies of those countries involved in the diamond value chain. We believe true luxury is about ensuring excellence at every stage of the product journey. This is critical for diamonds, where the strong emotional promise must be underpinned by the highest business, social and environmental standards (p16, p26).

FOREVERMARK

The launch of FOREVERMARK makes 2008 an extremely important year for De Beers Group Marketing. Piloted in Asia, FOREVERMARK is planned to become the world’s leading diamond brand, inspiring, exciting and reassuring diamond customers of all ages.

Diamonds with the FOREVERMARK are genuine, natural and untreated and have been sourced in a responsible way, benefitting the people, communities and countries from which they originate.

Each FOREVERMARK diamond is meticulously selected and cared for at every step of its journey. To give this assurance, only diamonds from approved responsible sources are cut and polished by a select group of diamantaires. Finally FOREVERMARK diamonds are inscribed with an icon and a unique identity number, before being graded.

Ethical supply chain management at De Beers Diamond Jewellers (DBDJ)

Case study

DBDJ is our independent retail joint venture with Louis Vuitton Moët Hennessy (LVMH). At the end of 2007 it operated 23 retail outlets in eight countries. Key efforts to address sustainability risks include:

- Building consumer awareness of the Kimberley Process and the voluntary system of warranties. DBDJ also remains vigilant on the need to ensure continued compliance. All DBDJ diamonds are certified conflict free.
- Ensuring retail outlets are vigilant against potential money laundering activities and are compliant with European and other relevant legislation.

- Implementing a rigorous ethical supply chain management programme. The programme would be applicable to the suppliers of diamonds, other jewellery components and other goods including those used in shop fit-outs.
- Ensuring relevant employees including sales representatives are trained and aware of existing policy and procedure on current business ethics, social and environment issues. This includes the Kimberley Process, anti-money laundering and responding to customer queries on the US class action settlement.

DBDJ already has a number of management tools in place to ensure it addresses and manages these issues effectively. These include our Principles, the BPPs, the DBDJ Diamond Policy and Anti-Money Laundering Policy, as well as the LVMH Vendor Code of Conduct. Suppliers are also expected to demonstrate “best endeavours” in their compliance with the BPP Assurance Programme. A draft ethical supply chain management system has also been developed and will be evaluated in 2008 for wider implementation in 2009.

 www.debeers.com
 www.lvmh.com

FOREVERMARK's offer will, for the first time, involve the launch of its own independent grading operations, exclusively for FOREVERMARK diamonds. New state of the art facilities using proprietary technology have been opened in Belgium and the UK, with further new locations planned for 2009/10. FOREVERMARK will offer unrivalled accuracy of grading and integrity, with each diamond inspected at least five times so as to provide consumers with additional assurance as to the trust and integrity of the brand.

Current plans are to launch FOREVERMARK in carefully selected jewellers in Hong Kong, China and Macau in the fourth quarter of 2008; Japan in the first quarter of 2009; and Taiwan, India and South Africa in the second quarter of 2009.

Driving high standards throughout the industry

De Beers strives to lead by example in addressing business, social and environmental issues. In addition to the launch of FOREVERMARK and the industry-leading BPPs, De Beers supports the downstream industry in maintaining the integrity of diamonds in a number of ways:

- De Beers champions the needs of the consumer with the industry, working alongside key organisations to address issues such as conflict (through our support of the Kimberley Process), responsible standards for jewellery businesses (as a founding member of the Council for Responsible Jewellery Practices), and support for consistent and accurate use of diamond terminology to ensure consumers and businesses in the trade are never misled, through our support of the work of the US Federal Trade Commission, the World Jewellery Confederation and many more trade programmes.

- The DTC Research Centre develops world-class detection equipment (Diamond Sure and Diamond View) for distribution to grading laboratories to ensure synthetic stones can always be detected. It also conducts extensive scientific research into new treatments, simulants and synthetic materials to support future detection capabilities. It shares this knowledge with all leading grading laboratories.
- De Beers provides education programmes and materials to the broader downstream trade to raise awareness of potential challenges to industry confidence, the need for responsible practice and the positive steps diamantaires, manufacturers and retailers can take to remedy issues and drive consumer confidence.

Advertising standards

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

JWT has distributed a written policy to all of its worldwide employees to ensure those involved in the production process are not responsible for any conflict of interest by providing work to any entity in which they have a financial interest. As part of the WPP group of companies, JWT is required to comply with the Sarbanes-Oxley Act of the United States, as well as WPP Group ethics guidelines.

Industry

Companies from a cross section of the diamond and gold jewellery business have come together to form the CRJP. The mission of CRJP is to "promote responsible ethical, social and environmental practices throughout the diamond and gold jewellery supply chain, from mine to retail" in all countries. De Beers is a founder member and a major contributor to CRJP objectives and values. We are currently working with other members to establish a baseline standard with respect to responsible business practices across the diamond and gold jewellery supply chain.

The CRJP held a stakeholder meeting in May 2007. The stakeholder meeting was attended by almost 20 organisations including NGOs and representatives of the worldwide diamond and gold jewellery industry. The meeting gave stakeholders the opportunity to comment on CRJP's planned introduction of a third party monitoring system in 2008. CRJP member companies have pledged to hire independent, third party monitors to examine a wide range of their ethical, social and environmental practices and their conformance with the CRJP's Code of Practices, which was approved in 2006.

The monitoring system will be implemented in phases based on the different sections of the Code of Practices. A system of sanctions and enforcement actions, as well as a complaints mechanism, will also be developed to identify members that fail to comply with the Code. Numerous other stakeholder meetings have been held since the May event, and will continue during the course of 2008.

An equitable and empowered workforce

The safety, wellbeing and development of employees and contractors is our top priority. We see this as a core part of our commitment to uphold the fundamental human rights of our employees and comply with core labour standards. Freedom of association and the right to collective bargaining are an integral part of the way we work together. We also engage proactively to address issues of national and business significance such as HIV/AIDS in Africa. Where appropriate, we work in partnerships to share the learning of our engagement and benefits offered to our employees with local communities. This is most evident in our health facilities and HIV/AIDS programmes, which are increasingly open to contractors and local communities in the vicinity of our operations.

We recruit and develop employees from the countries where we work and are dedicated to growing an equitable and empowered workforce where every individual is respected and supported regardless of race, gender, age or disability. We promote a culture that respects and nurtures a diversity of ideas and viewpoints as an essential ingredient for the long term success of our business. Our aim is to harness and develop the unique skills and experience that each individual brings. This benefits our employees directly in their achievement of personal objectives, it contributes to our own business objectives and builds the skills base of diamond producing countries. It enables us to better serve the markets and producer countries within which we operate and be seen as an employer and miner of choice.

Highlights in 2007

- ▽ *Lost Time Injury Frequency Rate (LTIFR) improved to 0.18 (2006: 0.18) and Lost Time Injury Severity Rate (LTISR) improved to 22.53 (2006: 37.89). There was one fatality at our Williamson mine*
- ▽ *A study of 1997-2006 medical records showed that silicosis (6.7%) and TB (7.5%) rates amongst DBCM workers was less than half the sectoral rate of 20%*
- ▽ *"Vision of zeros" seeks zero new HIV infections in employees or partners, zero babies born with HIV/AIDS from treated mothers; and zero deaths from HIV/AIDS*
- ▽ *At the end of 2007, DBCM had achieved 39% designated groups (including HDSA) in management roles (2006: 35%)*

Stephanus Albertus McMaster, Derrick Koopman, Jomo Appolus, Albertus Snyders and Emmanuel Tjombe at the Namdeb Pocket Beaches Treatment Plant in Namibia



Figure 4-1: Issues relevant and material to our stakeholders that are addressed in this chapter¹

Safety and fatalities	p59
Occupational Illness Frequency Rate (OIFR)	p65
Noise Induced Hearing Loss (NIHL)	p65
Tuberculosis (TB) and silicosis	p65-66
HIV/AIDS management and anti-retroviral treatment	p68
Employee benefits and satisfaction	p73
Labour standards and trade unions	p74
Forced labour and child labour	p74
Non-discrimination and employment equity	p75
Women in the workforce	p76
Harnessing and developing talent	p79
Re-skilling for mine closure	p41, p80

¹ Identified partly through our Managers Perception Survey, Multi-Stakeholder Forum and in our quarterly Diamond Dialogue roundtables (p11). Includes cross-referencing to relevant and material issues in other chapters



Safety

LA6 1.2 4.1 4.4 4.9 4.11 MM12

De Beers is determined to achieve and maintain the highest standards of safety at its operations. Levels of safety achieved are among the highest in the extractives sector. Hazards associated with diamond mining include working in noisy and dusty environments, as well as the use of heavy machinery and electrical apparatus. Underground mining introduces the risks of rock falls, entry to confined spaces and flooding of workings. Marine mining introduces the risks of working on unstable platforms, cold seas and underwater diving operations. Managing these risks requires stringent adherence to codes of practice. It also requires a workforce culture that places sharp focus on safety, reinforced by the active participation of management, systematic training and stringent internal and third party auditing.

Baseline, issue-based and continuous safety risk assessments are conducted at all of our mining operations. Employees and contractors follow health and safety

practices consistent with our Safety Policy and Occupational Health and Safety Advisory Service (OHSAS) 18001. We conduct regular health and safety audits to evaluate our performance and report outcomes to the De Beers Board via the Environment, Community, Health and Safety (ECoHS) Committee. The Safety Principal, Occupational Hygiene Principal and Chief Medical Officer also complete internal assessments on legal compliance, disaster management, noise and other control processes (p63, p65). Every worker is represented in joint committees and daily briefings with managers to monitor and advise on health and safety programmes.




Beyond OHSAS 18001

4.11 LA7

The OHSAS 18001 occupational health and safety standard represents a minimum level of safety at our mining operations. All active mining operations except Snap Lake are currently certified to the standard (p9). This includes our marine operations in southern Africa.

Snap Lake expects to attain certification in 2008. Major projects including Victor and Voorspoed expect to attain certification in 2008 and 2009 respectively. Our Angola and Democratic Republic of the Congo (DRC) exploration entities are currently preparing for certification. We also expect to attain certification for our headquarters in Johannesburg including the DebTech research laboratories.

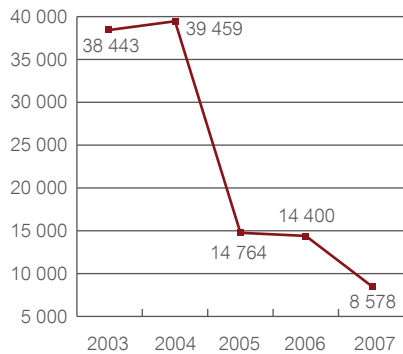
Our safety performance has improved significantly since 2004. This is partly due to the development of our Safety Peer Group and the progressive implementation of OHSAS 18001 and the Safety and Health Diamond Grading System (see next page). All three of our safety indicators improved from 2006 to 2007 (Figure 4-1, 4-2 and 4-3).

-
-  Our Principles
 -  Safety Policy
 -  Fatal Risk Control Guidelines

Boipelo Gaeratane (featured) is a shift manager at the Finsch mine in South Africa



Figure 4-2: Shifts lost

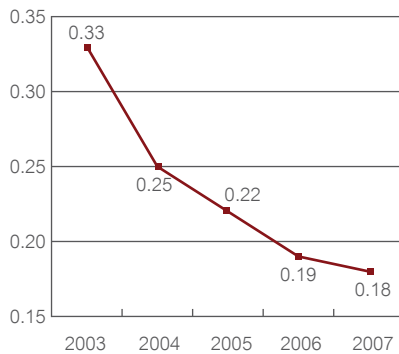


Shifts lost decreased from 14 400 to 8 578 per 200 000 hours (40.4% reduction). LTIFR decreased from 0.19 to 0.18 per 200 000 hours (5.3% reduction). LTISR decreased from 37.89 to 22.53 per 200 000 hours (40.5% reduction). Monthly safety statistics for all operations are logged on our intranet and are available to all employees.

In addition to OHSAS 18001, the Family of Companies has its own health and safety management system: the Safety and Health Diamond Grading System. The Diamond Grading System is currently being implemented at all operations except Debswana where adoption is under review. It is more rigorous than OHSAS 18001 and includes additional elements on performance management, behaviour-based safety and contractor management, as well as provisional criteria on medical and environmental health surveillance (p63). Internal Diamond Grading System audits are externally verified by third parties as part of the OHSAS 18001 audit process.

The DTC Diamond Best Practice Principles (BPPs) and associated Assurance Programme provide an additional third party verification on our "system" integrity. They apply to both the Family of Companies and our Sightholder clients (p16).

Figure 4-3: Lost time injury frequency rate



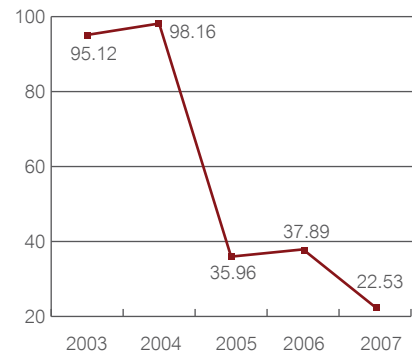
In 2006, a single major infringement of the BPPs was identified at the Williamson mine with respect to ventilation and the identification of crystalline silica in dust samples in the sort house. Remedial action is being taken to address this concern (p66). The 2007 audit cycle found no significant health and safety infringements at any of our operations (p17).

Fatal risk control guidelines

The death of James Muhere at our Williamson mine on 19 August was our only fatality in 2007. The Family of Companies incurred two fatalities in 2006 and two fatalities in 2005. At the point of going to print three fatalities had been recorded in 2008.

In 2007, the Family of Companies developed a set of Fatal Risk Control Guidelines. These identify areas of high risk with a view to preventing future fatalities. They were based on the best practice of peers as well as an historical analysis of all fatal accidents since 1980. Accidents were clustered into six categories: isolation, mobile equipment, the operation of light vehicles, working at heights, lifting equipment and guarding machinery. Accidents in these categories were found to account for over 90% of all fatalities over the last 27 years. Guidelines were then developed to manage the risks associated with this work.

Figure 4-4: Lost time injury severity rate



The guidelines provide insight into three key elements of risk avoidance and prevention. These include the physical condition of machinery, the written procedures required to manage risks and the actions individuals should follow to ensure they are not injured.

Questions from stakeholders

How does the Family of Companies respond to a fatality?

The causes and circumstances surrounding every fatality are thoroughly investigated and reviewed by a team of safety and other professionals. This includes the De Beers Board, Managing Director, the Operations Manager, Safety Principal, unions, and ECoHS Committee.

Remedial actions and recommendations are implemented for any fatality. These include amendments to physical equipment, procedures and communications to all employees. Lessons-learned following fatalities are also shared with the South African Chamber of Mines, other mining houses and across the Family of Companies.

Our Namdeb and Finsch mines both exceeded six million fatality free shifts in 2007, making them the best performing mines in Southern Africa. At Namdeb this equates to more than five years without a fatality. At Finsch this equates to more than 11 years without a fatality.

Source: Maplecroft

The Fatal Risk Control Guidelines received approval from the ECoHS Committee and the De Beers Board in May 2007. They were formally launched by Gareth Penny and a DVD has been issued to build employee awareness. The guidelines are communicated to employees on a daily basis through scheduled safety briefings. Assessments of each operation are conducted by an interdisciplinary team of experts.

Behaviour-based safety

We actively work with regulatory agencies, employee representatives and local communities to promote partnership and shared responsibility on safety issues and enable a supportive and accident-free safety culture. We also foster constructive relationships between management and employees to promote transparency about the root causes and consequences of poor safety behaviour. Our leadership culture requires managers to lead by example and demonstrate their commitment to safety.

Five of our mining operations have implemented formal behaviour-based safety programmes. This includes the Orapa, Finsch, Kimberley, Namdeb and Venetia mines. We are currently evaluating the Zero Incident Process (ZIP) approach to further improve our behaviour-based safety performance. ZIP is a psychology-based safety process that increases our understanding of how we think about safety as well as our individual attitudes and values. ZIP will be piloted by our De Beers Marine operations in 2008. Our DBCM and Namdeb operations are reviewing similar systems for possible implementation in 2008 and beyond.

Engaging employees and contractors

4.4 LA6 LA8

Formal mechanisms for engaging and building employee awareness on safety issues include emails to safety professionals and mine employees, posters, other on site notices and formal safety meetings.

All new employees, contractors and site visitors are required to attend a health and safety induction before being allowed on site. All employees are also involved in formal meetings at the workplace to discuss issues of concern and determine how they should be addressed. Issues left unresolved may be referred to the Safety Peer Group or ECoHS Committee for remedial action.

Contractors adhere to the same standards and monitoring practices as our own employees. The Safety Peer Group identified the need for a set of guidelines on contractor management. The guidelines will help ensure contractors are fully embedded into the workforce, that training records are checked and that background training includes fatal risk control. Future reporting will also present separate statistics for employees and contractors, in order to promote improved contractor performance and accountability.



Employees receive safety training using a model of our Namaqualand operations

Health and wellbeing

Our approach to occupational health integrates occupational hygiene and occupational medicine with other employee health programmes. These include accident and emergency medicine, primary health care and travel medicine. This broad scope enables us to link up our work with that of the safety function and cater to the needs of employees across the diamond value chain. Our health vision is to be recognised for excellence and leadership, and to achieve both zero harm and a healthy, productive workforce.

Strategy and governance

4.1 4.9 4.11 LA6 LA9

Our health strategy is underpinned by the Occupational Health Policy and the Occupational Hygiene Policy. Both policies were updated in 2007 for alignment with international best practice standards including the World Health Organisation global plan of action on workers health.

Peer groups

Health is managed across the Family of Companies through the Occupational Health and Occupational Hygiene Peer Groups (p18). The peer groups include representatives from across the business units, as well as external service providers and mining industry experts. In 2007, they focused primarily on the development and alignment of health and hygiene guidelines, standards and performance assessment procedures. They also focused on the restructuring of our health management framework. The peer groups report to the De Beers Board through the ECoHS Committee (p18). Peer group members engage with our operations and labour representatives to ensure instruments are appropriate and fully implemented, this includes through formal agreements.



Linesh Lutchmansingh and Jean Pierre Kabala compile ground gravity readings near a drill site in Tshikapa, the DRC





Risk-based surveillance

In 2007, a comprehensive occupational health data collection tool was developed and piloted with our DBCM operations. This enabled us to initiate the systematic linking of exposure and surveillance and the identification of areas for improvement. Data collected during the pilots also informed the calculation of our Occupational Illness Frequency Rate (OIFR), illness absenteeism rate and the burden of chronic diseases. Our aim in 2008 is to implement the tool across the Family of Companies.

Risk-control issues that received particular attention in 2007 were the prevention of NIHL, dust control with a focus on silica and the management of medical emergencies. A hearing conservation audit tool was implemented in our South African operations, where training, counselling and surveillance also play a vital role in noise protection.

In the DRC, employees working in an area affected by an Ebola outbreak received education, counselling and were transferred to another site in order to prevent potential exposure to the virus.

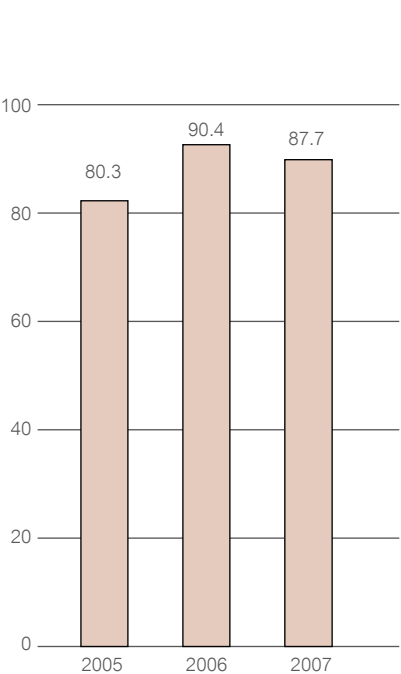
The most significant advance in our occupational health services in 2007 was at our Williamson mine in Tanzania. In addition to the installation of facilities and equipment, including audiometry and spirometry instruments, an occupational medicine practitioner received training in line with new national legislation. Baseline medical examinations for all employees were also initiated and a list of all workers exposed to noise and dust was established. This will be used as the basis for risk-based examinations and preventive interventions.

-  www.who.int
-  Our Principles
-  Occupational Health Policy
-  Occupational Hygiene Policy

Internal health audits

As of now, only our DBCM operations have comprehensive occupational health performance measurement and auditing processes in place. Internal occupational medical service audits have been conducted there since 2004 (Figure 4-5). The best performers are those operations with comprehensive in-house health services such as the Namaqualand and Finsch mines. Many of these operations score over 90% compliance against our evolving audit questions. Scores in our 2007 audits were found to be lower than 2006. This is likely due to the over-estimation of scores during our 2006 audit cycle, which was conducted by non-health trained internal auditors. Our aim is to develop a common audit tool for all operations that can be integrated into the Diamond Grading System in 2009 (p60).

Figure 4-5: Results of occupational medical service audit (DBCM) (%)

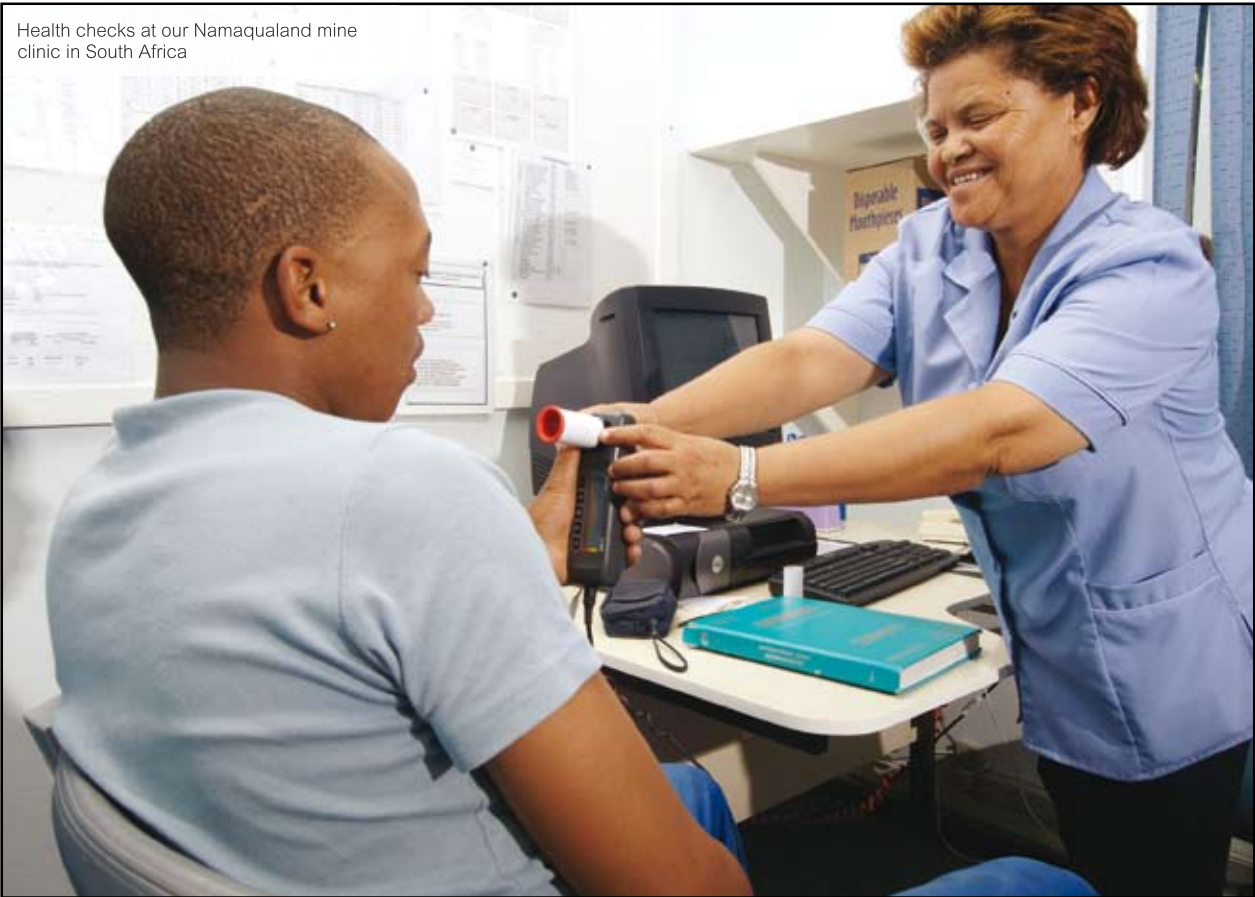


Questions from stakeholders

How do we manage and develop employee health?

The Family of Companies uses several models for the provision of health and hygiene services. These include internal, contracted-in and contracted-out services depending on the location and size of operation. Operations in remote regions with limited access to public or private health facilities provide primary health and hospital facilities for employees, their dependants and the surrounding community. The responsibility for such practice, except primary care and emergency response within Exploration, rests directly with the business units. Occupational medicine competence is viewed as critical and many opportunities are provided for nursing and medical practitioners to pursue postgraduate training. In 2007, the Family of Companies identified a need to develop further skills relating to ventilation engineering (p66).

Source: Managers Perception Survey



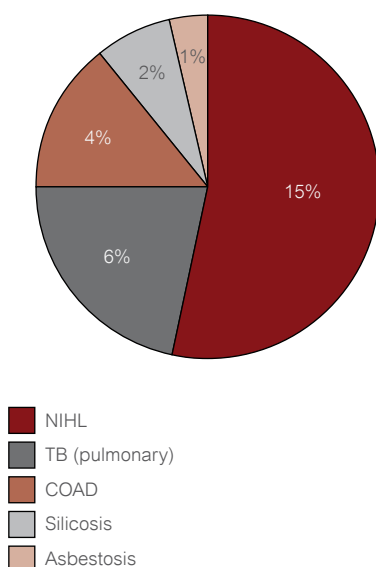
Health checks at our Namaqualand mine clinic in South Africa

Occupational illness frequency rate

3.9 LA7

Occupational disease and exposure are conventionally used to measure health performance. Occupational diseases often develop over a long period of time. This means the OIFR indicator is not necessarily reflective of current workplace conditions and occupational hygiene practices. Occupational diseases reported for DBCM in 2007 are shown in Figure 4-6. The OIFR for DBCM is based on cases diagnosed by an occupational medical practitioner and submitted to the South African Compensation Commissioner. It is not based on cases where compensation has been awarded and as such may overestimate occupational disease incidence. In 2007, there were 28 new cases of occupational disease at our DBCM operations. This results in an OIFR of 2.01 cases per million person hours worked (0.4 cases per 200 000 hours worked), or an incidence of 0.50 cases per 100 person years. The OIFR at different DBCM operations in 2007 varied between 0.00 to 16.61 per million person hours.

Figure 4-6: Incidence of occupational disease in 2007 (DBCM)



Managing health exposures

LA8 MM13

Key areas of health exposure identified for the Family of Companies include the following.

Noise

Exposure to high levels of noise is one of the greatest health risks to our employees. In 2007, NIHL accounted for over 50% of cases of occupational disease. Monitoring and reducing area and employee exposure levels is a key part of our employee health strategy. In 2007, Namdeb and Debswana implemented the DBCM data collection system: the Pivot Occupational Health Management System (POHMS). POHMS enables us to link and understand the relationship between exposures, employee health records and employment data.

DBCM conducted the second round of its noise audits in 2007, which showed 86.2% compliance with respect to our internal audit tool. This exceeds the 2007 target of 85%. We aim to raise this figure to at least 95% and to achieve the South African Mine Health and Safety Council target of no new cases of NIHL after the end of 2008.

In 2007, we placed great emphasis on the implementation of hearing conservation programmes in line with the guidelines of the South African code of practice for noise. Our preference is to implement controls to “engineer-out” the source of noise and, where this cannot reduce noise levels to below 82.5 decibel (dB) (A), to focus on personal protective equipment. The application of new health and hygiene criteria as part of our



Blood testing at our Namaqualand mine clinic in South Africa



Radiographer Sunday Sikombe and Dr Berosé Matoti at our Mwadui mine hospital in Tanzania

ECOHHS Guidelines for Projects will help us achieve the South African Department of Minerals and Energy (DME) target of reducing collective noise emission from underground equipment in any workplace to less than 110 dB (A).

Dust

DBCM conducted its third in-house health audit. It achieved 84.4% compliance with respect to dust exposure and management. DBCM results from approved and accredited third party laboratories continue to indicate levels of silica far below the Occupational Exposure Limits (OELs) and required action levels. The DBCM code of practice for airborne pollutants is to be adopted as a best practice guideline across the Family of Companies.

Investigating silicosis and tuberculosis in DBCM miners

Case study

In 2007, we completed a study in partnership with Ms Gill Nelson, a PhD student at the University of the Witwatersrand. The study compared post-mortem prevalence of silicosis and active TB in DBCM diamond miners against prevalence in the wider mining industry. The study was completed in collaboration with the National Institute for Occupational Health (NIOH) Pathology Division. The study focused on miners and ex-miners who came to autopsy from 1997 to 2006 and whose working history suggests that they worked exclusively in diamond mining.

Between 1997 to 2006, 119 in-service and ex-diamond-miners, whose last working place was a DBCM diamond mine, had a cardiopulmonary autopsy conducted at NIOH. The prevalence of silicosis and active TB found at autopsy was 6.7% and 7.5% respectively.

This compares to an overall rate of 20% for men who had worked in all commodities. The NIOH found the prevalence of active TB at death to have increased over the decade in all miners coming to autopsy, in parallel with the increase of HIV infection. HIV interacts with silicosis multiplicatively to increase the risk of developing TB.

The results of the study are consistent with occupational medical and hygiene surveillance on DBCM operations. The incidence rate for TB in current miners on DBCM operations is approximately half the national rate for TB. Silica levels in dust are also below the occupational exposure limit. DBCM operations are committed to the target of zero harm. This includes no cases of silicosis and minimising morbidity from TB through active HIV/AIDS programmes combined with prevention, early diagnosis and treatment of TB (p68).

Baseline analysis of the risk of silica exposure by country and rock types for all other business units started in 2007 and will continue throughout 2008. Assessments at the Williamson mine in Tanzania led to the identification of crystalline silica in dust samples. An effective monitoring programme has been implemented with clear links to the health surveillance of employees. A further project to reduce dust at identified risk areas started in 2007 and is expected to be completed by the end of 2008. New projects envisaged for the Williamson mine will include enhanced focus on dust control measures.

Endemic diseases

Our Exploration operations face a number of unique challenges related to exposure to endemic diseases such as malaria, emergency medical care and the lack of health services in operational areas. On-site emergency trained personnel are a standard requirement and primary health care is established where required; but personnel often lack specific occupational health skills.

As a result, we have implemented a work programme to provide training and to develop appropriate policies, guidelines and procedures as part of an Exploration health management system. Malaria and possible resistance to treatment or inadequate prophylaxis have been identified as a challenge. A burden of disease study is scheduled for 2008 to identify solutions to the malarial risks.

Emergency preparedness

The Family of Companies adopted the South African DME draft guidelines on the compilation of a code of practice for emergency preparedness. Implementation progress was monitored during 2007 and will form an integral part of the ongoing risks review process. Emergency preparedness at our operations is managed through our health Accident and Emergency Management System (AEMS).

Employee engagement and health campaigns

LA8

Health issues are discussed with employees through health and safety representatives or during interface with the health professionals, which may be during routine occupational medical examinations or at individual consultations. In addition, health campaigns related to occupational exposure or general wellness are held according to the locally identified need. In Canada, these health campaigns focused on breast cancer, nutrition and diabetes and "know your numbers" testing for conditions such as hypertension and hypercholesterolaemia. In southern Africa "know your status" drives for HIV voluntary counselling and testing were prominent.

 www.dme.gov.za
 www.wits.ac.za

Questions from stakeholders

How do we define "an employee"?

The Global Reporting Initiative indicator protocol on "labour practices and decent work" defines an employee as "an individual who is, according to national law or practices, recognised as an employee of the reporting organisation."

As a result, definitions of employees differ for each country in which we operate. In South Africa this includes contractors.

Our safety figures presented on p61 including fatalities, shifts lost, LTIFR and LTISR include but do not separate out the performance of our contractors.

Our OIFR figure does not include contractors. This is in line with international convention and is partly due to the lag times associated with disease manifestation and the potential for underestimating frequencies.

Source: Maplecroft

 www.mhsc.org.za
 www.nioh.ac.za

Laboratory assistants Stanslaus Kashindy and Edgar Makala at our Mwadui mine hospital in Tanzania



HIV/AIDS

1.2 4.4 4.8 4.9 LA9 LA6 6 6

The number of people living with HIV/AIDS globally has risen from 29 million in 2001 to 33.2 million in 2007. This is largely due to new infections and people living longer with HIV/AIDS. About 68% of those living with HIV/AIDS are based in sub-Saharan Africa. Most of the world's infected children (88%) live in this region.

A business imperative

At the end of 2007, the Family of Companies employed about 19 000 people in Africa, mainly in Botswana, Namibia and South Africa (p29). This accounts for about 93% of our workforce. The exposure of these employees to HIV/AIDS is a real threat to their health, to their families, to the continuity of our business and to development in Africa.

As a result, HIV/AIDS management in these countries is embedded into the workings of our business and is a key part of our business risk management process. The Family of Companies is committed to addressing HIV/AIDS in a positive, supportive and non-discriminatory manner that enhances engagement and wellness. This includes eliminating stigma.

We aim to minimise the socio-economic and developmental consequences of HIV/AIDS through comprehensive workplace programmes that enable us to achieve our "vision of zeros". Achieving this vision means finding the right balance between the management of prevention, care, treatment and support initiatives across the Family of Companies.

Leadership and coordination in risk management

Our HIV/AIDS Operating Committee met seven times in 2007. The committee is chaired by Jonathan Oppenheimer as a De Beers Board Director. It facilitates the coordination and communication of best practice across Botswana, Namibia, South Africa and Tanzania.

Since its inception in August 2005, the HIV/AIDS Operating Committee has provided a forum for sharing country best practice and progress on their respective strategies of prevention, treatment, and the extension of those initiatives found to be beneficial in the workplace into our local communities. These three pillars of action are the main focal areas in our response to managing the HIV/AIDS risk.

Partnership with the Elizabeth Glaser Pediatric AIDS Foundation in Tanzania

Case study

In 2007, Williamson Diamonds Limited (WDL) signed an agreement with the United States based Elizabeth Glaser Pediatric AIDS Foundation (EGPAF). The agreement aims to improve treatment at the Mwaui hospital, which is fully-funded and managed by WDL. EGPAF is providing US\$145 000 worth of laboratory supplies and equipment and technical assistance and training to enhance the hospital's HIV/AIDS care and treatment and the Prevention of Mother-to-Child Transmission (PMTCT).

In 2007, Mwaui hospital (60 beds and 30 staff that serves a community of around 10 000) treated over 6 000 patients from Mwaui town and villages surrounding the mine. WDL employees and their immediate families are treated free of charge. Other patients are charged a nominal consultation fee of Tsh1000 (US\$0.75). Government-funded programmes dealing with HIV/AIDS, leprosy, TB, malaria, sexually transmitted infections, and reproductive and child health are free of charge to all patients.

Mwaui hospital is also an approved facility for the government's National AIDS Control Programme through which Anti-Retroviral Treatment (ART) drugs are provided free of charge to local communities. This approach is also similar to that of Debswana. To date, 509 cases of HIV have been identified amongst WDL employees and the broader community, giving an estimated prevalence rate of 5.46%. Currently 35 adults and 3 children are on the hospital's ART programme.

Figure 4-7: "Vision of zeros"

Our "vision of zeros" means achieving the following outcomes:

- ◇ Zero new HIV infections in employees or partners
- ◇ Zero babies born with HIV/AIDS from mothers registered on our treatment programmes
- ◇ Zero deaths from HIV/AIDS as employees and their partners access our treatment programmes

- www.pedaids.org
- www.debswana.com
- www.tanzania.go.tz/hiv_aids.html
- Global HIV/AIDS Policy

Our global HIV/AIDS Policy

The Global HIV/AIDS Policy applies to the entire Family of Companies. It is reviewed on a regular basis according to country and company requirements and best practice. The current policy was developed in consultation with employees, trade unions, local communities, government and Non-Governmental Organisations (NGOs).

Our policy ensures there is no obligation on an existing or prospective employee to disclose his/her HIV status. No pre-employment testing or screening is undertaken and screening is not used in the determination of promotions or bursaries. Where an employee's HIV status becomes known, this knowledge is treated in the strictest confidence.

Focus on health and wellness

Our experiences with a dedicated Anti-Retroviral Treatment (ART) programme in South Africa have identified the need for a closer alignment with healthcare service providers to enable a more integrated service and improved patient care. This includes holistic wellness ("stay well") programmes.

Treatment

LA8 LA7

Our Disease Management Programme (DMP) provides employees with access to health programmes that address physical and psychological wellbeing. This includes wellness advice, access to physicians, Voluntary Counselling and Testing (VCT), prophylaxis, nutritional supplements and ART when clinically required.

Joseph Masike and Tebogo Mokubung at the Finsch mine in South Africa



Anti-retroviral treatment

ART is available free to HIV infected employees and their spouse or life partners where it can be provided in a responsible and sustainable manner. This includes our South African operations and joint ventures in Botswana, Namibia and Tanzania.

Debswana was the first company in the world to provide a DMP outside of medical insurance. It also provides ART to the children of company employees (Figure 4-9). Employees are not removed from ART programmes if they retire or are retrenched (Figure 4-8).

The ART programmes are externally coordinated by Aid for AIDS (AfA) via a network of accredited service providers. Key indicators enable us to understand more clearly how well our service providers perform in getting employees to adhere to the programme (Figure 4-10).

Figure 4-8: Age profile in years of people registered on ART programmes (numbers)

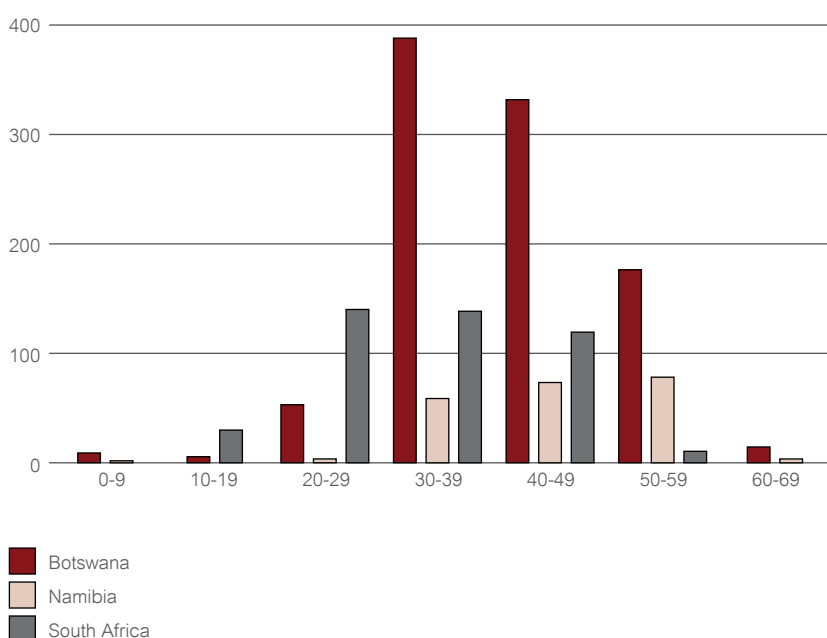


Figure 4-9: Numbers of employees and dependants on ART programme

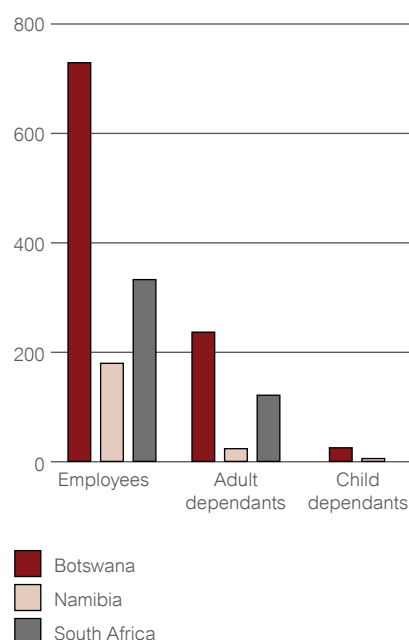


Figure 4-10: Participants on the ART programme¹

Indicator	Botswana	South Africa	Namibia
Total number enrolled (ever)	1249	520	242
Total number PMTCT enrolled (ever)	62	24	5
Deceased subsequent to enrolling	100	51	6
Left the programme subsequent to enrolling	151	17	7
Current number of participants	998	452	229
Current number of employee participants	726	340	191
Current number of spouses, life partners	272	112	38

¹ Data as at 31 December 2007. Source: Aid for AIDS. This table was first presented in our Report to Stakeholders 2005/6 (p70). The current version of this table no longer includes VCT data. This is because of low confidence in the overall recording of HIV tests. Low confidence is due to efforts to respect patient confidentiality when seeking a HIV test, as well as the number of service providers employees are able to use when presenting themselves for testing (mine healthcare facilities or general practitioners in the community)

The introduction of ART has extended the working lives of HIV infected employees. It has also enhanced their quality of life and that of their families. ART was launched at Debswana in 2001, South Africa in 2003, Namibia in 2004 and Tanzania in 2006.

Prevention

The Family of Companies has implemented a number of awareness and training interventions to prevent and manage HIV/AIDS and related risks. These include a managers training programme, publicity campaigns and the training and use of peer educators to facilitate the sharing of experiences through discussion and debate, KAP (Knowledge, Attitude and Practice)

surveys and VCT programmes. Condoms and femidoms are also available free of charge to employees through on-site medical centres, clinics and in restrooms at our operations and offices.

VCT is provided at mine medical facilities, a number of external facilities and private medical practitioners. It is available to all employee, spouses, life partners and contractors. VCT has a dual purpose. It supports those who are found to be HIV negative to remain negative. It also enables us to offer those who are HIV infected access to wellness, support and treatment programmes that enhance their quality of life and extend the duration of productive employment.

About 80% of our employees have participated in VCT programmes. The accuracy of this figure is currently being verified and will be validated for our next reporting cycle. The Family of Companies is also completing a workplace VCT and ART update study with the Health, Economics and HIV/AIDS Research Division (HEARD) of the University of KwaZulu-Natal in order to improve our performance.

Measurement

Ongoing measuring, monitoring and evaluation of our HIV/AIDS risk management process is vital to deliver continuous improvement in performance and health outcomes. Monitoring to date has been most rigorous with respect to treatment.

Part of our "know your status" campaign at the Jwaneng mine in Botswana



Our internal audit measures and metrics relating to prevention and community impacts require further attention and are being progressively improved.

DBCM, Debswana and Namdeb have all completed at least one third party blood test survey. These were typically done at the start of each DMP to assess and compare company-specific risk exposure and prevalence rates against national averages. The surveys were used together with actuarial modelling to develop guidance on what action was required. All three companies also monitor overall absenteeism, medical incapacity and mortality rates. Company prevalence rates were generally found to be lower than national and regional rates and prevalence in other forms of mining.


A further third party actuarial study of all three operations was completed by Health Monitor in 2006 using the Global Reporting Initiative (GRI) HIV/AIDS reporting guidelines as a reference. It projected that total HIV/AIDS-related costs would decrease from US\$7.02 million in 2006 to US\$5.16 million in 2020.

Management standards in the field of HIV and AIDS

The Orapa and Jwaneng mines in Botswana are already certified to the AIDS Management System (AMS 16001: 2003) standard. AMS 16001 is based on the ISO 14001 standard and was initially developed by Debswana in conjunction with the National Occupational Safety Association (NOSA). On the 18 July 2007, a new HIV and AIDS Management (HAMS) standard was officially launched by the

South African Bureau of Standards (SABS). The standard is called South African National Standard (SANS) 16001: 2007 and is based on the ISO 9001, ISO 14001 and OHSAS 18001 management systems. SANS 16001 is different from AMS 16001 which looked at the risk of contracting HIV in the workplace and the management of this risk. SANS 16001 presents a broader approach to the management of HIV/AIDS. It assumes HIV/AIDS can be contracted both in the workplace and in the community and requires a more wide-ranging approach to risk management. Our South African mines will start preparing to implement the standard in 2008, with a view to certification in 2009.

 www.ukzn.ac.za/heard

 www.sabs.co.za

VCT at the Namaqualand mine, South Africa

This HIV testing campaign, which ran between September and December 2007, sought to reach all employees of the Namaqualand mine resident at Kleinsee and Koinnass, as well as people in the surrounding communities. It was the second largest scale campaign to encourage testing at the mine and was conducted on the basis of a public-private partnership with the Department of Health. This allowed De Beers to extend the reach of the campaign into the local community and to reduce associated costs. A team of eight peer educators took the lead in managing the mine's "know your status" testing campaign. District nursing personnel were involved in the testing and the test kits were made available by the Department of Health in South Africa.

The Peer Educators repeated their counselling sessions in all the communities and, where required, did so on a door-to-door basis. This helped to increase uptake at district clinics.

A total of 2 536 people were tested during the course of the campaign. Six people tested in the workplace were found to be HIV positive, as were 14 people in the local community. All De Beers employees and their spouses or life partners were counselled with respect to joining the company ART programme. Community members were given advice regarding registration on the government ART programme. De Beers plans to pursue similar public-private partnerships in the other provinces in South Africa where it operates.

Questions from stakeholders

What does De Beers do when operating in countries that do not clearly advocate non-discrimination?

Our position of non-discrimination applies equally to all employees or job applicants.

Any employee who discriminates against employees with HIV/AIDS will be subject to our formal grievance procedure process. We endeavour to protect all HIV positive employees from stigmatisation and discrimination and seek to create a working environment conducive to their protection. Fellow employees are expected to continue working with employees living with HIV and AIDS.

A number of communications and awareness raising programmes are in place to help achieve this aim. This includes VCT, as well as peer education activities. De Beers is also a member of the Global Business Coalition on HIV/AIDS, and as such promotes greater awareness about HIV/AIDS and works to reduce the stigma associated with the disease.

As corporate members of the Global Health Council, we are informed on policy and lobbying in the healthcare sector and updates on healthcare matters, systems and practices globally.

Source: Multi-Stakeholder Forum

Human rights

4.8 4.12 1 2

The Family of Companies is dedicated to growing a rich culture, diverse workforce and providing a work environment in which every employee is treated fairly, respected, has the opportunity to contribute to business success and also to realise their full potential as individuals. Mechanisms to protect the human rights of employees and communities include: our Principles, the BPPs and Assurance Programme, the Security Services and Human Rights Policy and our comprehensive Employee Human Rights Policy. The Employee Human Rights Policy covers human rights affecting personal dignity, working conditions, treatment of personnel, freedom of association, forced and child labour, unfair discrimination and training. De Beers is a signatory to the UN Global Compact.

Working conditions

EC3 LA3

Our Principles and Employee Human Rights Policy require us to comply with the International Labour Organization (ILO) fundamental principles, rights at work and core labour standards.

These ideals are also embedded in the BPP and as such apply to Sightholders as well as the Family of Companies (p16).

Terms of employment

All contracts of employment include information on roles and responsibilities, hours of work, conditions of employment, security requirements, intellectual property stipulations, non-disclosure and the declaration of outside interests. The terms of employment are explained to all new employees during the recruitment process and on the first day of work during the induction process. Employee remuneration is based on the band and corresponding salary scale that is pre-defined at a business unit or group level. Where skills are scarce, salaries may be re-negotiated to ensure De Beers remains competitive to key employees.





Employee benefits

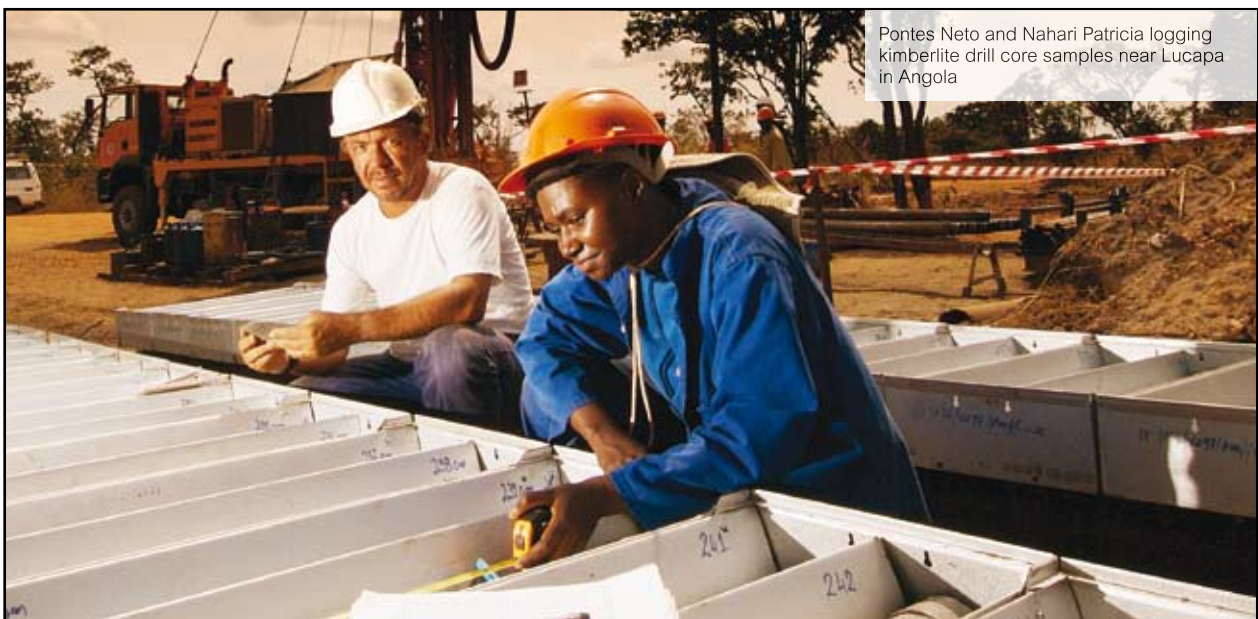
Employee benefits differ between operations and tend to include leave, sick leave, maternity and paternity leave, medical aid, pension plan, life insurance and compensation for injuries or disease at work.

Employees are also able to access study assistance, skills development, fuel and maintenance allowance, rental allowance, family responsibility allowance and a number of other benefits depending on operation and salary scale.

Employee satisfaction

In 2007, employee satisfaction surveys were completed by DTC and Debswana. The DTC "Values" survey sought to learn more about employee viewpoints on our Purpose, Vision, Values and Principles (p136). It saw a 65% uptake from employees. The Debswana "climate survey" was based on the Deloitte "best companies to work for" platform and involved 59% of all employees. Both surveys recommended to build on existing strengths such as our Values and culture, and to develop further recognition and performance management, as well as training, development and communication.

-  Security Services & Human Rights Policy
-  Employee Human Rights Policy
-  www.unglobalcompact.org
-  www.ilo.org/declaration



Pontes Neto and Nahari Patricia logging kimberlite drill core samples near Lucapa in Angola

Fundamental principles and rights

4.8 4.11 EC5 LA2 LA4 LA5 LA11 HR3-8

3 4 5 6

Our human resources policies have been reviewed to ensure they do not discriminate in any way or contain barriers that would negatively impact on employees.

Freedom of association and collective bargaining

The Employee Human Rights Policy stipulates that employees and employers are free to form associations for the protection of their interests and to bargain collectively where the relevant thresholds of representivity are met. These rights are also enshrined in law in the countries in which we operate and in many instances are integral to our mining licence agreements with governments. Trade union and employee associations have a strong presence at most mining operations (Figure 4-12). Unions have also been invited to comment on a number of our human resources policies and are active participants in our health, safety and HIV/AIDS programmes.

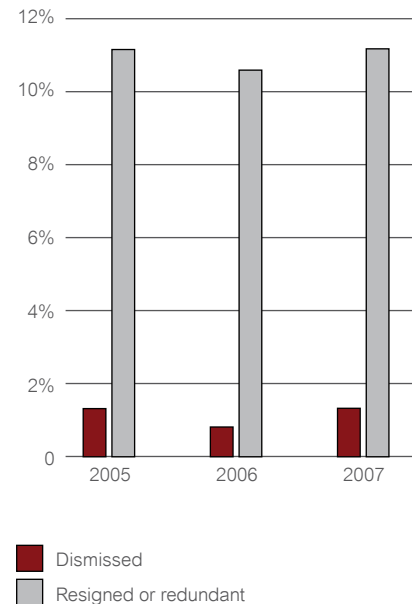
Loss of employment due to organisational change may occur as a result of restructuring or mine closure. In such circumstances, we consult extensively with employees and employee representatives before embarking on any retrenchments. We also seek to build the skills of employees and communities throughout the mining process, thus creating opportunities for sustainable livelihoods post-mining or in the event of retrenchment or redundancy (p80).

Forced and compulsory labour

No incidents of forced or compulsory labour were recorded at our operations in 2007. This has been third party verified through the BPP Assurance Programme. All employees earn significantly more than the respective country's minimum wage.

The Employee Human Rights Policy recognises that "employees will not be subjected to forced labour" and acknowledges overtime to be voluntary in accordance with the national permitted level.

Figure 4-11: Labour turnover



www.debswana.com
 www.namdeb.com
 www.debeersgroup.com
 www.debeerscanada.com
 www.voluntaryprinciples.org

Figure 4-12: Percentage of employees represented by trade unions at our mining operations

	2007		2006	
	Semi-skilled	Total	Semi-skilled	Total
Debswana	75.7%	59.9%	60.8%	91.7%
Namdeb	73.6%	68%	81%	52%
Williamson	100%	73.7%	66.6%	95.4%
De Beers Canada	Not unionised	Not unionised	Not unionised	Not unionised
DBCM	91%	55.8%	91%	55.8%

Questions from stakeholders

What is De Beers doing to address security services and human rights?

Our performance and risk relating to security services and human rights is monitored and externally verified through the BPP Assurance Programme.

This commitment has been extended through the development of our Security Services and Human Rights Policy. The policy requires security services to be checked for any credible involvement in human rights infringements before being hired. It also requires security services to be trained in how to prevent human rights infringements as a condition of contract. Assurance audits will be undertaken to evaluate compliance with this policy, including confidential consultation with local stakeholders.

The Family of Companies is also in dialogue with respect to becoming a participant of the US-UK Voluntary Principles on Security and Human Rights.

Source: Multi-Stakeholder Forum

Child labour

No incidents of child labour were recorded in any of our operations in 2007. This has been third party verified through the BPP Assurance Programme. Our Employee Human Rights Policy prohibits any child under the age of 16 from being employed. It also requires that “no persons under the age of 18 will be employed in roles that may be hazardous to their health, wellbeing or safety, including any night work, underground work and work involving machinery.”

Non-discrimination and employment equity

Our Employee Human Rights Policy requires there to be “no unfair discrimination in employment on the basis of race, colour, sex, religion, political opinion, gender orientation, national extraction or social origin”.

It also guarantees employees equal pay for work of equal value and requires the implementation of procedures to guide recruitment processes, allow employees to report any cases of unfair discrimination without fear of redress and ensure that service providers and diamond clients adhere to similar non-discrimination practices. Adherence to the policy is subject to internal and external audit through the BPP Assurance Programme. No infringements of the policy were identified in 2007.

Employment equity

EC7 LA13

The Family of Companies will ensure designated groups have representation in decision making positions that reasonably reflects the demographics of the country's economically active population.



Charles Skinner, Head of Group Exploration (right) with colleagues

Our South African operations have a plan to achieve an employment equity target of 60% designated group participation in management levels by 2009. This includes Historically Disadvantaged South Africans (HDSA, p27). These operations including DBCM, De Beers Group Services and De Beers Marine all aim to achieve equitable representation of designated groups in all levels in the workplace. At the end of 2007, DBCM's workforce was 78.9% designated groups (excluding white women) (2006: 77.1%). Designated groups (including white women) accounted for 84.2% of the workforce. In management, there were 39% designated groups (excluding white women) (2006: 35%), and designated groups including white women accounted for 47% (Figure 4-13).

The workforce of De Beers Group Services included 45.8% HDSAs and 65.8% when including white women. Management statistics were 37.6% HDSA and 56.9% including white women. A number of structures such as our Employment Equity Committee have been established to monitor performance.

By the end of 2007, Debswana had achieved a general 94.5% localisation rate and 90.5% for senior management. In Namibia, the focus is on achieving a workforce profile that is representative of the country's demographics. Namdeb has set itself an employment equity target of 80% for Historically Disadvantaged Namibians (HDN) by 2006. By the end of 2007, it had achieved a 86.8% non-white workforce and 61.1% non-white management team.

Women in the workforce

LA13 LA14

Women constitute about 21% of our permanent workforce and about 18.56% of management roles (Figure 4-14). DBCM is required by the South African Mining Charter to ensure women make up a minimum of 10% of the technical related workforce by 2009 (Figure 4-15 and Figure 4-16).

At the end of 2007 DBCM had achieved a workforce rate of 8.7% women in technical related positions and a management rate of 18%. Last year also saw significant progress in DBCM's transformation process. The Voorspoed mine introduced female haul truck drivers, which are already in place at the Venetia mine. The Kimberley mine appointed the first female operations manager in DBCM's 119 year history.



Geologist at our Finsch mine in South Africa

Figure 4-13: HDSAs in workforce and management at DBCM (%)

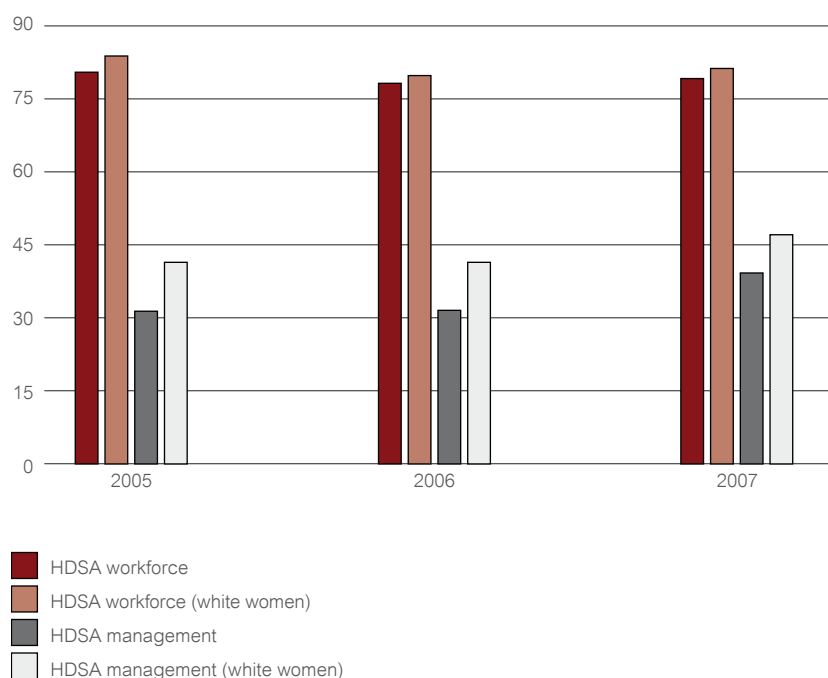


Figure 4-14: Employee profiles - women in mining

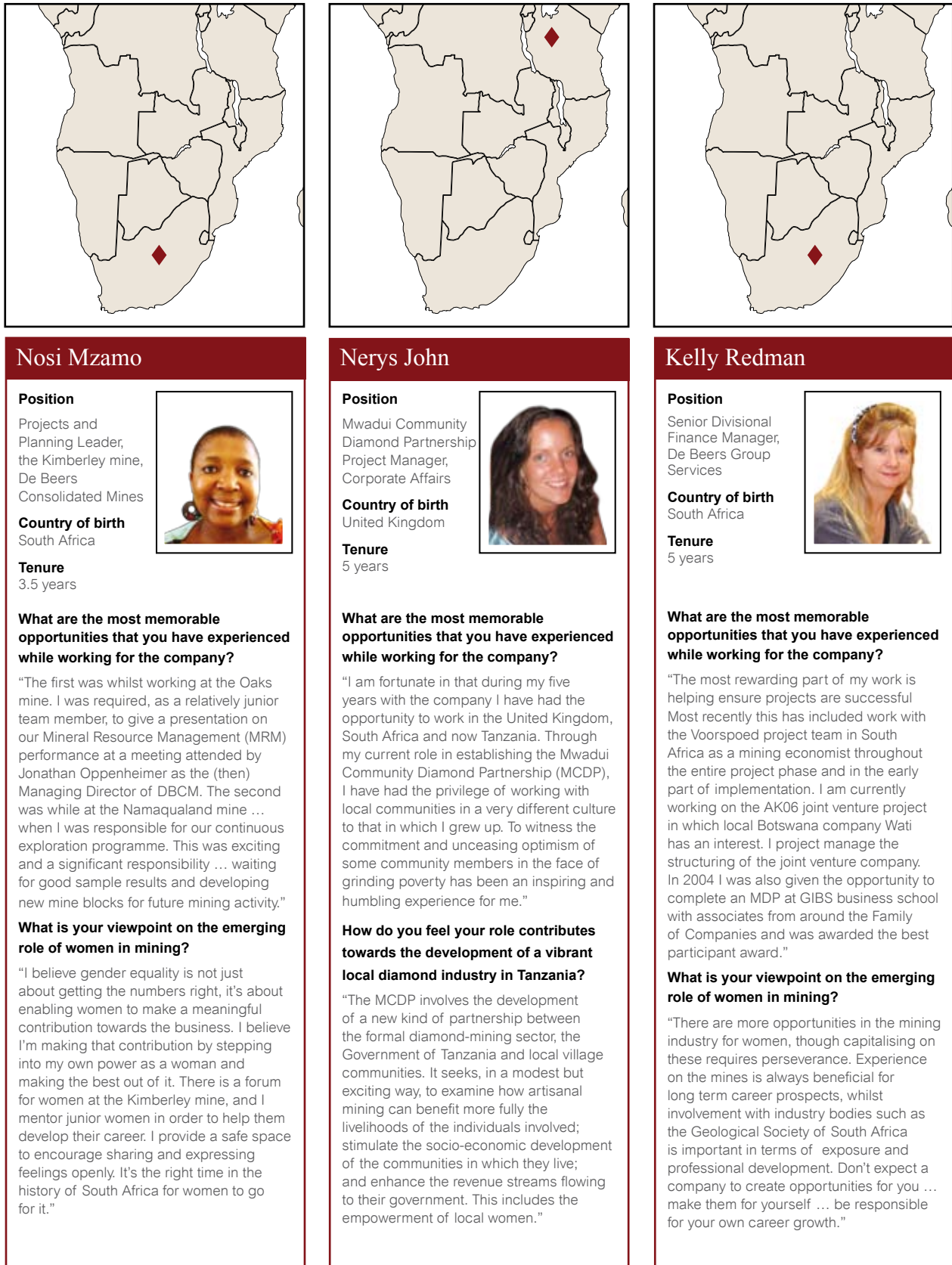


Figure 4-15: Women in workforce and management

	2007			2006		
	Permanent	Workforce	Managers	Permanent	Workforce	Managers
De Beers Canada	154	23.5%	23.1%	103	39.6%	21.2%
Debswana	1529	24.5%	9.6%	1348	22.6%	11.7%
Namdeb	374	15.5%	13.9%	397	15%	12.9%
De Beers Marine Namibia	71	11.3%	22.2%	66	11.1%	19.1%
Williamson	87	12.7%	10%	83	11.8%	0%
DBCM	687	15%	13.7%	744	14.2%	12.1%
De Beers Marine South Africa	59	17.6%	15.2%	56	20.7%	13.9%
Diamdel	12	52.2%	44.4%	n/a	n/a	n/a%
De Beers Group Services	228	39.9%	30.5%	268	39.9%	26.6%
DTC	349	40.4%	26.5%	670	43.5%	28.7%
Exploration	183	23.6%	19.1%	188	25.8%	42.2%
Total	3733	21%	18.6%	3923	21%	22.5%

Figure 4-16: Ratio of basic salary of men to women by business unit and employee category

	EU-Band	EL-Band	DU-Band	DL-Band	CU-Band	CL-Band	B-Band
De Beers Canada	0.80	0.82	0.90	0.94	0.89	0.96	0.95
Debswana	1.00	0.88	0.99	0.98	0.93	1.00	0.99
Namdeb	0.96	0.86	0.96	0.96	0.97	0.93	0.97
De Beers Marine Namibia	1.00	1.00	0.92	0.86	0.81	0.89	1.18
Williamson	1.00	1.00	1.00	1.00	1.00	1.00	1.00
DBCM	0.85	0.92	0.97	0.93	0.89	0.82	1.05
De Beers Marine South Africa	1.00	0.91	0.90	0.93	0.91	0.89	2.01
Diamdel	n/a	1.00	0.86	0.65	1.00	1.00	n/a
De Beers Group Services	0.85	0.99	0.94	0.96	0.94	1.09	0.93
DTC	0.79	1.13	0.88	0.98	0.94	1.22	1.02
Exploration	1.00	1.03	0.96	0.99	0.98	1.03	1.88

Harnessing and developing talent

There is a close link between driving improved business performance and attracting, recruiting, developing and retaining talented people. Talent management also contributes to empowerment by providing employees with skills that benefit them directly, that benefit the Family of Companies and that build the skills base of our host countries. It enables us to better serve and reflect the markets and producer countries within which we operate. We also promote a culture that respects and harnesses the richness of different ideas, cultures and viewpoints as a key ingredient in the long term success of our business.

Talent management

LA11 LA12

Our Talent Management Policy supports the recruitment, development, succession and retention of talent across the Family of Companies. It requires that we develop and implement a common talent management approach.

This common approach includes shared information and standardised processes to enable talent succession and deployment across the Family of Companies. It also enables us to systematically map individual skills against business requirements and understand our current talent bench strength. This allows us to determine and address capability gaps and promote career management and development.

The Talent Management Policy mandates the appointment of the best qualified internal or external candidates in line with job requirements and national legislation relating to employment equity. It also ensures employee performance is gauged against a defined set of key performance indicators, through regular dialogue and feedback.

The percentage of employees receiving regular performance and career development reviews is monitored across most grades.

This includes Patterson grades CL to EU. We also monitor the training provided to all employees by category of employment. A talent management scorecard is in place and is used to track and ensure high potential employees have appropriate access to development opportunities. The scorecard also enables effective succession planning and coverage. We also monitor the internal fill rate, vacancies, regretted losses and diversity indicators. The latter are legal requirement as part of the South African broad-based Black Economic Empowerment (BEE) legislation (p27).

Talent management is formally assessed and reported on across the Family of Companies through our annual Organisation and Capability Reviews. This enables us to ensure appropriate people with the appropriate skills are focused on activities that deliver value for the organisation now and into the future.



Josephine Mabena at our research laboratory in South Africa

Professional development

LA11

All of our operations have internal courses to assist employees in their personal development, enable them to be more productive and improve their contribution to business goals. These include mentoring and coaching systems, e-learning, part-time and full-time training courses. We believe in the underlying philosophy of life-long learning.

Equity in development opportunities

This strong focus on skills development is also supported by legislation such as the South African Employment Equity Act 1998 and broad-based BEE Act 2003. DBCM has a well-established bursary scheme that more than delivers on these expectations. About R20 million (US\$2.8 million) is allocated each year to students of engineering, geology, metallurgy and related areas. Additional learning interventions are available to fast track Historically Disadvantaged South Africans (HDSAs) and designated groups. This includes the Women in Mining Programme, which is facilitated by the DME through the

Da Vinci Institute of Technology. This commitment is most evident in the establishment of the Lesedi Centre for Human Capital Development in Kimberley, South Africa. Lesedi focuses on developing technical and non-technical skills for DBCM, its partners and the broader Northern Cape community.

Employees who are affected by any down-scaling, retrenchment or redundancy also have access to employment agencies sourced by the company in order to find alternative employment. Lower skilled employees often have the option of one year of paid training. Significant programmes are in place at Kimberley and other operations nearing “end of production” to provide training to employees in anticipation of mine closure.

Skills for high potential talent

We also invest in the development of high potential talent through training at London Business School (LBS). By the end of 2008 more than 130 leaders from across the Family of Companies will have participated in one of three programmes at LBS.

These include the Senior Leadership Programme, the Accelerated Development Programme for leaders transitioning from specialist to general management roles and the Emerging Leadership Programme. This LBS programme is supplemented with a number of initiatives that will continue or be implemented in 2008:

- Over 1 000 leaders within the Family of Companies have participated in our Delivering the Diamond Dream working sessions. These sessions are designed to embed the ways of working articulated within the Diamond Book. The Diamond Book is a reference guide to support leaders in implementing their management responsibilities.
- Managing Director roundtables were launched at the end of October. These sessions provide visibility of and engagement with top talent for the De Beers Executive Committee. They also reinforce key messages relating to organisational change, shape our leadership culture, enhance workplace accountability and the collaboration required to deliver on business targets.
- Local development interventions for middle management and supervisory skills are delivered at business unit level.

A rounded development proposition framework has been assembled. It aims to improve engagement with key talent through senior leadership visibility and mentorship and career development forums. We aim to provide talent with professional development opportunities that ensure 70% development on the job, 20% through coaching or mentoring and 10% formal programmes tailored to individual needs.

Building competent people at the Lesedi Centre, South Africa

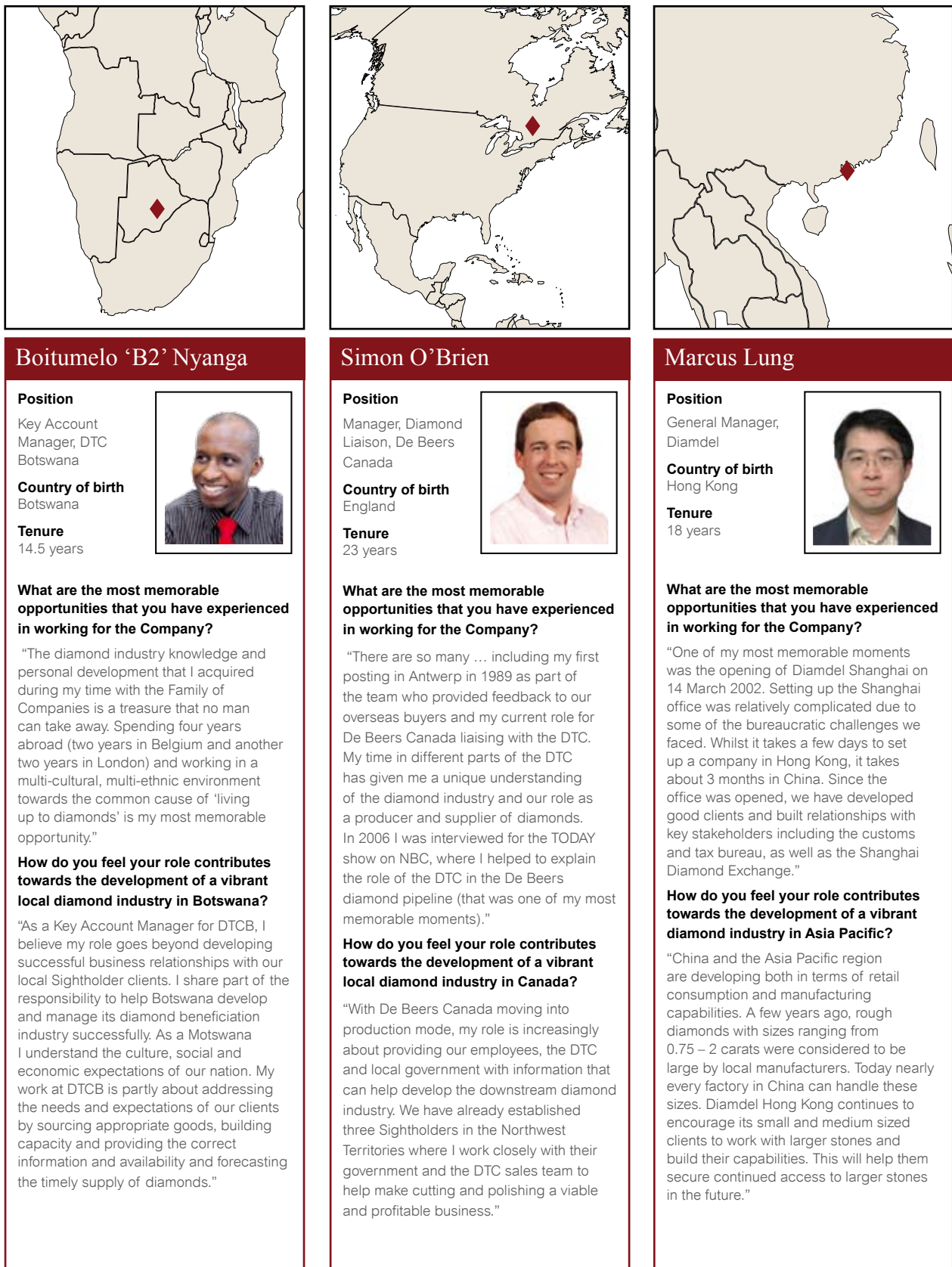
Case study

The Lesedi Centre’s aims to “build competent people for now and the future” by re-orientating training towards a more strategic and future focused direction. It is unique from other corporate training academies as it provides training to the public and private sector in Kimberley and the Northern Cape Province, in recognition of DBCM’s history and legacy. Great emphasis is placed on e-learning, which enables on-demand access to training, saving time and resources. The Lesedi Centre undertakes the exchange of best practice with some of

South Africa’s most successful corporate academies including those of Eskom, Old Mutual, Anglo American and SAB Miller.

The Lesedi Centre has hosted a series of visits from senior officials involved in the monitoring Mining Charter’s skills development component and the establishment of the Kimberley International Diamond and Jewellery Academy. It also hosted a visit by the Honourable Ms Dipuo Peters, the Premier of the Northern Cape Province in November 2007.

Figure 4-17: Employee profiles - professional development



Driving local sustainable development

Gaining and maintaining a “social licence to operate” is critical to successful mine development and management. Consequently we work to ensure that local communities understand the risks and opportunities that a diamond mine might bring, as well as our willingness to work with them to ensure they benefit from a mine even after its closure.

We believe that a well managed diamond mine can and should serve as a driver of sustainable local development. We are aware, however, that the translation of a finite resource into benefits that extend beyond the life of a mine is far less straightforward. We believe that a solution to this challenge lies in harmonising our efforts wherever possible with those of other stakeholders in local development.

This includes government agencies, civil society and community organisations. From an operational perspective this is possible because of the clear alignment between our business objectives and the provision of local employment, local procurement, enterprise and infrastructural development and our continued support of strategic social investment projects.

The community discipline is an evolving area of expertise in De Beers. Our aim is to elevate this discipline to a level of sufficient maturity within the Family of Companies to ensure our continuing licence to operate at existing mines, and be recognised by local communities and governments alike as a preferred partner of choice where we develop new mines.

Highlights in 2007

- ▽ We piloted the Anglo American Socio-Economic Assessment Toolbox (SEAT) at our Venetia mine and developed a comprehensive Social Impact Assessment Guideline
- ▽ The Mwadui Community Diamond Partnership (MCDP) developed a set of “Mwadui Principles” and agreed to demarcate an area within the Williamson Diamonds lease for MCDP diamond digging
- ▽ Our social investment spend of US\$19 million was disbursed to more than 750 different projects (2006: US\$16.4 million). This equates to 2% of pre-tax profit (2006: 1.9%) and an average spend of 1.7% between 2005 to 2007 (US\$16.3 million). About US\$15.1 million (79.5%) of this US\$19 million was disbursed to projects in Africa

Nursery school in Gaborone supported through our social investment activities



Figure 5-1: Issues relevant and material to our stakeholders that are addressed in this chapter¹

Engaging with communities	p86
Developing community engagement plans using SEAT	p86
Impact assessment	p87
Participation in local economic development through Social and Labour Plans (SLPs)	p88
Land rights	p88
Indigenous people and cultural heritage	p88
Resettlement practices	p88
Artisanal and small-scale mining	p89
Engagement in peace-building	p47, p48, p89
Voluntary Principles on Security and Human Rights	p47
Closure planning	p41
Investing in communities	p91

¹ Identified partly through our Managers Perception Survey, Multi-Stakeholder Forum and in our quarterly Diamond Dialogue roundtables (p11). Includes cross-referencing to relevant and material issues in other chapters



Our strategy

4.8 4.12 4.16 SO1 1 1 8

Maintaining good relations with local communities helps ensure our continued access to new supplies, promotes consumer confidence in diamonds and minimises the risk of costly and unnecessary disputes.

In 2007, the Environment, Community, Health and Safety (ECoHS) Committee formally endorsed “community” as a distinct discipline alongside safety, health and environment. This endorsement has facilitated closer collaboration on community engagement and additional investment in the discipline across the Family of Companies. This included a review of the Community Policy, the establishment of the Community Peer Group and the development of several new tools to assist in community engagement and the management of community impacts. Together these provide a starting point for the development of a more solid framework for the management of community issues across the Family of Companies.

Our Community Policy

The Community Policy applies to all entities across the Family of Companies. It underscores our respect for the human rights and

interests of those communities among whom we live and work. The policy also meets or exceeds relevant international law and industry protocols. These include the Universal Declaration of Human Rights, the United Nations Global Compact, the Principles of the International Council on Mining and Metals (ICMM), the Council of Responsible Jewellery Practices and relevant World Bank guidelines on impact assessment, communities and resettlement.









The Community Policy has been translated into French and Portuguese for our exploration operations. It translates our Principles into practice and sets a new benchmark for engagement with affected communities.

Our Community Peer Group

The Community Peer Group includes participants from External and Corporate Affairs, as well as ECoHS professionals and community liaison managers from our mining operations across the Family of Companies. The peer group provides a formal mechanism for the development of guidance, sharing of knowledge and best practice across the different operating companies and between disciplines.

Three meetings were held during the course of the 2007 calendar year. These meetings focused on the collaborative review of our Community Policy, the development of our social impact assessment guidelines, ongoing development of our stakeholder engagement tools and revisions to our corporate social investment framework (p95).

A number of additional issues discussed by the peer group were submitted to the ECoHS Committee for review during the year. These included an appraisal of SEAT implementation process (p86), improving the capacity of community engagement practitioners, integrated mine closure planning processes, an assessment of the potential impact of land claims on the Venetia Mine, De Beers operations in South Africa, as well as a review of the business case for the MCDP (p90).

-
-  www.udhr.org
 -  www.unglobalcompact.org
 -  www.icmm.com
 -  www.responsiblejewellery.com
 -  www.worldbank.org
 -  Our Principles
 -  Community Policy
 -  Socio-Economic Assessment Toolbox

The Oaks mine in South Africa is scheduled to end production in 2008 (p9)



Figure 5-2: Assessments, engagements and closure planning status **MM3** **MM10**

Major projects	EIA	SIA	Engagement	SLP	Closure plan
AK06	✓	✓	✓	n/a	□
Victor	✓	✓	✓	n/a	□
Voorspoed	✓	✓	✓	✓	□
Mining					
Open-pit					
Damtshaa	✓	○	○	n/a	□
Jwaneng	✓	○	○	n/a	□
Lethakane	✓	○	○	n/a	□
Orapa	✓	○	○	n/a	□
The Oaks	✓	✓	✓	n/a	□
Venetia	✓	✓	✓	✓	□
Williamson	✓	✓	✓	n/a	□
Underground					
Cullinan	✓	✓	✓	✓	□
Finsch	✓	✓	✓	●	□
Kimberley	✓	✓	✓	●	□
Koffiefontein (sold in 2007)	✓		✓		
Snap Lake	✓	✓	✓	n/a	□
Tailings treatment					
Kimberley	✓	✓	✓	●	□
Alluvial					
Contractors	✓	✓	✓	n/a	■
Elizabeth Bay	✓	✓	✓	n/a	■
Mining Area 1	✓	✓	✓	n/a	■
Namaqualand	✓	○	✓	n/a	□
Orange River	✓	✓	✓	n/a	■
Marine					
Namibian Sea Areas (Atlantic 1)	✓	○	○	n/a	□
South African Sea Areas	✓	✓	✓	●	□

Key: ○ Planning ● In progress □ Partial scope – mainly environmental ■ Complete scope – including socio-economic and environmental



Engaging with communities

EC8 EC9 HR9 SO1 MM7 1 1 8




Our Community Policy articulates our commitment to communicate and consult with communities affected by De Beers operations. In 2007 we piloted and reviewed SEAT and developed a comprehensive Social Impact Assessment Guideline. These instruments stand alongside the ECoHS Guidelines for Exploration, ECoHS Guidelines for Projects and other stakeholder engagement tools to help operations identify, evaluate and manage their impacts on communities proficiently.

These instruments also inform our coordination with other development agencies to help address poverty alleviation and build sustainable and lasting livelihoods post-mining.

The Socio-Economic Assessment Toolbox

SEAT was initially developed by Anglo American in 2003 and revised in 2007. It provides a suite of tools to map and engage local stakeholders. It also includes tools that help an operation to manage the socio-economic impacts of its activities on local stakeholders. It was licensed to the Family of Companies in 2007.

SEAT was piloted at our Venetia operation in 2007, where it will contribute to the development of a community engagement plan. All operations will aim to complete their community engagement plans based on key elements of SEAT, or appropriate national or international guidelines, by the end of 2009. These engagement plans will be updated on a regular basis.

-  www.angloamerican.co.uk
-  www.afn.ca
-  www.iaia.org

Impact Benefit Agreements with First Nations communities at our Victor mine in Canada

Case study

Although the establishment of Impact Benefit Agreements (IBAs) with First Nations communities is not required by law, doing so is best practice and helps make our operations in remote areas possible. The development of IBAs has been one of the key factors in accelerating the start-up of our Victor mine by over six months. They enable shared understanding and smooth the regulatory process by demonstrating alignment between De Beers and local communities. IBAs also provide certainty and comfort for Aboriginal communities.

IBAs outline the roles and responsibilities of each party and detail how De Beers Canada will assist in the attainment of development goals relating to education, training, environment, employment and joint venture opportunities. No two agreements are the same.

Our IBA with the Attawapiskat community near the Victor mine has helped forge relationships all along the James Bay coast. It was formally ratified in November 2005, with a number of preliminary agreements already in place prior

to the adoption of the IBA. The Government of Ontario supported our negotiations and has been a valued partner in establishing training facilities and programmes to help achieve IBA targets. In addition to this agreement, De Beers Canada also has an agreement with the Moose Cree. Regular reporting to stakeholders demonstrates our progress with respect to achieving the targets identified in these agreements. Our final IBAs with the Kashechewan and Fort Albany communities are agreed in principle and are awaiting ratification.

Our Victor mine in Canada



Impact assessment

4.12 4.16 SO1 MM7

Impact assessments are conducted for all new mining projects and whenever significant changes are made at existing operations. All of our operations are covered by environmental impact assessments. About 74% of our operations have completed socio-economic impact assessments (Figure 5-2). Noting the absence of any industry standard for social impact assessment, the Family of Companies began developing a formal set of social impact assessment guidelines in 2007.

The guidelines aim to set a standard for international best practice in social impact assessment, building on the work completed by the ICMM as well as the principles endorsed by the International Association for Impact Assessment (IAIA). They include guidelines for seeking the informed consent of all peoples affected in the impact assessment process. The guidelines also offer a systematic process for ensuring that recommendations are implemented and followed through during project construction, commissioning and operation, with the senior manager assuming responsibility.

The guidelines are designed to generate data that can be easily integrated into other studies such as closure plans. Formal launch of the guidelines is planned for 2008.

We are also researching the feasibility of a scenario mapping tool that will help us understand the long term social and environmental impacts of mining in areas with low levels of development and weak governance. The tool would help mitigate negative impacts through the facilitation of strong and effective multi-stakeholder partnerships at the earliest stage of a mine's life cycle.

Voices of stakeholders

“Speaking of diamonds, the newest diamond mine in Canada – which just happens to be located on Attawapiskat First Nation territory – has inspired this speech to you today. This is because the development model being used there is exactly the model we would like to see all mining companies in Canada embrace. De Beers Canada is investing more than C\$980 million to develop the mine. This could eventually pump more than C\$6 billion dollars into Ontario's economy ... C\$6 billion dollars!

The project will earn money for De Beers and generate royalties for Canada. However, the most important aspect of the development ... will be the hundreds of jobs it will create for residents in local First Nations communities as well as sustainable education, training, and business opportunities for our people for decades to come. This deal came about because both sides at the negotiating table understood that community sustainability can go hand in hand with mining.”

Source: Phil Fontaine, Assembly of First Nations Chief, Speech to the Prospectors and Developers Association of Canada

Questions from stakeholders

How is De Beers linking its water strategy to the requirements of local communities and is there a conflict of interest?

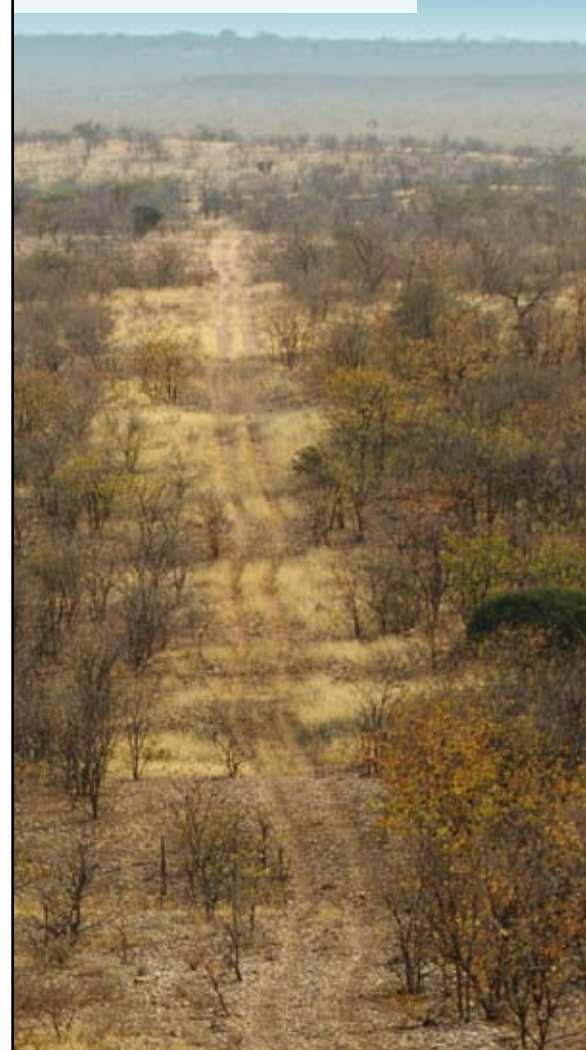
EN25 MM7 SO1 7 8 7

In 2006, an environmental and social baseline study was completed for the AK06 project in Botswana. This highlighted the critical issue of water use and its impacts on local communities. A ground water study is being undertaken in collaboration with other major water users to determine the impact of mining activities in the area. Once the study is complete, a programme of work will be implemented to determine the basis and mechanism for compensation of local communities. All plans will be completed in collaboration with relevant national authorities in Botswana.

Our Venetia mine is located in a water-stressed province. It obtains water from the Greefswald well field and is one of the largest underground water users in the area. The mine monitors plant moisture in the Greefswald forest as an indicator of water stress in the forest system. Studies suggest that drought, water extraction and ring barking of trees by elephants are possible contributors to the water stress. In 2007, the mine commissioned a study to determine the impact of mine water extraction on river vegetation. The study found elephant damage to the forest had increased, but was inconclusive with respect to the impact of mine water extraction. The mine will continue to monitor vegetation to establish its impact on the forest, if any, and implement mitigation measures if required.

Source: Multi-Stakeholder Forum

Our Venetia nature reserve and mine are located in the water-stressed Limpopo province of South Africa



Social and Labour Plans

SO1 MM7

Formal SLPs are a legal requirement in South Africa. Plans have already been approved for our Cullinan, Venetia and Voorspoed mines, and are in development for all other De Beers Consolidated mines (DBCM) entities (Figure 5-2). SLP requirements relating to local communities include:

- Infrastructure provision
- Poverty eradication and job creation projects
- Community investment opportunities in line with the Integrated Development Plans (IDPs) of local communities

SLPs are completed through a rigorous process of engagement with local stakeholders including communities, employees and their representatives, government and Non-Governmental Organisations (NGOs). A formal set of guidelines has been developed by the Department of Minerals and Energy (DME), including specific content on stakeholder engagement processes. DBCM evolved these guidelines further to better assist its operations in the compilation of SLPs and the engagement of local stakeholders. These refinements have also been made available to the DME for use by other companies.

Land rights

4.12 MM11 1 7 8 7

The Community Policy recognises the importance of the ties peoples have with the lands they traditionally occupy and the natural resources they use. It consequently meets and exceeds major international requirements relating to the rights of local communities and indigenous peoples like ILO Convention No. 169 and the United Nations Declaration on the Rights of Indigenous Peoples.

The policy specifically requires all entities to respect community governance and seek free and informed consent prior to initiating any operations that will have substantial impacts on their interests.

AK06

AK06 is a joint venture between De Beers, African Diamonds plc and Wati Ventures. It is currently classified as a “major project”. This means feasibility studies and impact assessments are still being completed, and that mining has not yet been initiated.

In 2007, AK06 conducted a stakeholder engagement programme as part of its socio-economic and environmental baseline studies. This included national, regional and local authorities, tribal authorities, local communities and NGOs. The programme included a public participation process in 10 rural villages, as well as focus groups on specific issues and small-scale engagements with affected people. Stakeholders were presented with project designs, an outline of possible impacts and scheduling. This included the different project options and demonstrations of how community viewpoints were incorporated into the project design. All engagements were conducted in both Setswana and English.










Stakeholders showed overwhelming consent for the proposed mine due to its creation of jobs and other secondary benefits. However, all communities also raised concerns regarding the lack of transparency in recruitment processes at neighbouring mines. It is proposed that AK06 should develop a recruitment plan that will address such issues. Surrounding villages also raised concerns regarding the lack of social investment projects in their area.

Local authorities and residents proposed an integrated approach to development. Accordingly, all mine requirements will be integrated with the Letlhakane Village Development Plan. A further issue raised was the loss of communal grazing land and water resources as a result of the development of AK06. These issues have subsequently been addressed in the environmental management plan, which was approved by the Government of the Republic of Botswana in February 2008.

Resettlement practices

SO1 MM9

Our Community Policy complies with the World Bank Operational Directives on Resettlement, Indigenous Peoples and Cultural Property and the Inter-American Development Bank Resettlement OP 710. In instances where the economies or livelihoods of communities might be negatively impacted, the Community Policy requires that we “provide our neighbours with fair and adequate compensation for any losses they may incur for which we are legally liable”. A Compensation and Resettlement Action Plan is scheduled to be developed for the local AK06 community in 2008.

-
-  www.debeersgroup.com
 -  www.dme.gov.za
 -  www.ilo.org
 -  www.afdiamonds.com
 -  www.ddiglobal.org
 -  www.globalwitness.org
 -  www.pacweb.org
 -  www.business-humanrights.org
 -  www.kimberleyprocess.com

Artisanal and small-scale mining

4.13 MM8 1 3-5 10 1

The Family of Companies is not involved in informal small-scale diamond mining. De Beers is, however, actively engaged in the identification of practical solutions through our work with the Diamond Development Initiative (DDI) and the MCDP. We are also active in public policy dialogue and action to address poverty and improve livelihoods of small-scale diamond diggers. Artisanal and small-scale mining was the theme of our first











Diamond Dialogue roundtable in London in March 2007. Outcomes from these dialogues with stakeholders are hosted online by the Business and Human Rights Resource Centre (p13). Numerous other bilateral engagements took place on artisanal and small-scale mining with different NGOs throughout 2007 (Figure 5-3).

Diamond Development Initiative

In 2005, De Beers became a founding partner of the DDI along with NGOs Global Witness and Partnership Africa Canada. The DDI is a multi-stakeholder initiative.

It includes governments, the private sector, NGOs and international organisations. Its main aim is to address poverty and socio-economic deprivation affecting artisanal diamond diggers. The DDI is an important complement to the Kimberley Process (p46). It is currently working to produce a set of standards and guidelines on artisanal diamond mining. The DDI was commended, along with the Kimberley Process, in G8 discussions in 2007 as an example of how best to manage the production and distribution of natural resources.

Figure 5-3: Organisations engaged on artisanal and small-scale mining in 2007

Organisation	Web address
Association for Responsible Mining	 www.communitymining.org
Business Action for Africa	 www.businessactionforafrica.org
Communities and Small-Scale Mining initiative housed at the World Bank	 www.artisanalmining.org
Council for Responsible Jewellery Practices	 www.responsiblejewellery.com
Diamond Development Initiative	 www.ddiglobal.org
Foundation for Environmental Security & Sustainability	 www.fess-global.org
International Council for Mining and Metals	 www.icmm.com
Kimberley Process Working Group	 www.kimberleyprocess.com
Madison Dialogue	 www.madisondialogue.org
United Nations Global Compact	 www.unglobalcompact.org
World Jewellery Confederation	 www.cibjo.org



Robert Mathye conducts stakeholder dialogue at AK06 in Botswana

Mwadui Community Diamond Partnership

The MCDP was launched at the annual meeting of the Clinton Global Initiative in 2006 by His Excellency Jakaya Kikwete, President of the United Republic of Tanzania and Jonathan Oppenheimer, the Chairman of Williamson Diamonds Limited (WDL). Its goal is to help alleviate poverty and accelerate the sustainable socio-economic development of informal small-scale diamond mining communities around the Williamson mine in Mwadui. Partners in the project include WDL, the Government of Tanzania and more than eight local communities.

A baseline and feasibility survey to understand the challenges and opportunities relating to small-scale diamond mining and trading in Mwadui was completed in 2006.

This led to further research and workshops involving relevant stakeholders during the course of 2007, as well as a programme of more substantive engagement with local communities. The work undertaken through 2007 also led to the development of a set of “Mwadui Principles”. The principles act as a set of ethical, social and environmental standards under which MCDP digging activities might take place. These principles are now the subject of wider stakeholder dialogue. The two WDL shareholders also agreed to demarcate an area within the company’s lease for MCDP digging activities and to establish a local Diamond Valuation Centre. The valuation centre will introduce greater fairness and transparency with respect to the benefits that accrue from diamond finds, including revenue to government as well as enhanced income for diggers.

The MCDP project is now at the stage of participatory project planning in partnership with local communities. This process has been supported by the findings of anthropological research undertaken in 2007. The research sought to improve our understanding of community relationships and practices. A Community Liaison Team is facilitating monthly forums to help educate communities in mining, land law and the health services available at the Mwadui hospital.

Voices of stakeholders

“I pay tribute to De Beers for a very innovative initiative in the Mwadui area ... Indeed, this is an example of partnership we applaud and encourage. De Beers has shown the way. I believe others can follow.”

Source: His Excellency Jakaya Kikwete, President of Tanzania (at the African Mining Indaba, 6 February 2007)

The Diamond Empowerment Fund

Case study

The Diamond Empowerment Fund (DEF) was established in 2007 to support education initiatives that develop economically disadvantaged people in African countries where diamonds are a natural resource. De Beers was a founding member of the DEF, which is also supported by Russell Simmons, individuals and businesses in the diamond and jewellery industry, and figures from the world of entertainment.

De Beers also made a grant through DEF of US\$285 000 a year for five years to the CIDA City Campus University in Johannesburg, South Africa.

CIDA (Community and Individual Development Association) was the first institution to receive DEF funding. CIDA has reinvented traditional models of higher education, providing high quality education on a large scale to 3 400 students, all of whom are on scholarships and come from financially disadvantaged backgrounds. Students are selected from villages, townships and squatter camps on the basis of academic excellence, leadership ability and willingness to transform South African society. There are plans to replicate the model in other provinces of South Africa and beyond.

In addition to this initial grant, the De Beers Diamond Information Centre is providing marketing and public relations support to DEF for fundraising initiatives. The main aim of these activities is to raise funds from other members of the diamond industry with commercial interests in Botswana, Namibia and South Africa. De Beers is also to assist in identifying further education projects appropriate for support from the DEF. Board members of the DEF include Varda Shine and Linah Mohoholo, Governor of the Bank of Botswana and a Debswana Board member.

 www.diamondempowerment.org

Investing in communities

4.8 EC1 EC8 EC9 1 2 4 5 6 8

We believe that social investment is much more than philanthropy. It is about building strong and enduring relationships with our host communities based on a shared desire to pursue development and future prosperity.

Our focus on building relationships means that we are not prescriptive about the kinds of projects that we support. Rather we aim to be responsive to local needs whatever they may be. This is important if we are to help empower local communities to capitalise effectively on the broader developments underway in producer countries. For the majority of our operations in Africa, being responsive to community needs means that health and wellbeing, education, as well as enterprise development are our primary areas of focus.

In 2007, we launched two new social investment funds: the Diamond Trust in Botswana and the De Beers Namibia Fund in Namibia. The Diamond Trust supports projects that are too large to be handled by De Beers or Debswana's existing social investment capacity. It is currently working with partners on a proposed integrated community, environment and heritage project at Tsodilo Hills in northern Botswana. The De Beers Namibia Fund is financing the purchase of buildings for the new northern campus of the Namibian Institute of Mining Technology in Tsumeb.

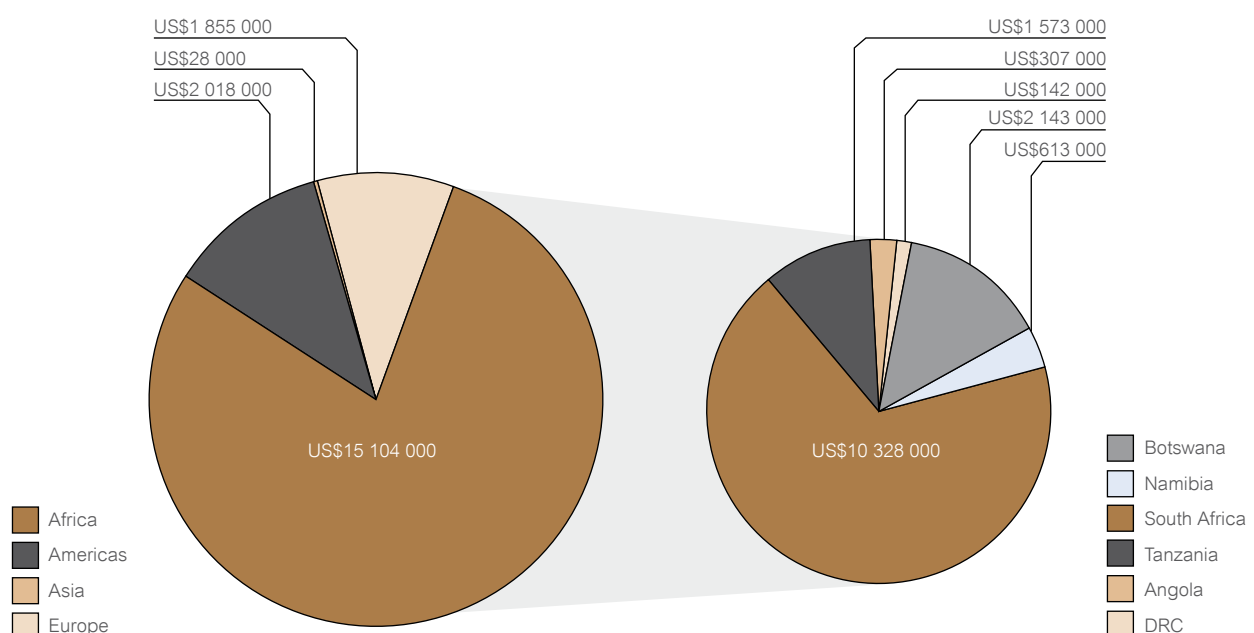
Our disbursements in 2007

In 2007, the Family of Companies disbursed over US\$19 million in more than 750 different social investment projects. around the world This represents 2% of pre-tax profits of US\$948 million.

The Family of Companies has disbursed an average of US\$16.3 million for each year between 2005-2007. This translates to 1.7% of pre-tax profits and is significantly more than the international benchmark of 1%. The higher expenditure in 2007 is partly due to an increase in our community HIV/AIDS funding in South Africa through the De Beers Community HIV and AIDS Partnership Programme (p92, p93) and increased community investment in Botswana and Canada.

This higher expenditure is also attributable to the implementation of a revised accounting process that now records in-kind investments and the time of employees. These amendments are partly in response to the recommendations made by Tshikululu Social Investments (TSI) following its audit of our social investment activities in 2005-2006.

Figure 5-4: Social investment spend by region and country 2007 ¹



¹ Data in this graph and Figure 5-5 has been checked by the London Benchmarking Group

These amendments offer a more consistent approach to data capture across our operations, allow for more informed decision making about future investments and provide better understanding of our investment impacts on community and national development goals.

Our social investment framework

In 2007, we reviewed our existing social investment framework to ensure greater alignment with our Values, Principles, core business processes and competencies (p1, p136, p10). This resulted in the decision to develop a Social Investment Policy for the Family of Companies, a unified social investment strategy, universal accounting protocols and a *Guide to Corporate Grant Making* that will be completed in 2008. Together, these tools provide a more effective framework for the identification, management, evaluation and accounting of social investment disbursements and impacts.

Our social investment activities fall into three broad categories.

Strategic philanthropy

Strategic philanthropy includes cash and in-kind support for international organisations and large scale development projects such as the DDI (p89), the Council for Responsible Jewellery Practices (p57), the World Diamond Council and the MCDP (p90). It also includes local government and *ad hoc* small-scale community projects relating to education, health, youth development, environment and cultural programmes including sports development. These donations are generally to not-for profit endeavours and are for the benefit of communities or the public interest.

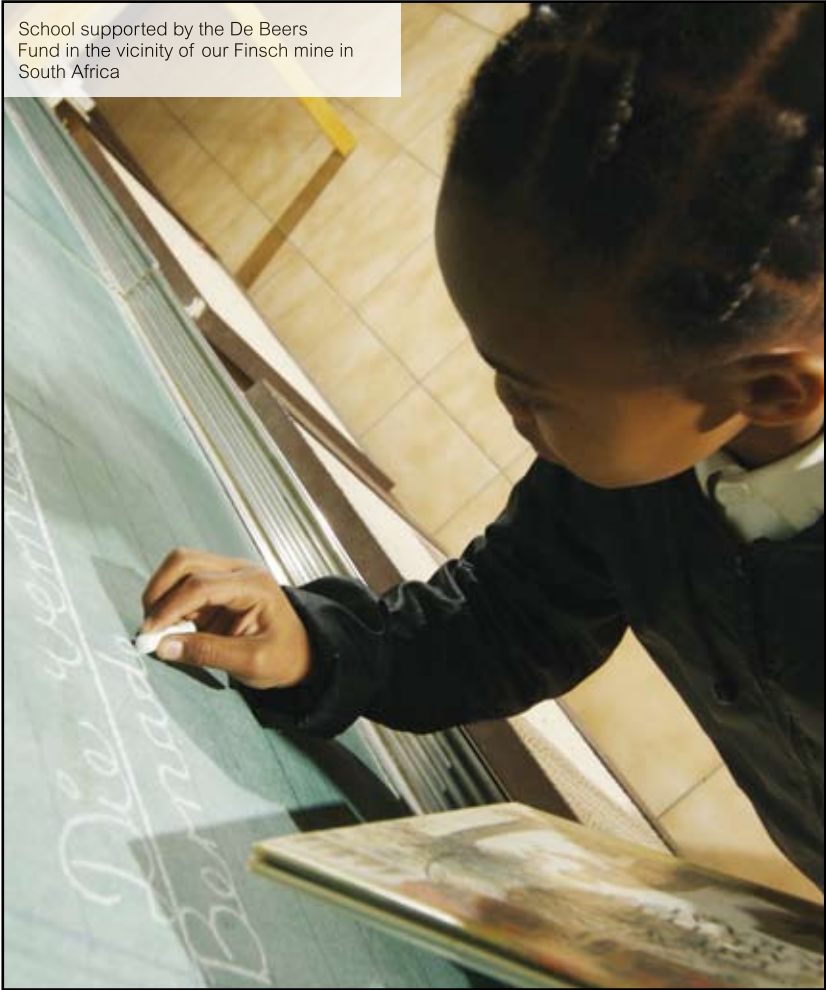
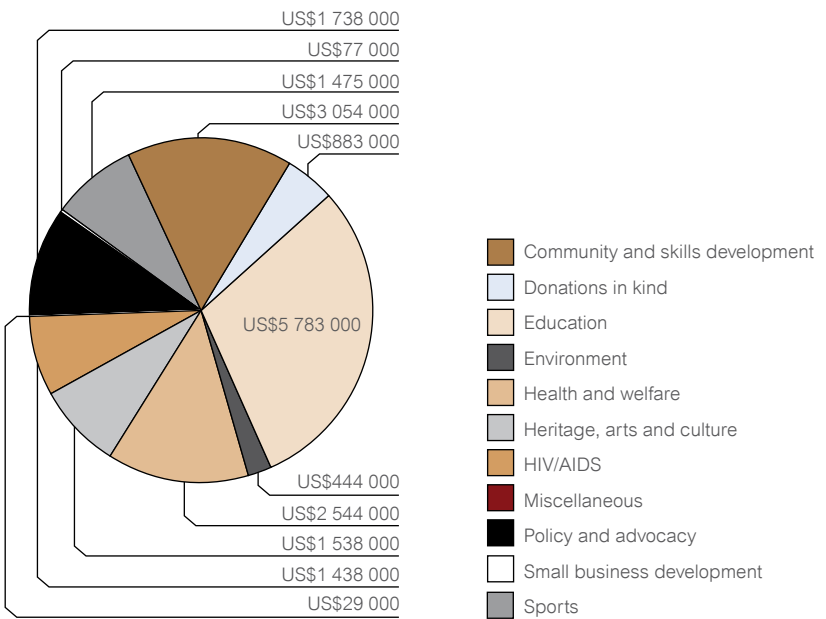


Figure 5-5: Social investment spend by category 2007



Skills development and capacity building

Skills development of local community members is a critical part of our business and is structured to secure lasting returns during and post-mining. Examples include construction of local community facilities, support for community based job creation, and training and enterprise development outside of our investment funds (p39). It also includes the provision of schools or health facilities. Notable examples can be found at Oranjemund in Namibia and Mwadui in Tanzania, where the Family of Companies operates and subsidises schools for both employees and members of the community.

Community HIV/AIDS programmes

Our community HIV/AIDS programmes recognise that our mines and employees are part of the community. Many of these communities are affected by HIV/AIDS. A number of partnership based programmes have been established to respond to this challenge. These include support for education and awareness building initiatives, outreach and training support in the community and home-based care support.

In some countries care also includes access to doctors, pathology testing, nutritional supplements and access to medication through company hospitals. The De Beers Community HIV/AIDS Partnership Programme (DBCHAPP) at DBCM works with local and national government, international donor agencies, NGOs and community-based organisations in an effort to provide support for those affected by HIV/AIDS. One of the first partnerships announced under the DBCHAPP was with Soul City.

Venetia employees schools initiative

The DBCM Gain Share Scheme is a performance related bonus mechanism for employees in South Africa. While the scheme seeks to drive profitability against certain business targets, it will not be to the detriment of the health and safety of employees. If the safety targets are compromised, part of the business unit's incentive bonus will be deducted and allocated to social investment projects in the local communities. In 2006, Venetia mine suffered a fatality. As a result, in 2007 US\$1.8 million (R12.5 million) from the bonus scheme was allocated to schools in the Blouberg and Musina municipal areas, communities directly associated with the mine and its employees. The deceased employee, Michael Masindi, had a passion for education.

The identification of schools was completed collaboratively between the Venetia mine, the De Beers Fund, the National Union of Mineworkers (NUM) as well as the Limpopo Department of Education. A communications campaign was developed, including a website, newspaper adverts, printed leaflets and a media statement sent to local radio stations and newspapers.

Schools in need of financial assistance for the purchase of equipment, investment in infrastructure or teacher training were encouraged to apply for funding. Each school was asked to provide information on governance, financial management and school achievements.







A total of 90 applications were received. These were evaluated by a multi-stakeholder panel including participants from the mine, unions and the De Beers Fund. A total of 56 applications were approved and will receive funding in 2008. Information gathered through this initiative will also be used to inform future schools interventions in the Limpopo province.







Case study

Voices of stakeholders

“I was involved in the school initiative from the beginning. The selection process was fair, the set criteria were followed and the whole team agreed on each and every decision. The Venetia NUM branch was involved and supported the initiative.”

Source: Freddy Rakopo, NUM full time shop steward

 www.clintonglobalinitiative.org
 www.tsi.org.za
 www.worlddiamondcouncil.com
 www.num.org.za
 www.trialogue.co.za
 www.namdeb.com

 www.debswana.com
 www.grassrootsoccer.org
 www.jewelersforchildren.org
 www.naccw.org.za
 www.northern-cape.gov.za
 consaude.net

Soul City community training programme – year 2

Around 22.5 million people in sub-Saharan Africa are currently living with HIV/AIDS. South Africa is one of the worst affected countries with a prevalence rate of 18-20%. The Soul City partnership aims to develop positive behaviour change in affected communities through interventions that concentrate on prevention, education and training. The programme trains master trainers in the community who then cascade critical health and HIV/AIDS messages further into the community using Soul City media material. De Beers has committed US\$1.1 million (R7.5 million) over a period of three years to support this programme (2006-2008). Up to 50% of the funding is allocated to training in communities around our mines in South Africa. The balance is used at a national level.

In addition to building community awareness, the programme is also viewed as an extension of our workplace HIV/AIDS initiatives (p68). It reinforces many of the prevention messages communicated to employees, who themselves are also members of the community.

The Soul City programme aims to include communities in the education of others about HIV and AIDS. This collaborative approach has provided a platform for many stakeholders, including community leaders, local government and community based organisations, to engage together on HIV/AIDS challenges and to identify opportunities for further collaboration. For example, in the communities associated with the Finsch mine, NGOs such as the Community Skills Training College, Thusano Trust and Grassroot Soccer work closely with the programme. They use Soul City materials to ensure age-appropriate information reaches those who need it most. Thusano Trust specialises in early childhood development. It currently provides HIV and AIDS education to about 130 rural pre-schools. Grassroot Soccer has found Soul City community trainers to be invaluable due to their broad knowledge of HIV and AIDS and their training skills. Some community trainers have even been offered permanent employment within the government or with other organisations.

The Human Sciences Research Council was commissioned to evaluate the process and impact of the programme. The evaluation included a number of the communities near our DBCM operations, including the Finsch mine. It found that the programme added significant value to other existing HIV/AIDS initiatives and made real impacts on the empowerment and capacity building of HIV/AIDS coordinators and trainers. The Soul City training materials and approach were cited as key reasons for the success. The Soul City programme was also seen to further strengthen the relationship between our mines and neighbouring communities. Furthermore, communities in the vicinity of our mines were found to have a higher than average level of awareness with respect to HIV/AIDS prevention, condom use and voluntary counselling and testing.

Education is the most powerful weapon in our fight against HIV/AIDS. The Soul City programme provides individuals and communities with the knowledge to take direct responsibility for their health and wellbeing. Areas for further improvement in 2008 include the empowerment, support and provision of resources for master trainers and NGOs. This will promote additional awareness and training initiatives. We will also look to incentivise trainers, provide links to services in communities and attract the active involvement of local government to ensure sustainability of the programme.



Soul City training and awareness raising in the vicinity of our operations in South Africa

 www.soulcity.org.za

 www.hsrc.ac.za

Learning from mistakes

Historically our social investment has been delivered separately by each of the operating companies through a range of diverse initiatives. The most well known mechanism is the De Beers Fund in South Africa. Others include the Namdeb Social Fund in Namibia and work undertaken by Debswana and WDL.

The De Beers Fund is independently managed by TSI and has rigorous project selection and management criteria governed by its Board of Trustees. In 2007, it was ranked as the fifth best corporate grant maker in South Africa in Trialogue's 2007 Corporate Social Investment (CSI) Handbook, based on the perceptions of South African companies and non-profit organisations. This ranking is partly attributable to the effective and responsible manner in which the Fund and its investments are managed. In 2007, the Fund disbursed US\$4.6 million (R32.5 million) through more than 142 different projects in South Africa. Outside of the De Beers Fund, social investment has historically been *ad hoc* with insufficient monitoring and project management. In 2007, we formed a Corporate Social Investment working group charged with enabling a strategic approach to investment across the Family of Companies.

We are also developing a best practice guide to social investment that articulates our vision of strategic philanthropy. It will empower social investment practitioners across the Family of Companies to make better decisions, focus on project outcomes and build enduring partnerships with stakeholders. The guide will be progressively implemented during 2008 and will help ensure that all our social investments meet the same high standards as the De Beers Fund.

Nursery school supported by the De Beers Fund in the vicinity of our Finsch mine in South Africa



10th anniversary of the De Beers Saturday School programme

The Saturday School programme was born in 1997 from a conversation between employees that noticed literacy problems in the secondary education of their children. Its primary objective is to assist Grade 10, 11 and 12 children with maths, science and English as the language of education in South Africa. It also offers engagement with real world engineers and scientists, as well as career guidance and education tours to universities and science fairs in an effort to encourage more learners to consider the technical or science disciplines as a career.

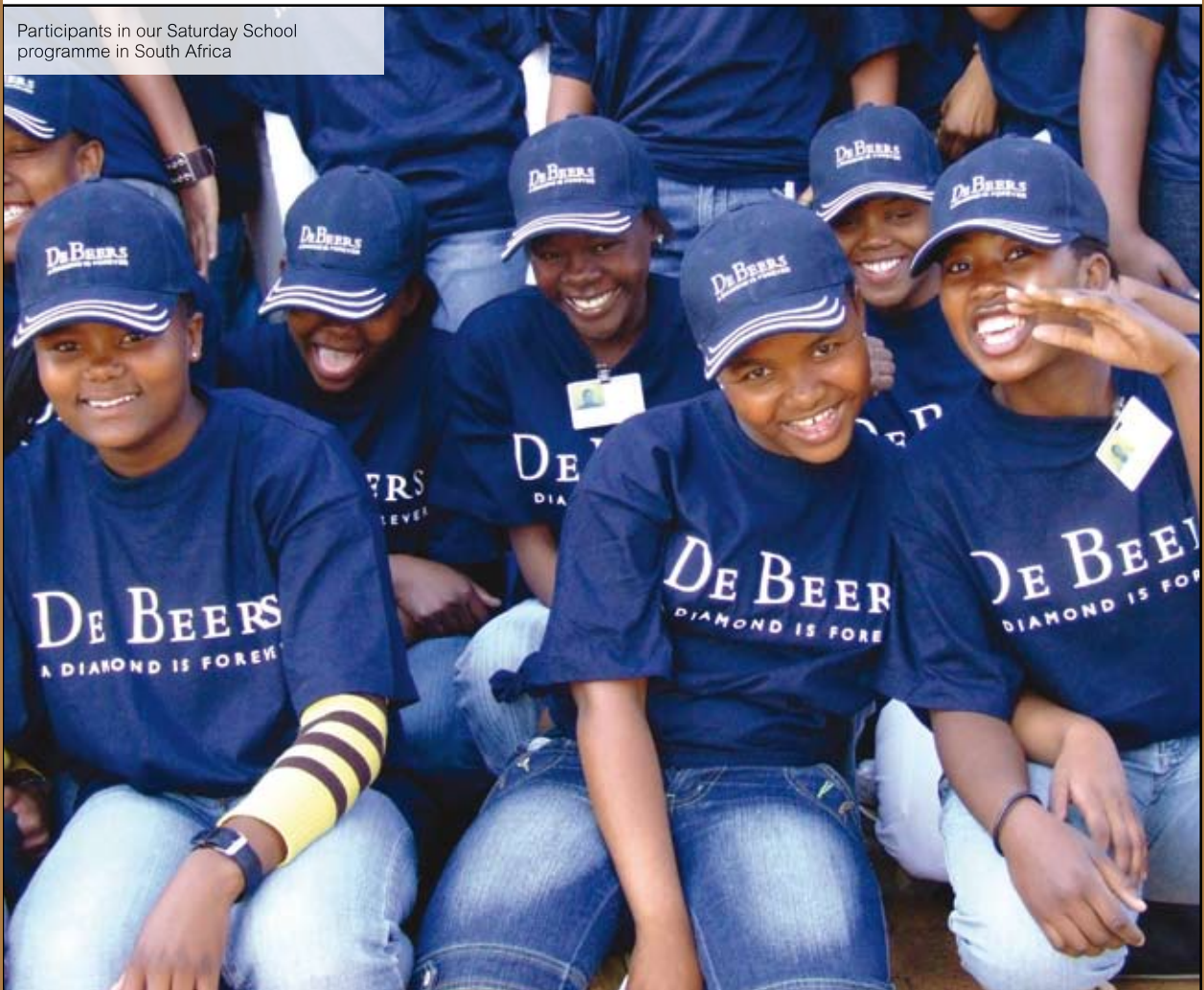
Learners at the school commit to a rigorous programme of work, including regular attendance and weekly homework. It has an annual budget of US\$71 200 (R500 000).

The Saturday School was originally staffed by volunteer tutors from DebTech, the De Beers technology division. Today it includes professional teachers alongside volunteers from the wider De Beers employee community and beyond. Since its inception, more than 80 volunteer teachers and 1 500 learners have contributed to, and benefited from, the programme.

Alumni include professionals such as doctors, lawyers, accountants and engineers. The School is free and is open to the children of employees as well as children from eight disadvantaged schools around Soweto.

The School is constantly evolving in response to the needs of its learners. It needs more volunteers, not just in core school subjects, but also in general life skills and the important area of career education. This includes coaching on goal setting, problem solving, project and time management.

Participants in our Saturday School programme in South Africa



Isibindi Programme in Northern Cape wins award

Isibindi is an integrated, community based childcare programme in the Northern Cape, South Africa. It trains childcare workers in the community to provide support for orphans and children made vulnerable by HIV and AIDS. The programme was first piloted in Donkerhoek with De Beers Fund sponsorship of US\$256 000 (R1.8 million). It was then extended to five additional sites in Galeshewe with joint funding from the United States based charity Jewellers for Children (JFC) to a total value of US\$484 000 (R3.4 million) to date.

Other partners include the National Association of Child Care Workers (NACCW), the Northern Cape Department of Social Services and Population Development (DSSPD) and a number of local NGOs.

In 2007, De Beers and its partners were awarded first prize in the Investing in Life category of South Africa's Mail and Guardian Investing in the Future Awards. Though the award was made to De Beers for its support of the Isibindi programme, it was important for the company to

acknowledge the role of all the programme partners. It would have been ideal to also include representatives from the local NGOs who are implementing the programme on the ground.

The programme continues in 2008 and beyond, with increased focus being placed on the monitoring and evaluation of performance and the sustainability of an independent child care agency to be established in the Kimberley area of South Africa.

Case study

Health partnership with CONSAÚDE in Angola

CONSAÚDE is an Angolan NGO that works alongside government in the management and administration of community health. In 2007, De Beers Angola Prospecting established a two year partnership with CONSAÚDE. The partnership aims to provide education on the prevention and combating of endemic diseases including malaria, tuberculosis, HIV/AIDS and diarrheic endemics.

The partnership focuses on our employees, their families and local communities near our Lucapa exploration activities in Lunda Norte province, Angola. Project participants have already visited 1 694 families to provide educational information on the prevention of disease. In September 2007, 3 420 children were vaccinated in partnership with the National Department of Health.

We are currently producing awareness raising and educational material including banners, posters and videotapes to assist in the prevention and management of HIV/AIDS. The project has built a local community centre and drilled two water holes to improve access to clean water and sanitation.

Case study

Voices of stakeholders

“I am an entrepreneur today because of my experience in the Saturday School ... Saturday School is a brilliant social responsibility and investment that will pay off in the long term to the company and South Africa as a whole.”

Source: Karac Chitaka, Former student

Voices of stakeholders

“Thank you for making my daughter's dreams come true. When she was a girl full of hope, wishing for a brighter future ahead of her ... a brother and a little sister discouraged her ... but she realised through your programme that she could make it and that nothing was impossible.”

Source: Doris Mafiri, Parent

Voices of stakeholders

“The whole of Soweto knows what we are doing here and many of our past pupils come back to help us. It teaches people the importance of giving back.”

Source: Thabang Modise, Teacher

Responsible stewardship

Diamond mining impacts the environment directly because of its need to access, use and manage land and water resources. It impacts the environment indirectly by acting as a catalyst for further economic development. The exact nature of these impacts is different for every operation we manage.

The stewardship of environmental resources is a core part of our commitment to the future of the countries in which we operate. We recognise these resources as a national asset aligned in importance to diamonds. Managing these assets responsibly means working systematically across the diamond value chain to prevent or minimise the negative impacts of our operations. It means being efficient in our management and use of natural resources.

It also means responding proactively through innovation to address and manage issues material to stakeholders. Measures include conservation projects, research on biodiversity, energy and climate care programmes and water management technologies. The proficient and responsible management of natural resources is integrated into aspects of our business, and monitored and audited as part of our commitment to continuous improvement.

Environmental stewardship is as much about people as it is about conserving our heritage for future generations. It is about building competence and consistency across the Family of Companies, and also working in partnership with government and other stakeholders, such as NGOs, to address issues of local and national significance.

Highlights in 2007

◇ *ISO 14001 is in place at all of our major mining operations*

◇ *More than 185 000 hectares (ha) of our owned and managed property is set aside as nature reserves that conduct research on biodiversity*

◇ *Energy consumption increased to 16.25 million GJ (2006: 14.47 million GJ) due to the increased age of our operations and expansion of our activities. An Energy and Climate Strategy and peer group have been implemented to increase efficiencies and reduce associated emissions*

◇ *We used 58.57 million m³ of water at our mining operations (2006: 58.50 million m³). About 20.7% of this was re-used or recycled. Stringent targets have been set for our Debswana and DBCM mines*

Forest in the vicinity of our exploration activities in the Democratic Republic of Congo (DRC)



Figure 6-1: Issues relevant and material to our stakeholders that are addressed in this chapter¹

ISO 14001 certifications	p100
Our Environmental Performance Reporting Application (EPRA)	p100
Biodiversity management and protected areas	p104
Our mining footprint	p105
Energy consumption and efficiency	p110, p114
Energy accounting and targets	p20, p110, p112
Carbon dioxide and sulphur dioxide emissions	p115
Water management	p116
Water consumption targets	p20, p116
Hazardous materials	p118
Waste and recycling	p119

¹ Identified partly through our Managers Perception Survey, Multi-Stakeholder Forum and in our quarterly Diamond Dialogue roundtables (p11)



An evolved strategy

3.9 3.10 4.8 4.11 4.12 4.16 EN23 EN26

EN28 SO8 MM5 MM12 7 8 7

The Report to Stakeholders 2005/6 presented our strategy for responsible stewardship of the environment. It included six focal areas: biodiversity, energy and climate change, water management, materials and waste, social assessment and lifecycle and closure planning.¹ At the core of this strategy was the aim to ensure line management accountabilities are clearly established. Many of these issues are now directly addressed by technical managers to ensure integration with core operational functions. These managers are supported by more than a hundred environmental professionals across the Family of Companies, who provide specialist input to ensure environmental impacts and the relevant and material concerns of stakeholders are addressed. Our current strategy is focused on enhancing our processes in different parts of the diamond value chain.

It does this mainly through the development and implementation of guidelines, and specific focus on the key areas of biodiversity, energy and climate change.

A number of steps were taken in 2007 to improve our environmental performance. This included the implementation of environmental guidelines and skills relevant to each stage of the diamond value chain (Figure 6-2). It also included the ongoing review of our Environment Policy and strategy, the development of a distinct Energy and Climate vision and strategy. DBCM developed its own Energy and Climate Change Policy and Water Management Policy. Specific performance targets have already been established in relevant areas in the Family of Companies and are being monitored. All environmental data is collected through our Environmental Performance Reporting Application (EPRA).

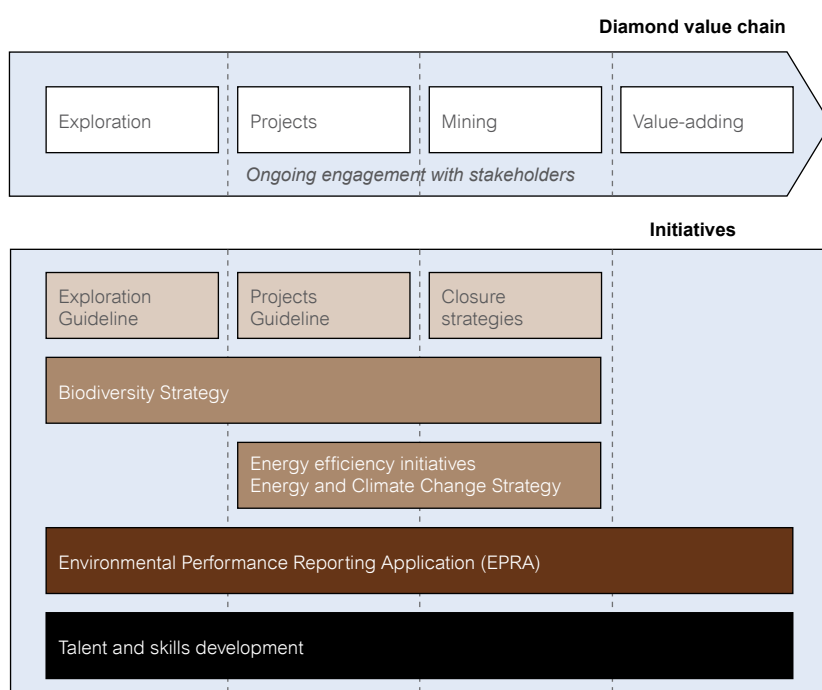
Beyond ISO 14001

Our commitment to obtaining International Organization of Standardization (ISO) 14001 certification at key operations is embedded in our Principles and Environment Policy.

At the end of 2007, 100% of our diamond mining operations were certified to the environmental management system standard (p9). This now includes the Williamson mine in Tanzania and our DTC operations in Kimberley. In addition, formal guidelines have been implemented to assist in the assessment and contracting of our third party ISO 14001 auditors. These criteria ensure auditors are sufficiently rigorous and comply fully with the requirements of the ISO 14001 standard.

All of our operations are also subject to the third party verified BPP Assurance Programme. This includes criteria on pollution prevention, emissions minimisation, waste minimisation and emergency preparedness (p16).

Figure 6-2: Strategic initiatives to reduce our environmental impact



Performance reporting application

The implementation of EPRA in 2006 is helping to improve the process, rigour and frequency of data collection. EPRA facilitates systematic data capture of our environmental indicators on a monthly basis across most of our entities. This enables the analysis and verification of current data, as well as the review of historical information. Statistics presented in previous reports have been reviewed and are restated in the following pages to reflect the increased rigour in data collection.

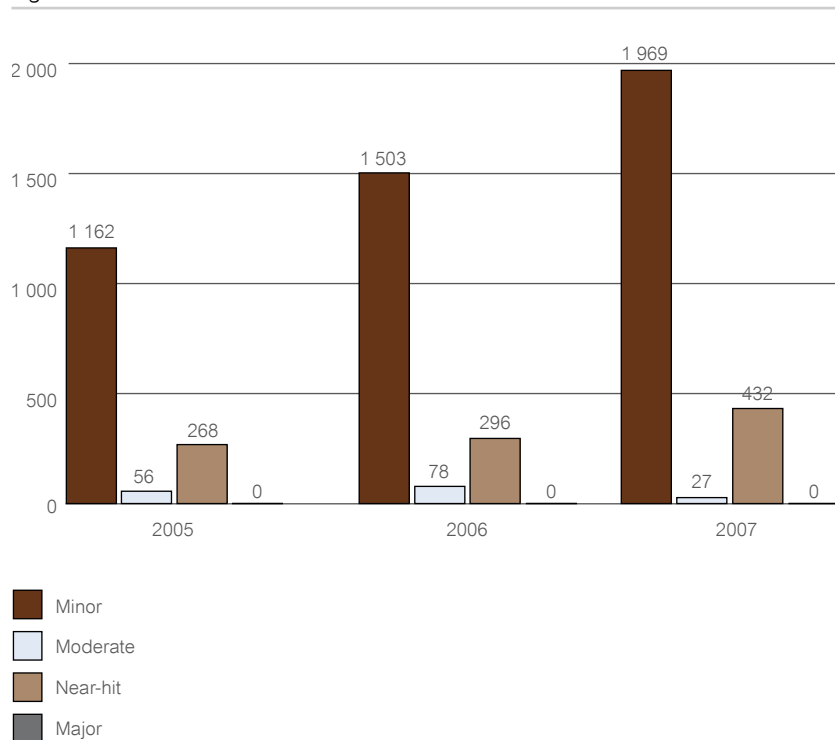
¹ Social assessment issues have now been integrated within the remit of the communities workstream and peer group (p84)

The implementation of EPRA also helps improve our ability to measure our performance against stakeholder engagements and issues (Figure 6-1). Ongoing stakeholder engagement is undertaken for all projects and operations as part of the impact assessment process (p85, p87), through ISO 14001 and in planning for closure (p41).

Talent and skills development

Our Environmental Peer Group was established in 2005. The peer group is the environmental leadership team for the Family of Companies and has a reciprocal representation with the equivalent working group at Anglo American. It facilitates knowledge-sharing as well as the continual improvement of our management, efficiencies and performance through a coordinated and agreed strategy. The group meets formally at least quarterly (p18) and there is also frequent engagement between each meeting.

Figure 6-3: Environmental incidents¹



¹There have been no major environmental incidents, including spills, at our operations since 2003. The recent increase in other incidents is partly due to the inclusion of Snap Lake and SASA within the EPRA accounting process. No environment related fines were levied in 2007.



With peer group input, the Environmental Principal makes recommendations to the De Beers Environment, Community, Health and Safety (ECoHS) Committee and to the Executive Committee. As a result there is a direct line of communication to the De Beers Board. Recommendations relate to the Environment Policy, strategy and key risks for the Family of Companies. In 2007, the peer group focused on energy and climate, as well as biodiversity. Five papers were submitted to the Executive Committee. These were mainly on our Energy and Climate Change Strategy and performance (p110).

This last year also saw the formalisation of peer groups on biodiversity, energy and climate to advance our performance and inter-company collaboration. Separate water management peer groups exist at Debswana and DBCM, as both of these business units have operations located in water scarce-environments.

Our 4th *Annual Environment and Community Conference* took place between 12-14 September 2007 in Gaborone. It addressed the theme of “environment through the diamond pipeline”. It was attended by over 100 staff members from different business units across the Family of Companies in addition to some external stakeholders. Twenty-one papers were presented, covering issues ranging from impact assessment and mine planning to environmental rehabilitation.

The conference is an excellent vehicle through which to share knowledge and experience across the Family of Companies and to encourage inter- and intra-disciplinary relationships.

Exploration and Projects Guidelines

The Family of Companies is developing a suite of guidelines to support decision-making across the diamond pipeline. The guidelines build on best practice standards including our own Principles and policies, the UN Global Compact, the Equator Principles and relevant legal and other requirements. Guidelines have already been developed for exploration and projects, and are currently in progress for closure planning.

The Exploration ECoHS Guideline assists exploration staff in managing environmental, community, health and safety issues by providing information on a range of issues and prompting them to ask certain pertinent questions. This includes





questions relating to negotiating access to land, camp planning and management, and preparing an exit strategy. The Projects Environmental and Social Guideline provides information and guidance on environment and community work required as part of the project lifecycle. It also proposes environment and community “gate release criteria” to be assessed at the end of each project phase.

The guidelines propose minimum requirements to successfully meet assurance reviews and are applicable to all entities across the Family of Companies. They also support our socio-economic and environmental baseline studies and impact assessment work. Impact assessments are carried out at the early stages of new projects.

Wildlife in the vicinity of our De Beers Canada operations



They are also carried out where gaps exist at current operations. In line with our Principles, impact assessments require constructive engagement with stakeholders and consideration of their viewpoints and concerns as an integral part of decision-making and communications (p11, p84).

-  www.unglobalcompact.org
-  www.equator-principles.com
-  Projects Environmental and Social Guideline
-  Exploration ECoHS Guideline

Exploration team members complete magnetic surveys in the DRC



Environmental rehabilitation in the Sperrgebiet region of Namibia

Rehabilitation work in and around our Oranjemund operations aims to restore disturbed vegetation areas along access roads to the future Sperrgebiet National Park, and near our old mining and road works. A pilot study is drawing on local expertise from Namdeb in partnership with the Ministry of Environment and Tourism. It also draws on the international experience of the Millennium Seed Bank Project and the Royal Botanic Gardens, Kew. The Sperrgebiet National Park is earmarked for possible inclusion in the new Cape to Namibia tourism route via the Ai-Ais Richtersveld Transfrontier Conservation Area.

A number of areas along key roads have already been rehabilitated as part of our pilot to identify appropriate re-vegetation methods.

Rehabilitation trials in the Sperrgebiet region of Namibia



Pollution, scrap metal and waste have also been removed and the land surface has been prepared to facilitate natural re-growth. Many formerly vegetated areas have been re-planted. Manual rehabilitation work (e.g. the raking of tracks) is extremely effective and creates opportunities for employment in this arid environment. The cost of the pilot study is approximately US\$1.28 million (N\$9 million).

The study will continue in 2008 and beyond. This will include further identification of areas requiring rehabilitation, as well as further testing and monitoring of replanting methods. Formal agreement on the proposed rehabilitation plan and completion criteria will be sought from all stakeholders.

 www.kew.org/msbp

Biodiversity

1.2 4.8 4.12 EC8 EC9 7 8 7

The fauna and flora of the countries in which we operate are important national assets. The conservation and management of this biodiversity is central to our stewardship of the environment. Our framework for managing biodiversity includes guidance, impact assessment and conservation initiatives. We promote the sustainable use of ecosystems we manage in partnership with our stakeholders to ensure learning is shared with society.

Our Biodiversity Peer Group was established in late 2006 with the specific aim of improving and formalising our Biodiversity Strategy. The strategy is focused on:

- Understanding the extent to which our land holdings and operations overlap with areas of high biodiversity importance, including protected areas, and developing our approach to operating in these sensitive environments.
- Developing biodiversity strategies and action plans for all operations based on international guidelines.
- Proactively identifying and supporting biodiversity research activities in and around our operations according to defined guidelines and partnering with conservation organisations to enhance our biodiversity efforts.

Oppenheimer family commended for outstanding contribution to environmental conservation

Case study

Nicky Oppenheimer and his wife Strilli Oppenheimer were jointly presented with the prestigious WWF-Lonmin Award for environmental conservation on 15 June 2007. The award is in recognition of their extraordinary commitment and contribution towards conservation projects aimed at fostering biodiversity with respect to mammals, birds, insects, fish, reptiles and vegetation. One of the projects noted in the award was the "Diamond Route". The Diamond Route is a partnership between De Beers, the Oppenheimer family company (E. Oppenheimer and Son) and AGRED (the African Gamebird Research, Education and Development Trust). The initiative serves as a collective brand for bird conservation areas dedicated to biodiversity protection and ecotourism. Nine De Beers and Oppenheimer properties, situated in Gauteng, Northern Cape and Limpopo Province, have opened about 250 000 ha of ecologically rich and diverse protected areas to the public as part of the project.

 www.panda.org.za

 www.agred.com

 Report to Stakeholders 2005/6 (p114)



Strilli and Nicky Oppenheimer collect the WWF-Lonmin award in Johannesburg

Voices of stakeholders

“This Award is a fitting acknowledgement of the outstanding contribution De Beers and the Oppenheimer family have made to environmental conservation in our beautiful country.”

Source: Mark Read Chairman of WWF South Africa

Voices of stakeholders

“Diamonds are demonstrating that they can contribute in new ways to development in Africa, beyond those associated with the purely traditional economic benefits. Conservation is as much about people as it is about conserving our heritage for generations to come.”

Source: Nicky Oppenheimer, Chairman, De Beers sa

Our footprint

EN11-14

Mining companies secure licences for large areas of land in anticipation of an economically viable deposit being identified and developed. Only a small portion of this land is actually disturbed by mining activities. At the end of 2007, our mining activities had disturbed 35 749 ha (3.72%) of the 960 792 ha of licence areas in which we operate (2006: 37 564 ha of 931 164 ha) (Figure 6-4). In the marine environment, our mining licences cover 1 536 000 ha (same in 2006). Mining activities to date have directly disturbed 4 312 ha (0.27%) (2006: 3 697). Environmental management programmes at each of our mines include rehabilitation plans for overburden dumps, excavations and fine residue deposits, which collectively account for most of our mining footprint. Over 4 000 ha of our licence areas are currently undergoing rehabilitation. Much of the overall disturbance footprint is from many decades of mining, particularly on the southern African coast, an area that has been the focus of careful rehabilitation planning and programmes.

Biodiversity assessment and protected areas

EN11 EN15

The Family of Companies has no mines in formally protected areas. Our exploration team conducts a six monthly review and mapping of all our ground holdings against the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC) Protected Areas database. The review draws on the International Union for Conservation of Nature (IUCN) protected area categories and is completed at a country level. Results from these studies inform future decision-making with respect to impact assessment and the feasibility of mining projects.

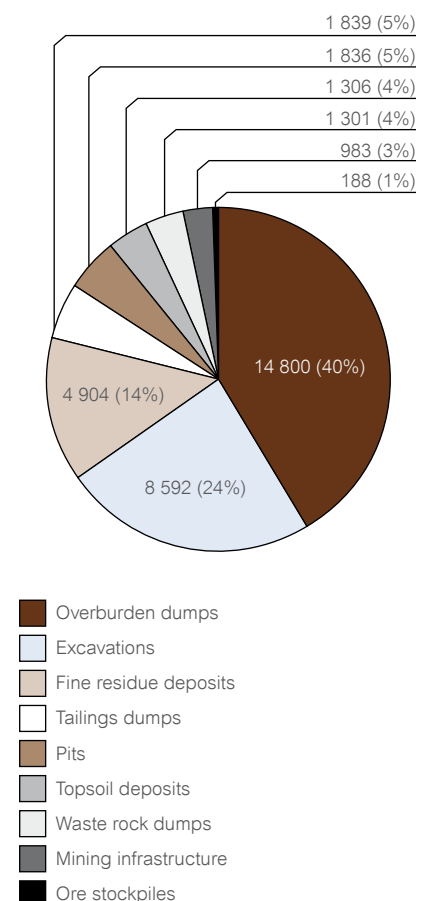


Results from these studies also help ensure we respect legally designated protected areas and World Heritage Sites. We are currently expanding this mapping to include areas of high biodiversity importance. We are also working on the development of Marine Protected Areas off the west coast of South Africa with the National Biodiversity Institute and WWF-SA.

Exploration

Biodiversity evaluations are included in all environmental impact assessments and environmental management plans for exploration activities, project planning and mining operations. This includes the identification of any rare, threatened or endangered species. A recent environmental impact assessment conducted as part of our exploration activities in the Haenertsberg area of South Africa identified the presence of blue swallows (*Hirundo atrocaerulea*) and sensitive grasslands. Blue swallows breed in southern Africa and winter further north. They are classified as vulnerable on the IUCN Red List.

Figure 6-4: Our land footprint 2007 (ha)



Impact assessment at the Voorspoed project in South Africa



A training programme was put in place by scientists at the University of the Witwatersrand to improve awareness and ensure our activities were not disruptive to the species. Efforts in this regard included the cessation of all work during the blue swallow breeding season.

There are also procedures in place for field camps and prospecting operations aimed at minimising our impact on biodiversity during exploration. These include specific procedures on the establishment, decommissioning and rehabilitation of field camps, and the management of field camp sanitation.

Voorspoed

The environmental impact assessment conducted at our Voorspoed project in South Africa was completed under the Environment Conservation Act (1989). Specialist studies were undertaken to ensure compliance with all biodiversity requirements. Efforts included a rigorous review of previous land use and soil studies. This helped project engineers identify suitable locations for physical structures that will remain after the mine closes, such as tailings dumps. Stakeholder engagement and support from neighbouring farmers was invaluable in understanding the potential underlying risks associated with the placement of service infrastructure. This includes the avoidance of various sensitive areas, including graves and wetlands in project design and development.

Supporting the SANBI/WWF-SA Offshore Marine Protected Areas project in South Africa

The South African National Biodiversity Institute (SANBI) and WWF-SA Offshore Marine Protected Areas (MPA) project aims to develop a network for the conservation of South Africa's offshore biodiversity.

In partnership with SANBI and WWF-SA we will map prospected and mined marine areas to ensure pressures from mining are reflected in the forthcoming National Biodiversity Strategy and Action Plan. Our mapping project focuses primarily on offshore habitats and our mining activities in the Namaqua bioregion along the west coast of South Africa. It also aims to identify offshore areas that are not impacted by mining and to develop a specific Biodiversity Action Plan for the SASA ML3 mining area. The mapping process uses benthic (seabed) samples collected by the De Beers Marine submersible. These are archived on the SANBI GIS database.



This information helps improve understanding of marine biodiversity and enables the accurate assessment of how it is impacted upon by diamond mining. The associated SASA ML3 mining area Biodiversity Action Plan will explore mining and other biodiversity pressures with a view to identifying potential biodiversity conservation sites.

In the interest of providing opportunities for collaboration and the sharing of expertise, De Beers Marine has presented information on its benthic impact assessment programme in a number of stakeholder and scientific workshops. De Beers Marine support of the MPA project has helped SANBI and WWF-SA to attract the support and partnership of other companies operating in the offshore marine environment.

 www.sanbi.org

 www.panda.org.za

Case study

Biodiversity action plans

EN14 MM3

Biodiversity concerns are increasingly managed through our existing environment management systems and business processes. This framework and guidelines are consistent with international best practice, including the Good Practice Guidance for Biodiversity and Mining developed by the International Council on Mining and Metals (ICMM). De Beers is represented on the Protected Areas Working Group of Anglo American and tracks the dialogue between the ICMM and the IUCN, to ensure our performance is in line with industry best practice.

The Family of Companies is also working in partnership with Anglo American to implement biodiversity action plans at all our mining operations. These will draw on the existing Biodiversity Action Plan Guidelines and involve the systematic review of our existing management plans. This includes the integration of biodiversity management into our environmental management systems. Action plans will be allied with national development and conservation programmes and require ongoing site-level management, risk management, monitoring and reporting processes.

Our biodiversity action plans will require the formal allocation of responsibilities to senior mine personnel, as well as ongoing engagement and partnerships with local, regional and national stakeholders. Formal training on the development of biodiversity action plans will be held at our Venetia mine in February 2008, with action plans to be developed throughout the year.

Conservation research and partnerships

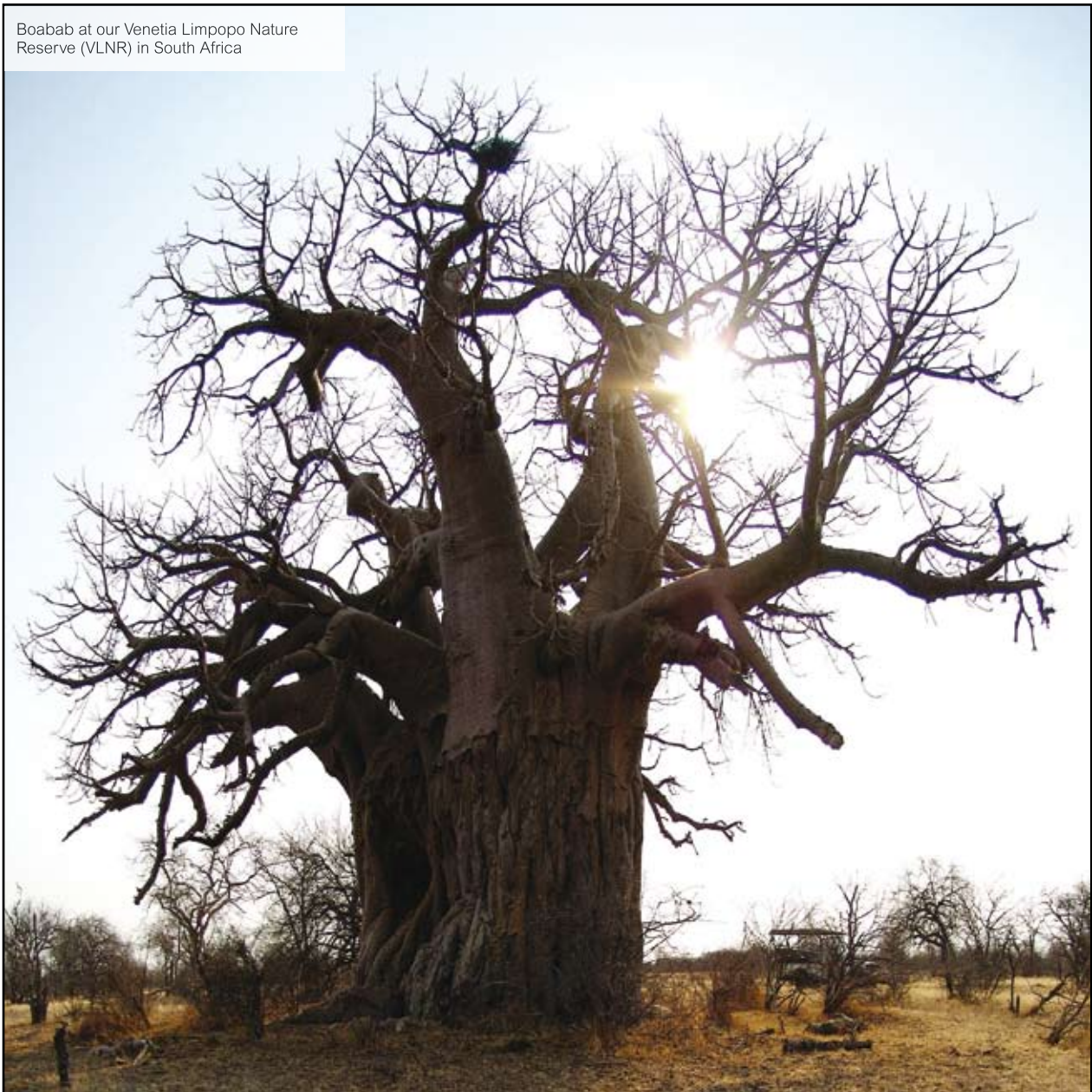
De Beers has a deep-seated commitment and established record in the field of wildlife conservation. Today more than 185 000 ha of owned and managed property are set aside as nature reserves. These reserves, as well as some of our associated research partnerships, are managed as a business unit through our Ecology Division.

Access to much of this land is shared with local communities, academics, field researchers and others as part of our commitment to biodiversity conservation as well as research into endangered and vulnerable species and ecosystems in southern Africa. Detailed descriptions of these programmes and case studies were presented in the Report to Stakeholders 2005/6.

Socio-economic benefits

Our conservation activities aim to demonstrate that responsible biodiversity management can generate sustained economic benefits for local communities. Qualified staff, consultants and academics continue to collate information on species and land use from the properties we own and manage. This has enabled the development of ecologically

Boabab at our Venetia Limpopo Nature Reserve (VLNR) in South Africa



sustainable and financially viable management programmes, including our aerial wildlife census work and the capture, sale and relocation of wild game from De Beers nature reserves. Our Rooipoort Nature Reserve in the Northern Cape of South Africa is one of the largest single private suppliers of wild game to conservation areas, private nature reserves and game ranches in southern Africa.

Research on rehabilitation

Conservation and research partnerships taking place across the Family of Companies include research on vultures at the Orapa mine, cheetahs at the Jwaneng mine, wild dogs at the Venetia nature reserve, and brown hyenas in the Sperrgebiet, Namibia. Further research on rehabilitation of our Namdeb land-based operations in the Sperrgebiet region is being

completed in partnership with the Millennium Seed Bank Project and the Royal Botanic Gardens, Kew. Similarly, our Namaqualand mine in South Africa is working with the University of Cape Town on soil integrity and rehabilitation, as well as the training of community members to conduct rehabilitation trials. Our Kimberley operations have engaged the University of Stellenbosch to conduct similar research.

Southern African Wildlife College, South Africa

The Southern African Wildlife College, which is based in the Kruger National Park, was established in 1997. It provides conservation education and training for staff of wildlife areas throughout Africa, many of whom have not had previous formal training.

The location of the college ensures regular exposure to wildlife and the development of practical field skills for students. The college was established with the support of WWF-SA and funding received from the German government.

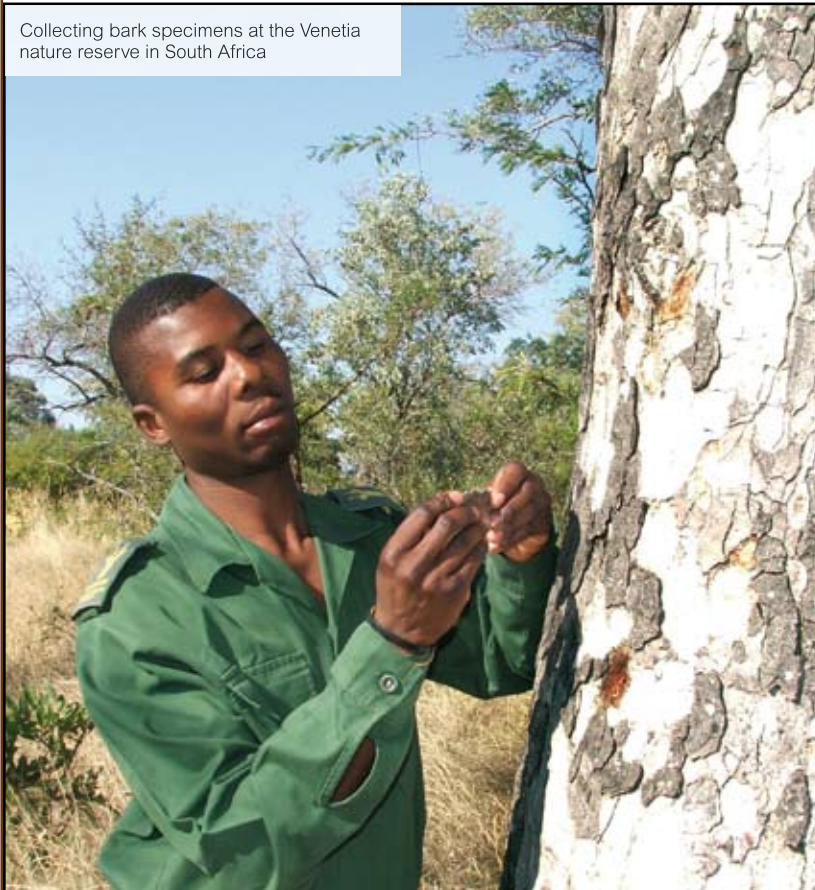
More than 400 students from 17 countries in Africa (mostly from within the Southern African Development Community region), have graduated with either a Diploma or Certificate in Natural Resource Management.

This training has been made possible through the support received from individuals, donor agencies and companies. It includes practical and relevant park management skills. De Beers has contributed towards training costs over a few years and has also directly supported the training of 18 staff members of parks within South Africa through the provision of bursaries.

www.sawc.org.za

www.sadc.int

Collecting bark specimens at the Venetia nature reserve in South Africa



Voices of stakeholders

“Before enrolling to this course I had no other ways to stop poaching other than catching those who kill animals. Now I know that in order to achieve conservation objectives I need to involve the neighbouring communities in conservation in order to change their attitudes towards the protected areas.”

Source: Anton Mzimba, Field Ranger, Timbavati Nature Reserve in Limpopo Province

Energy and climate

1.2 4.8 4.12 EC2 7-9 7

The Family of Companies aims to be acknowledged as a responsible energy user and to make a positive contribution towards combating climate change. This is part of our effort to address societal concerns over carbon emissions and focus on sustainable development. It means taking a responsible approach to ensuring that our mines have adequate energy for sustained business growth. The increasing rigour of our energy management is informed by emerging national legislation and the imperative of energy security in our diamond producing countries. Canada and South Africa have clear national targets relating to energy use and carbon dioxide (CO₂) emissions.

The South African National Energy Efficiency Strategy also calls for the use of creative mechanisms to enhance energy security, improve industrial competitiveness, reduce CO₂ emissions, create employment and contribute to the alleviation of poverty. DBCM has signed the national Energy Efficiency Accord and undertaken to reduce absolute energy use by 15% by 2015 from the 2005 base level.

The Family of Companies will ensure estimates of present and future energy costs are included in investment plans, risk reviews and accounts. Formal guidelines on responsible energy use will be developed in 2008 for implementation in 2009.

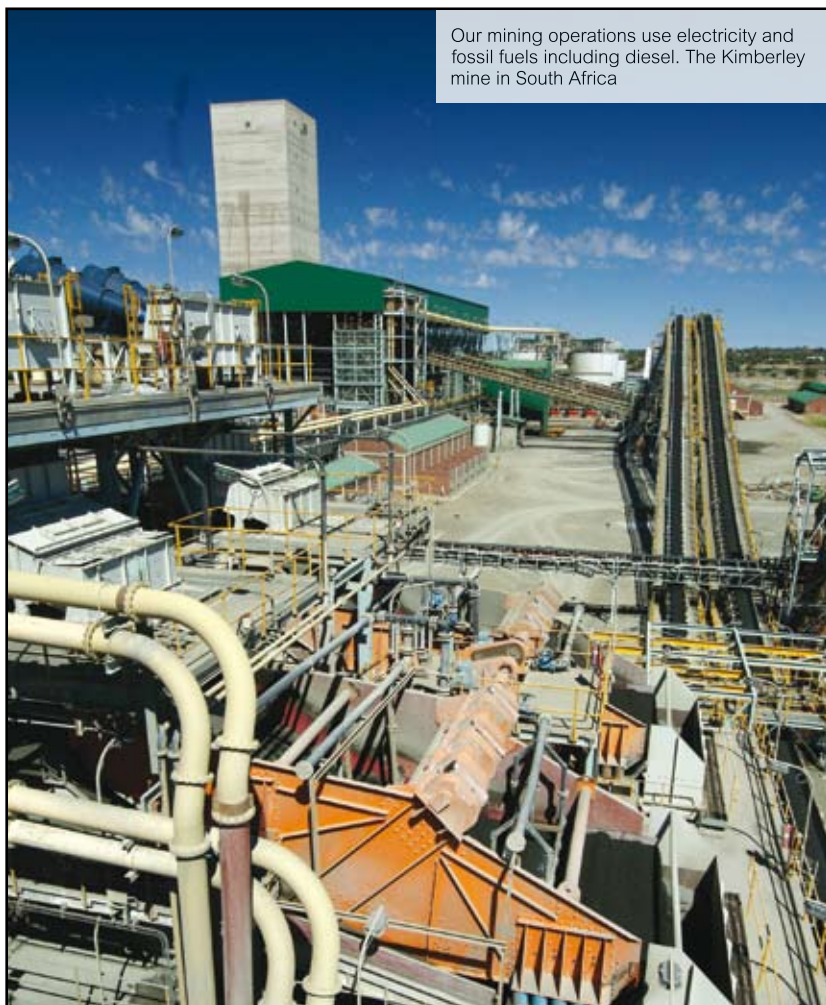
Benchmarking our performance

Our energy and climate performance has improved significantly over the last year. In 2007, we completed our latest sustainability benchmarking exercise using criteria developed for the Dow Jones Sustainability Index to assess progress since we first conducted this exercise in 2005. The 2007 assessment scored De Beers at 55% compared to a sector average of 29% and a sector leading score of 83%. This compares to a 2005 score of 13% compared to a sector average of 39% and a sector leading score of 82%.

We also commissioned a separate external review to compare our management of energy and climate issues against that of other global businesses. Recommendations included the need for more rigorous and comprehensive energy and greenhouse gas (GHG) accounting and reporting, the need for more rigorous and applicable energy and GHG emission targets, as well as the need to address carbon liability and intensity as part of the project investment process.

Our energy strategy

Last year saw the implementation of our Energy and Climate Change Peer Group and formalisation of our evolving Energy and Climate Change Strategy (Figure 6-5). The strategy is comprised of six work streams, including those on risks and opportunities, measures and indicators, energy efficiency and renewable energy, and communication. These work streams are driven by sub-groups of our Energy and Climate Change Peer Group.



Our mining operations use electricity and fossil fuels including diesel. The Kimberley mine in South Africa

Questions from stakeholders	Learning more about risks and opportunities	Improving our measures and indicators
<p>Has the Family of Companies established clear energy and climate change targets?</p> <p>Our Report to Stakeholders 2005/6 made a commitment to identify additional energy use and emissions targets for the Family of Companies.</p> <p>Our delay in identifying these additional targets is mainly because of the need to ensure accurate energy and greenhouse gas accounting and informed target setting so as to establish realistic commitments and expectations.</p> <p>We expect to develop formal energy and emissions targets as part of our comprehensive climate change response by the end of 2008.</p>	<p>The Family of Companies initiated a risk mapping exercise in 2007 to assess the regulatory, physical and reputational risks of climate-related hazards and energy security on our core business. Specific risks being evaluated include the impact of climate change on water availability and human health, and the impact of rising energy prices in the African countries in which we operate. We are also evaluating the major production and supply chain processes that contribute to our energy footprint, in order to identify and prioritise appropriate energy efficiency solutions.</p>	<p>We are currently working to standardise our energy and climate change measures and conversion factors across the Family of Companies. These measures and their respective indicators will then be integrated into EPRA with a view to securing formal third party verification where appropriate. An independent review of our CO₂ and sulphur dioxide (SO₂) emissions was completed by PriceWaterhouseCoopers in 2007. Energy and emissions data assembled for this report has been prepared with reference to both the Greenhouse Gas Protocol and the Intergovernmental Panel on Climate Change (IPCC) conversion factors.</p>
Source: Multi-Stakeholder Forum		

Figure 6-5: The six work streams of our Energy and Climate Change Strategy

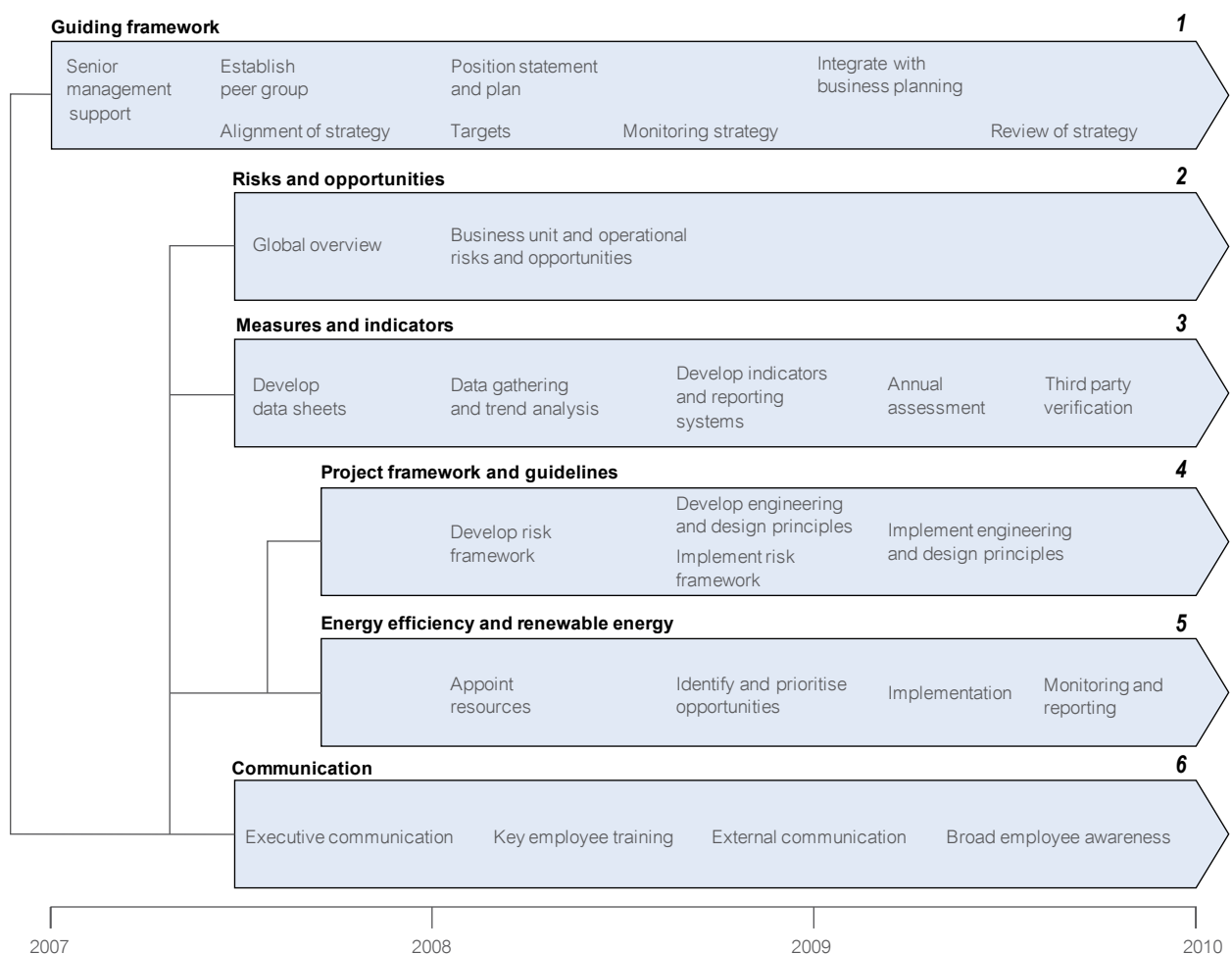
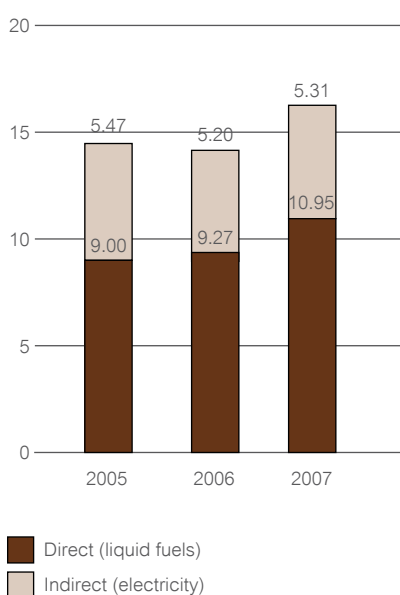


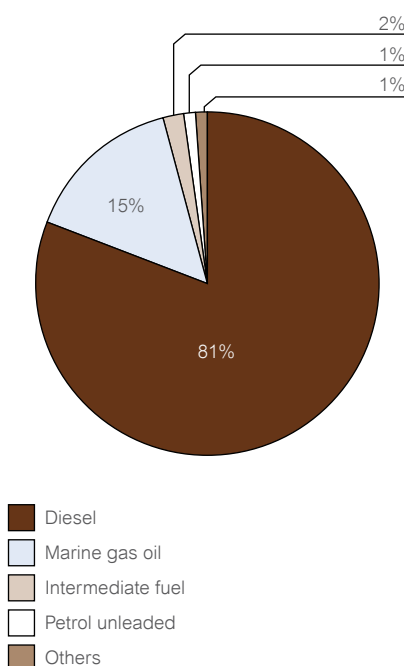


Figure 6-6: Direct and indirect energy consumption (million GJ)¹



¹ Excludes Liquid Petroleum Gas (LPG)

Figure 6-7: Our direct (liquid fuels) energy use profile 2007



Energy accounting

EN3-7

Energy consumption in 2007 was 16.25 million GJ (2006: 14.47 million GJ) (Figure 6-6). Our additional use of energy is largely due to the increased age of our operations and the expansion of our activities. As mines age and kimberlite is brought to the surface from greater depths, the energy used to access and transport these materials increases. Our energy use has also increased due to the introduction of new mining operations at Snap Lake in Canada and SASA in South Africa. Details on energy consumption at our operating companies are presented in the Operating and Financial Review 2007.

Direct and indirect energy

Our energy accounting distinguishes between direct and indirect consumption (Figure 6-7). Direct energy is energy used in its hydrocarbon form. This includes liquid fuels used by our earthmoving equipment and diesel generators. Hydrocarbon consumption amounted to 10.95 million GJ (2006: 9.27 million GJ) across the Family of Companies. Diesel and marine gas oil are the main forms of all liquid hydrocarbons (97%) used. Indirect energy is electricity purchased from national providers. Electricity usage in 2007 was equivalent to 5.31 million GJ (2006: 5.20 million GJ).

The ratio of liquid fuels to electricity energy usage has increased over the last five years. This reflects the increased use of hydrocarbon fuels in vehicles and machinery required to extract diamonds from greater depths. It also reflects increased direct energy consumption due to the use of diesel generators at our remote new mines in Canada. Energy security risks in southern Africa may increase our use of liquid fuel generators to substitute for reduced electricity access in 2008.

Energy and greenhouse gas emissions management strategy in Canada

The reduction of energy and fuel consumption at the Snap Lake and Victor mines is partly motivated by the high cost of diesel generated electricity. De Beers Canada is also committed to meeting the requirements of the Mining Association of Canada's Towards Sustainable Mining reporting protocol for energy and greenhouse gas emissions management. The Snap Lake and Victor mines have also recently registered as "energy leaders" under the Canadian Industry Program for Energy Conservation. There is also concern over the impact of climate change on the winter roads used to transport supplies to mines in the

Northwest Territories. Winter roads are made of ice and can only be crossed by vehicles in winter.

In 2006, the Snap Lake mine completed an energy audit to identify possible energy saving opportunities for the remainder of the construction phase. The audit identified a number of "quick wins" including turning off lights, controlling thermostats and limiting the use of vehicles. It also led to the development of an energy management strategy in late 2006. The audit was completed following an unusually short winter road season, which forced Snap Lake to fly-in fuel at significant expense.

The strategy is now applied at both of our Canadian operations. It integrates energy management into mainstream business functions and the ISO 14001 management systems. Further opportunities for energy savings and enhanced energy security are currently being evaluated. These include improving fuel efficiency in diesel generators, using wind turbines and heat recovery from hot mine ventilation air. We are also evaluating the economic viability of generating and distributing hydroelectric power to all diamond mines in the Northwest Territories.

A number of lessons were learned for future projects. These include the need to plan for better energy management from the outset by reducing the use of mobile generators; using heat recovery processes, automating camp heating and lighting controls, and limiting the number of light duty vehicles on-site. The audit also identified a need for increased employee and contractor awareness, although the high turnover of contractors makes it difficult to change behaviour once construction has been initiated. Future initiatives would also ideally include wider discussion with government and local community stakeholders, many of whom are also employees or contractors of De Beers Canada. De Beers Canada aims to begin self-reporting on energy, emissions and management initiatives in 2010.

Our exploration camp at Gahcho Kué in Canada



Initiatives and resources to increase energy efficiency

Efficiency initiatives have been ongoing across the Family of Companies for a number of years. These include DBCM's relationship with power utility Eskom, to introduce energy efficient light bulbs at our South African mining operations. Awareness around these issues has increased and energy reduction strategies are being explored in specific areas of the business.

The Energy and Climate Change Peer Group provides the mechanism to share energy efficiency information, draw together interdisciplinary skills and provide a framework for the improvement of performance. In 2007, the De Beers executive acknowledged the need for a dedicated resource to identify and implement energy and climate change initiatives. A full-time energy specialist has since been appointed to provide leadership across the Family of Companies.

Alternative energies and initiatives

Electricity purchased by Williamson mine from Tanesco in Tanzania is sourced from renewable hydropower. This accounts for about 2% of total electricity purchased by the Family of Companies. We are currently assessing the potential for the procurement of further energy from renewable sources, including biofuels, wind and solar power. De Beers Canada for example, is assessing the possible use of wind turbines and heat recovery from warm mine ventilation air to meet some of its energy needs.

Further guidelines for the specific evaluation of energy and climate change issues, as well as the identification of energy efficiency and alternative energy opportunities for projects, will build on the current Projects Environmental and Social Guideline (p102).

 cdm.unfccc.int

Questions from stakeholders

Can properties owned or managed by the Family of Companies be used to "offset" its CO₂ emissions?

An initial evaluation of the carbon sequestration potential of the South African nature reserves and properties owned and managed by the Family of Companies indicated great potential. It suggested these lands absorb as much as 3.6 million tonnes of CO₂ a year, significantly more than our total CO₂ emissions. In 2007, more detailed work by an external specialist suggested this potential could have been overestimated, but it remains an important factor in evaluating our overall impact as land management and conservation form an important part of our commitment to environmental stewardship. In 2008, we will continue to review both the carbon credit and biodiversity value of these properties. This work will be aligned with the requirements of the United Nations Clean Development Mechanism, the GHG Protocol and other international standards.

Source: Employees

 www.ghgprotocol.org

The Williamson mine in Tanzania uses electricity from renewable hydropower





Carbon dioxide emissions

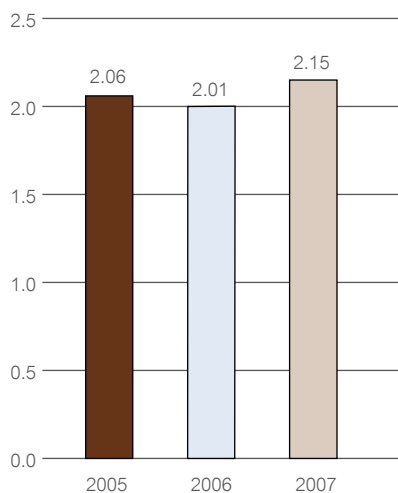
EN16 EN17 EN20

Total CO₂e (carbon dioxide equivalent) emissions from our global mining and marketing operations amounted to 2.15 million tonnes of CO₂e in 2007 (2006: 2.01 million tonnes of CO₂e) (Figure 6-8). Most emissions are indirect and associated with electricity we purchase from national providers.

These amounted to 1.38 million tonnes of CO₂e (2006: 1.35 million tonnes of CO₂e). Direct emissions from hydrocarbons (mainly diesel) consumed during the year amounted to 0.77 million tonnes of CO₂e (2006: 0.65 million tonnes of CO₂e). Our consumption of liquid fuels was significantly up on 2006. This was primarily due to the increased use of diesel and marine gas oil at the

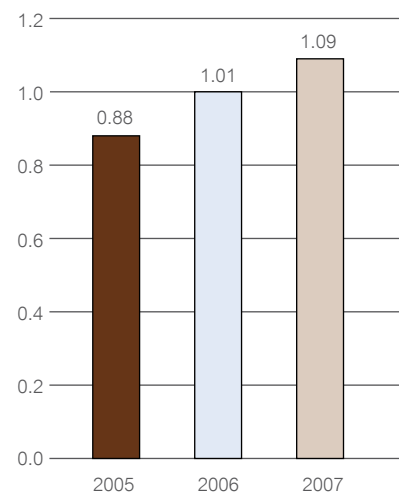
new Snap Lake mine in Canada and SASA operations in South Africa respectively. This increased use of diesel and marine gas oil is also partly responsible for the increase in total CO₂e emissions. Further detail on the CO₂e emissions for each operating company is presented in the company pages of our Operating and Financial Review 2007 (p18-22).

Figure 6-8: CO₂ equivalent emissions¹ (million tonnes)



¹ Excludes LPG and electricity supplied to Williamson mine, which is sourced from renewable hydropower

Figure 6-9: SO₂ emissions from direct (liquid fuels) energy² (thousand tonnes)



² Excludes sulphur dioxide emissions from intermediate fuel oil and electricity

Sulphur dioxide emissions

EN20

SO₂ emissions from liquid fuels used by our global mining and marketing operations amounted to 1 090 tonnes in 2007 (2006: 1 010 tonnes of SO₂) (Figure 6-9). This increase is partly attributable to the use of diesel generators at the Snap Lake mine and marine gas oil at the SASA operation. Marine gas oil was our major source of SO₂ emissions. In 2007, it accounted for 70.6% of all SO₂ emissions. The Family of Companies is currently appraising the need for formal SO₂ emissions reduction targets and will report further in 2009.

Water management

4.8 EN8-10 EN21 7-9 7

Access to safe drinking water and sanitation are critical to human development and form part of the Millennium Development Goals. Water is also a crucial resource for diamond mining, much of which takes place in water-scarce areas in southern Africa. Our large Botswana mines and our Venetia mine in South Africa operate in water-scarce regions, making water management a priority in these areas. Of further concern are the potential effects of climate change on water availability and water supply costs in South Africa. These risks make it increasingly important for the Family of Companies to enhance its existing water efficiency and recycling initiatives, and to better understand the impact of water demand, supply and usage in both current and future operations.

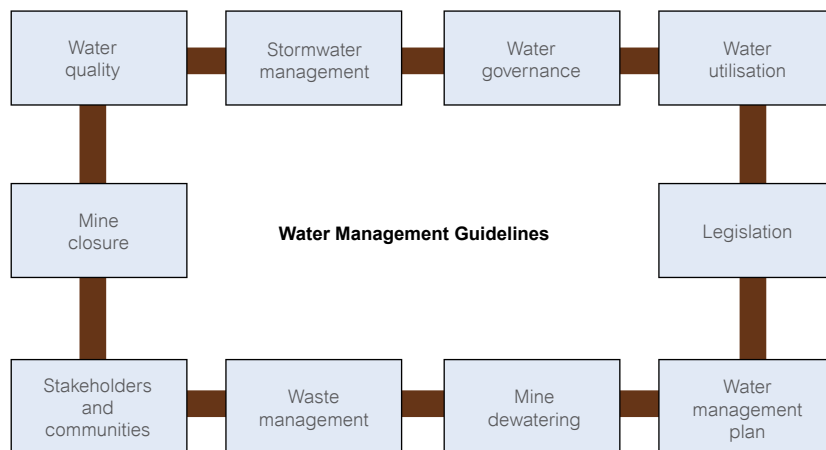
The Family of Companies aims to ensure that sustained water access for our operations does not adversely affect the livelihoods of local communities where we work.

Our water management strategy

Water management frameworks have been developed by the respective water steering committees at our DBCM and Debswana operations. These include policies, guidelines and auditing (Figure 6-10). The frameworks form part of a coherent water management strategy to enhance our access to and use of water, as well as to prevent pollution across the Family of Companies.

The DBCM Water Steering Committee was formally established in 2006. It helps ensure the alignment of the company's water strategy with best practices and legal requirements. The Water Steering Committee also serves as the leadership group for DBCM on water conservation and demand

Figure 6-10: The DBCM Water Management Guidelines



management by creating a culture of sustainable water management at its operations. The Committee focuses on key areas including assurance, the promotion of innovative ideas, knowledge sharing, continuous improvement and enhancing links with academia to promote research into water management. A "question from stakeholders" in the communities section provides further insight into how our water strategies address the needs of local communities (p87).

Annual audits of our performance

Our DBCM operations conducted water assurance audits for 2006 and 2007. Water management was tracked and measured on a six-point scale. The audits found that the Venetia, Finsch and Cullinan mines had sound water management systems. Older operations including the Kimberley and Namaqualand mines scored significantly lower. This was partly due to audit bias relating to closure preparedness, complex water networks and the need for further formal engagement with local and national stakeholders. A key risk identified for most operations was the need to form Catchment Management Agencies.

These agencies are essential for the Department of Water Affairs and Forestry to manage water balances and calculate water reserves. Our 2008 audits will identify water metrics and targets for each operation.

Questions from stakeholders

What are the water targets for the Family of Companies and for individual operations?

Our Report to Stakeholders 2005/6 identified the need to establish a peer group and a set of targets relating to water consumption and management. But water challenges are very different for each of the operations and countries in which we work. As a result, the two water Steering Committees in Debswana and DBCM remain focused on the challenges of managing water issues for our operations that lie in water-scarce areas.

Targets have already been set for both our Debswana and DBCM operations. In DBCM, the overall target is a 15% reduction of water consumption by 2015. In Debswana, the overall "stretch" target is a 50% reduction in water used per tonne of ore processed between 2005 and 2008, with individual mine targets of 0.64 m³ per tonne of ore processed for Orapa and 0.45 m³ for the Jwaneng mine. Targets are different for each mine due to the different compositions of ore being processed.

Source: Employees

Our Jwaneng mine in Botswana has a stringent water reduction target of 0.45 m³ per tonne of ore processed



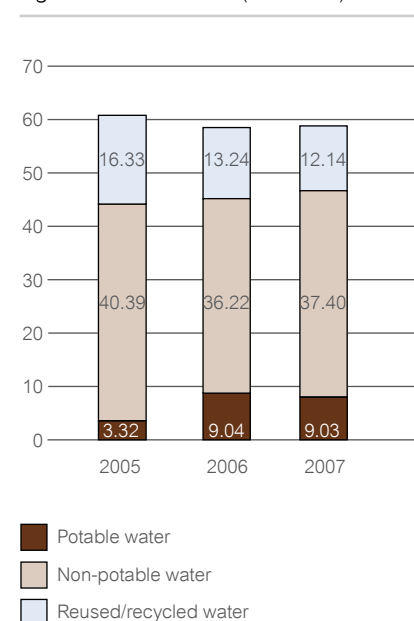
Reducing our water consumption

In 2007, we used 58.57 million m³ of water at our mining operations (2006: 58.50 million m³) (Figure 6-11). Of this figure 15.4% (9.03 million m³) was potable water (including naturally occurring potable water), 63.9% (37.40 million m³) was non-potable water and 20.7% (12.14 million m³) was reused or recycled water. In 2007, we also used 59.65 million m³ of seawater at our west coast operations and vessels in southern Africa (2006: 65.50 million m³). This equates to about 1.17 litres per carat of production (2006: 1.28 litres per carat of production).

The Family of Companies undertook a number of actions to reduce water consumption and to increase our use of recycled water. These include the use of paste thickening technologies and the transition from wet to dry production processes at our mining entities.

Our exploration Sample Treatment Centre (STC) in Johannesburg has recently introduced water recycling initiatives to its core process and will identify further mechanisms for reducing water use in 2008 and beyond. Additional examples of water conservation are presented in our Report to Stakeholders 2005/6.

Figure 6-11: Water use (million m³)



Materials and waste

4.12 EN1 EN2 MM5 MM6 7-9 7

The extraction of diamond-bearing material is a largely physical process and does not require the use of hazardous substances to remove diamonds from the surrounding ore. The treatment process does in some cases require hazardous materials as noted below. Replacing, minimising and eliminating these hazardous substances forms the basis of our materials and waste initiatives.

Hazardous materials

The five most significant hazardous substances in use across our operations are hydrofluoric acid, hydrochloric acid, nitric acid, sodium hydroxide and sulphuric acid (Figure 6-12). These substances are used mainly for alkalinity control, the dissolution of kimberlite and diamond cleaning. Of the 858 318 litres of hazardous chemicals used in 2007 (2006: 781 563 litres), about 66.8% (573 437 litres) of this volume was hydrochloric acid. This represents a 46.9% reduction on the 1.22 million litres used in 2005.

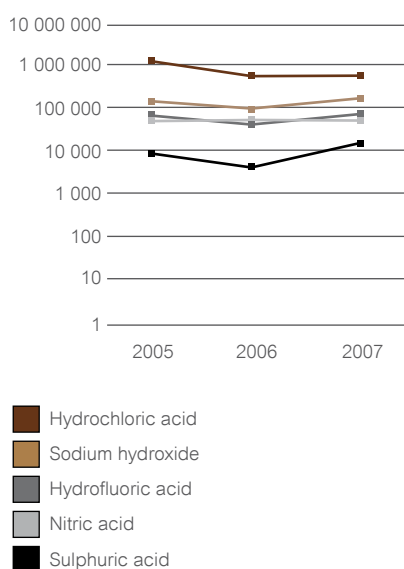
Hydrochloric acid is mainly used to reduce the alkalinity of discharges to a neutral level. Controls and procedures are in place to manage risks associated with these substances. The effectiveness of these controls is third party audited through the ISO 14001 certification processes and our safety management systems.

Opportunities to use non-hazardous alternatives are investigated on an ongoing basis. In 2007, this included an assessment to replace hydrofluoric acid processes with a caustic fusion process at our Kimberley Microdiamond Laboratory (KMDL). We also now separate liquid from solid waste in order to minimise the amount of neutralised effluent for disposal. KMDL is testing other technologies to reduce the volume of material requiring acidisation as well as the detection of barren samples that do not need to be processed at all. The implementation of these technologies, which is to take place in 2008, will reduce the amount of chemicals needed in subsequent processes.

The KMDL had a good production year in 2007 that resulted in a reduction of hydrofluoric acid used per tonne. Testing and implementation of new, more environmentally friendly technologies will continue in 2008. An investigation is also underway at the Johannesburg Indicator Mineral Laboratory for the replacement of paraffin and all chemicals used in mineral analysis with non-petrochemical and less harmful alternatives.

De Beers Australia Exploration has implemented a remediation action plan to address ground water pollution resulting from leakage of stored treatment plant tailings in Whyalla. Remediation included the on- and off-site extraction of tribromoethane-contaminated ground water. Contaminated ground water is being pumped through a neutralising plant in order to decontaminate it prior to re-injection into the aquifer. The remediation programme is expected to be complete by the end of 2009.

Figure 6-12: Hazardous materials (litres)



The Orapa mine in Botswana



Waste and recycling

EN2 EN24 EN22

Waste is separated into categories at source to ensure appropriate disposal and recycling. In 2007, more than 2.07 million litres of used oils were collected for recycling and reuse at our mining and exploration operations (Figure 6-13) (2006: 2.44 million litres). Our use of recycled oil increased to 2.03 million litres (2006: 1.81 million litres). Most of this oil is recycled off-site, except for some of our Namdeb operations, where it is reused as fuel.

Other hazardous waste produced during the mining process is either responsibly stored on-site for future management or disposed of through certified hazardous waste sites. Waste from our Botswana and Namibian operations is generally disposed of through facilities in South Africa. Any movement of such waste is conducted in full compliance with the Basel Convention for controlling transboundary movements of applicable hazardous wastes. No fines were incurred due to improper storage or disposal of waste in 2007.

Orapa clean-up campaign

In 2007, the Orapa mine embarked on a campaign to clean up Orapa town. The campaign was completed in partnership with the Orapa community and was coordinated by its elected leaders. In addition to physically cleaning Orapa town, the campaign sought to educate and encourage the community about keeping the environment clean and healthy. It also collected ideas on how to improve the aesthetics of the town, with feedback being received from each of the six wards. The Orapa Letlhakane Mines, Roads, Parks and Gardens department assisted with the transportation of waste to landfill sites from the waste collection points.

Town inspections were carried out on a monthly basis by employees from the Environmental, Health Unit, Roads and Township maintenance departments to gauge the performance of each ward and the overall performance of the Orapa community.

Community meetings were convened at ward level to address general challenges as well as specific issues for each sub-region or street. Community members were also encouraged to advise and work collectively to clean-up their region or street, thus instilling a sense of ownership among community members. The results of the inspections were announced to the community through word of mouth, the intranet, mine weekly bulletins and ward meetings, with wards being rated and ranked according to the inspection criteria. Criteria included evidence of waste separation, use of the right bins for the right waste, assessment of litter levels etc.

The campaign had a significant impact on the cleanliness of Orapa town. It also improved stakeholder engagement and partnership with respect to waste management. Orapa town aims to increase the visibility and momentum of its clean-up campaign in 2008.

Case study



Figure 6-13: Recycled and reused oil (million litres)

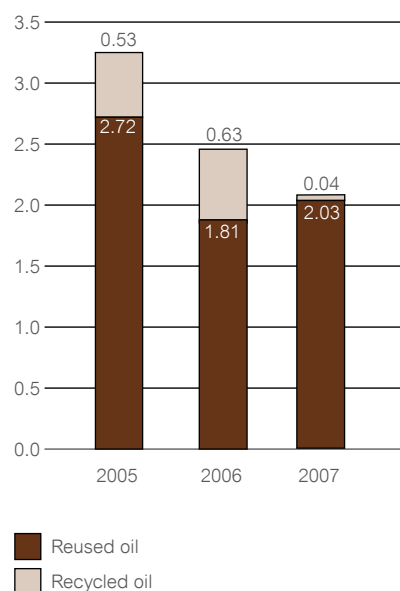
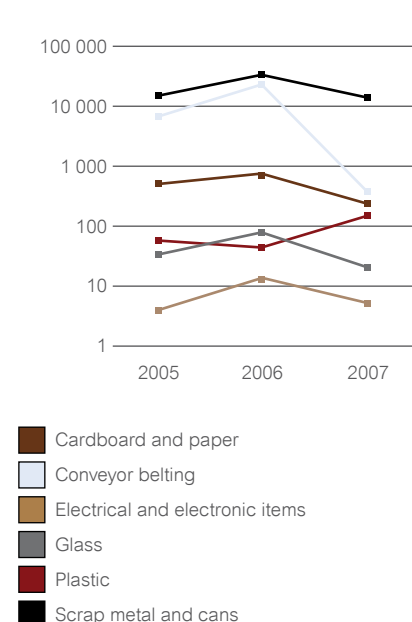


Figure 6-14: Recycling and re-use of other materials (tonnes)



Mission-guided assurance

3.13

This chapter presents commentary and conclusions from internal and external stakeholders. This includes insight into the reporting process, the rigour of data and how sustainability issues are managed as part of our core business processes. This portfolio of assurance content goes beyond the more traditional approaches that tend to mainly focus on the accuracy of specific data (Figure 7-1). The statements or testimony presented in these pages should be seen alongside the questions, voices, case studies and interviews with key stakeholders presented throughout the report (p15). Together these different viewpoints provide insight into how well we are responding to, managing and reporting on issues identified as relevant and material by our stakeholders (p15).

Multi-Stakeholder Forum

The Multi-Stakeholder Forum was convened in December 2007 (p14). In addition to providing commentary and asking questions on the content of the report, the Forum also asked that we ensure future assurance statements are more substantive and include more discussion of audit findings, challenges and recommendations. As a result, we requested that assurance providers be more critical and reflective of their engagement with the Family of Companies. We were also asked to provide more evidence of these recommendations being addressed in future years. As a result, our Internal Audit and Environment, Community, Health and Safety (ECoHS) functions will track, account and report on our responsiveness to each recommendation in our 2008 report.

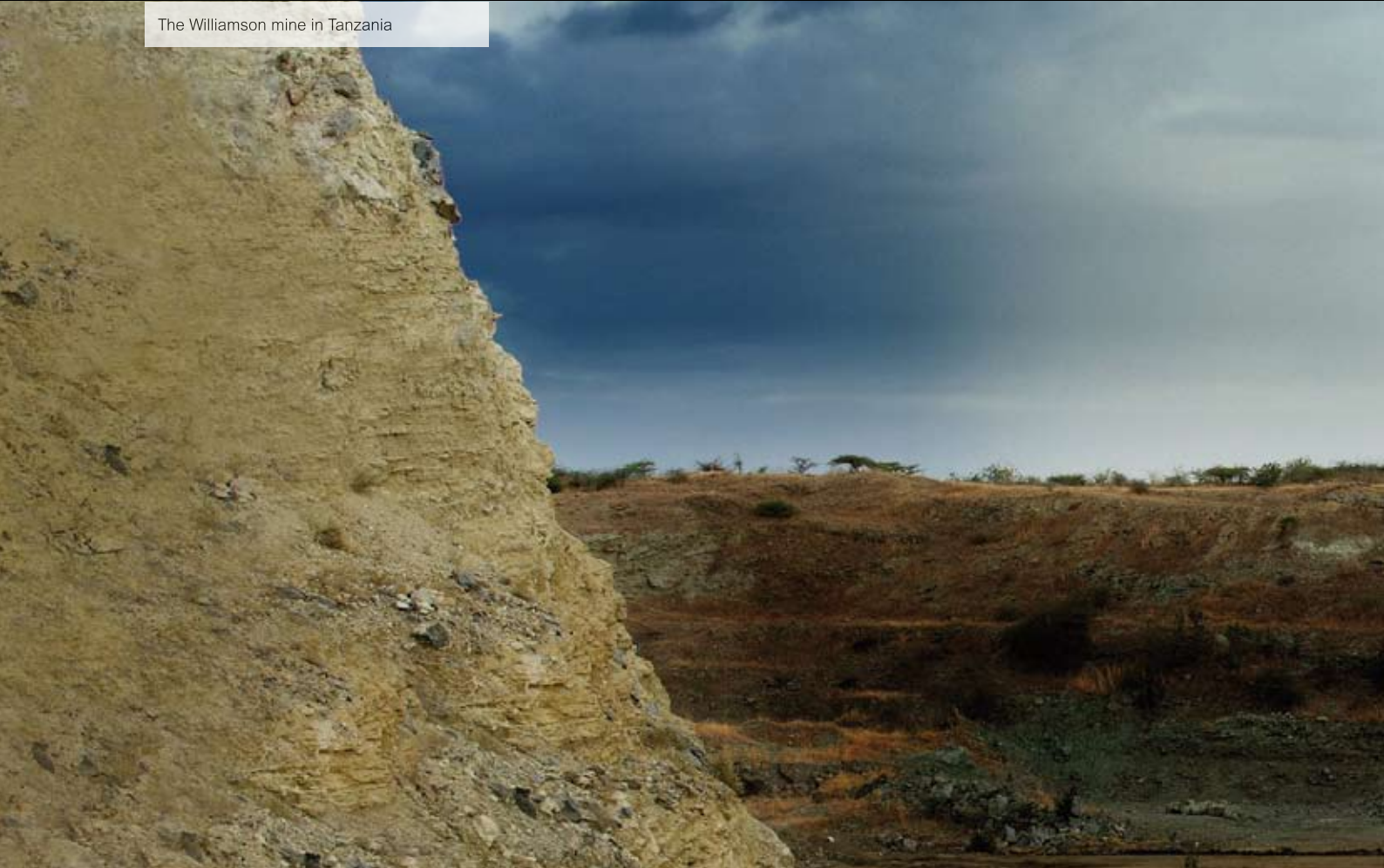
Questions from stakeholders

What is mission-guided assurance?

A variety of approaches are currently used by report preparers to implement external assurance. This includes statements from traditional assurance providers, external groups or individuals and stakeholder panels. The Family of Companies is testing a unique mission-guided approach to assurance. This approach empowers different stakeholders to comment in their areas of expertise on how well we are managing and reporting on issues identified as being “relevant and material” (p14). It includes explicit assurance statements as well as commentary on the quality of our engagements, as presented throughout the report in the form of questions, voices, case studies and interviews with stakeholders. The mission-guided approach enables organisations to comment in more detail on company or sector-specific issues and risks about which they have specialist knowledge.

Source: Multi-Stakeholder Forum

The Williamson mine in Tanzania



Portfolio of statements

Each of these organisations employs groups or individuals that follow professional standards for assurance or utilise systematic, documented and evidence-based review processes. This is consistent with the approach to assurance outlined in the Global Reporting Initiative (GRI) G3 sustainability reporting guidelines.

Internal Audit

De Beers Internal Audit (DBIA) has reviewed our internal business processes. This includes the communication and implementation of our Anti-Money Laundering Policy and training programme. DBIA has also reviewed both the DTC Diamond Best Practice Principles (BPPs) assurance programme and the Assurance Programme for the Principles (APPs).

Internal Audit plays a critical role in the governance and risk management of both of these initiatives, by reviewing performance management processes and by providing recommendations for continuous improvement to the BPP Committee, the Principles Committee and the Audit Committee of the De Beers Board. This includes recommendations on how to improve our business and reputational risk management processes. Internal Audit also coordinated the review of Kimberley Process compliance provided by Deloitte.

Maplecroft

Maplecroft has worked with the Family of Companies since 2000. It has been involved in the development and implementation of the BPPs, the APPs and in the production of the Operating and

Financial Review and Report to Stakeholders. Maplecroft also moderated the Diamond Dialogues and Multi-Stakeholder Forum. The Maplecroft statement is presented as second party insight into the reporting process. This includes insight into the rigour of data collection and analysis, the validity and accuracy of case studies and the transparency of disclosures. It includes comment on the integrity of our sustainability management systems. Maplecroft was also asked to identify “gaps” in the reporting scope, boundaries and process and assist the Family of Companies to ensure its sustainability management and performance is in line with international best practice. The Maplecroft review includes an assessment of the extent to which our reports have applied the GRI G3 reporting framework.



Société Générale de Surveillance

Two complete cycles of the BPP Assurance Programme (AP) have been implemented with the Family of Companies and Sightholders since 2005. The BPP AP covers economic, social and environmental criteria. It applies to our own operations, to DTC Sightholders and applicable third parties including suppliers and certain contractors (p16, p54). Société Générale de Surveillance (SGS) completed annual third party verification on effective implementation of the BPP AP.


The verification provided by SGS provides insight into the integrity and rigour of our sustainability management systems. This includes the existence and effective implementation of policies, guidance materials and activities.

The Family of Companies is currently piloting the APPs. The APPs are more comprehensive, rigorous and relevant to diamond mining than the BPPs. They cover the same economic, ethics, employee, community and environment issues included in this report.

Deloitte

Under the Kimberley Process all international rough diamond shipments must be traded in tamper-proof boxes and accompanied by a forgery-proof certificate that states they are conflict free. Refer to the Deloitte report on p130-131 regarding our compliance with the Kimberley Process Certification Scheme (KPCS).

 www.sgs.com

 www.maplecroft.com

 www.deloitte.com

Figure 7-1: Portfolio of statements

Provider	Scope	Content (accuracy)	Data (rigour)	Management (systems)	GRI G3 (application)	Standards (assurance)
De Beers Internal Audit	1 st party			✓		ISPPIA ¹
Maplecroft	2 nd party	✓	✓	✓	✓	AA 1000 ²
Société Générale de Surveillance	3 rd party			✓		n/a
Deloitte	3 rd party	✓	✓	✓		ISAE 3000 ³

¹ International Standard for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors

² AA 1000 is a standard for assessing, attesting to, and strengthening the credibility and quality of sustainability reporting and assurance

³ International Standard on Assurance Engagements as defined by the International Auditing and Assurance Standards Board

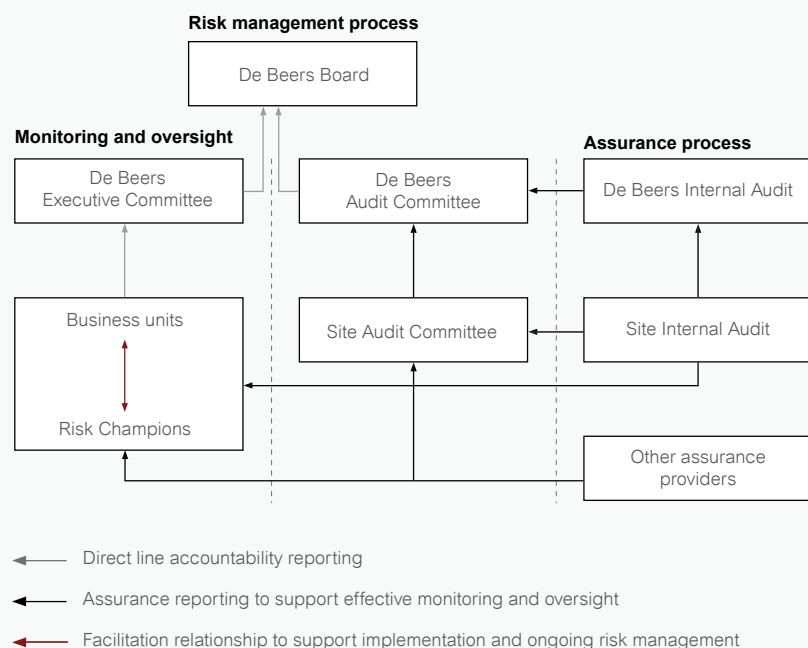


Nicky Oppenheimer inspects operations at our Venetia mine in South Africa



The relationship between governance, risk management and assurance [4.9]

Assurance forms a critical part of the governance and risk management process. It enables the Family of Companies to identify emerging risks. It also provides independent verification that risk management and internal controls are operating as intended and that risks are being properly managed and reported. This includes risk types relating to business operations, markets, social, environmental and other issues as outlined in the Diamond Book. DBIA, together with other assurance providers such as those in this section, assist management and the Board in the monitoring and improvement of our risk management proficiency.



Internal Audit: On selected material issues

DBIA is an independent, objective assurance and consulting activity designed to add value and improve De Beers operations. The DBIA mandate, which emanates from the Internal Audit Charter as approved by the audit committee, a sub-committee of the board of De Beers Société Anonyme (DBsa), is to ensure that the major risks of the business are identified and given appropriate audit focus. It brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes to help De Beers accomplish its objectives. DBIA prepares an annual report for the audit committee on the status of governance, internal control and the appropriateness of risk management.

All DBIA reviews are performed in accordance with the International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (IIA). DBIA has introduced a Quality Assurance and Improvement Programme as required by IIA Standard 1300. An independent external assessment by an accredited review team from AngloGold Ashanti's Group Internal Audit found DBIA to be "generally compliant" with the IIA Standards, the highest rating on the degree of conformity scale.

Risk-based internal auditing

DBIA follows a prescriptive, documented risk-based audit methodology culminating in its annual "letter of assurance" for the audit committee. The audit plan is derived from the De Beers Enterprise Risk Management system. DBIA consults on and assist with facilitating risk management workshops at all levels to ensure a complete and appropriate risk management system (p123).

The risk management process collates information from value centres and offices globally to business units and ultimately to enterprise level. Audit work includes a thorough review of internal systems, procedures and programmes of work for each business function and area of major business risk. DBIA also collates reports from managers on the integrity of internal controls, the safeguarding of assets and risk management, as well as ethics, social and environmental matters. It also considers reports produced by external assurance providers. These include audit coverage by Diamond Security, Aon Risk Management, SGS, Deloitte & Touche and others.

The DBIA report to the DBsa audit committee in February 2008 included the following opinion:

"Except for Element Six, which is out of scope for DBIA, I can confirm that in my opinion the internal controls are adequate to ensure that the financial records may be relied on for preparing the reports to directors and shareholders, and for maintaining accountability for assets and liabilities.

In my opinion, in all material instances, assets are adequately protected and used as intended with appropriate authorisation and all significant business risks have been identified and appropriate mitigating strategies are in place.

No matters have come to my attention during the year ended 31 December 2007 that indicate any breakdown of such magnitude has occurred in the functioning of these internal controls, procedures and system of the Group, which in my opinion, would affect the fairness of presentation of such reporting, and therefore financial decisions based thereon."

Best Practice Principles

The DBIA scope for the 2007 review of the Diamond BPP Assurance Programme was to ensure that good governance continues to support the programme. The scope also provided for detailed, on-site verification reviews of 13 BPP workbooks to supplement the review work conducted by SGS. The specific objectives of the reviews were to verify responses within the BPP workbooks. No material breaches were identified during such reviews and all improvement opportunities had been agreed with management.

The 2008 review is in progress and the scope will provide for a review to ensure that due diligence has been applied in completion of the BPP workbooks submitted to SGS. The scope of verification of submitted workbooks will be further extended.

Assurance Programme for the Principles

DBIA participates on the Principles Committee to ensure good governance directs the programme and to ensure the integrity of the development process. DBIA consulted on risk identification and assessment and an audit team participated in a pilot assessment.

The 2008 work programme includes consulting on integrating reputational risk into the existing Enterprise Risk Management system and on the integration and optimisation of assurance.

Note on Kimberley Process compliance

The Kimberley Process is a joint government, diamond industry and civil society initiative that requires participants to certify diamond shipments are conflict free. Compliance with the Kimberley Process is a legal requirement for participating countries.

De Beers' compliance with the Kimberley Process was externally assessed by an independent auditor, Deloitte & Touche, in 2007. The limited assurance engagement excluded Element Six, Hindustan Diamond Company and De Beers Diamond Jewellers.

The review sought to assess De Beers' compliance with respect to the KPCS on the international trade in rough diamonds and in accordance with European Council Regulation (EC) No 1574/2005. The assessment related to the period commencing 1 January 2007 and ending 31 December 2007.

The major Kimberley Process compliance criteria are also reviewed as part of the third party verified BPP Assurance Programme.

No material breaches or non-compliance with the Kimberley Process were identified in the 2007 BPP assurance cycle.

Implementation of the Anti-Money Laundering Policy

De Beers developed and communicated an Anti-Money Laundering and Combating the Financing of Terrorism policy in 2006. The policy reflects the deep-seated commitment to maintaining the continued confidence of our stakeholders and the integrity of our product.

DBIA's 2007 review of the implementation and progress of the policy highlighted that all business units, applicable group functions, and shared services have implemented the policy.

Although De Beers only transacts with financial institutions as approved by the Group Treasurer, an improvement opportunity has been identified to further enhance and formalise the process. Good progress has been made on the introduction of the required background checks on customers and suppliers. De Beers Canada, Williamson Diamonds and Namdeb are, however, still in the process of extending these checks to include all suppliers. Most staff affected by the policy have received relevant training. Debswana, De Beers Marine, Williamson Diamonds and Namdeb plan to complete their training by mid-2008.

Phillip Barton
Group Manager, DBIA



Maplecroft: On the reporting process

Maplecroft has worked with the Family of Companies since 2000. It has been involved in the development of the BPPs, the APPs and in production of the Report to Stakeholders 2005/6 and the Operating and Financial Review 2006. Maplecroft has also been involved in the development of policies on anti-corruption, political donations, security services and human rights and the draft guideline on stakeholder engagement. De Beers has contracted Maplecroft to assist in the production of its Report to Society and Operating and Financial Review, for the 2007, 2008 and 2009 reporting cycles.

This statement is presented as second party insight into the reporting process, recognising that we are not an independent party. It focuses on the quality of performance data, the process of engagement with discipline experts in content development and the tracking of performance and content “gaps”, including targets identified last year, through the Principles programme. Maplecroft professionals involved in the reporting process are experts in their respective disciplines and are trained auditors.

Methodology

Data was generated, analysed and reviewed by Maplecroft in partnership with the respective discipline expert. The validity of the original data was not checked at source by Maplecroft. Maplecroft also prepared drafts of all text and worked with discipline experts to ensure content in this report is fair, accurate and broadly compliant with the expectations of stakeholders. Our work included awareness raising and capacity building of De Beers employees on best practice reporting standards, data templates and strategy.

Our work in 2007 also included the coordination and facilitation of the Diamond Dialogues and Multi-Stakeholder Forum.

All work completed by Maplecroft is informed by best practice initiatives and reporting standards. This includes the United Nations Millennium Development Goals, the United Nations Global Compact and the GRI G3 Sustainability Reporting Guidelines and the AA 1000 assurance standard. The rigour of our work was guided by the social audit process of inspection, enquiry and observation.

Inspection

We reviewed selected documents including Principles, policies and procedures, minutes of meetings and committee reports in all subject areas. Maplecroft also reviewed internal strategy and assurance documents and reports. This includes the BPPs and completed workbooks, the Principles and APP pilots, data spreadsheets and other documents such as action plans from each of the peer groups and Board and Executive Committee agendas and submissions.

Enquiry

We conducted interviews with more than 120 executives, senior managers and discipline experts from across the Family of Companies. These interviews sought to verify the existence and implementation of policies and procedures in all subject areas and to assess performance and progress during the reporting period.

Observation

Our visits to business units and mining operations to review systems and processes for managing and reporting on sustainability activities were undertaken as part of our advisory role in the APP pilots.

Business units and operations visited include De Beers (CHQ in South Africa), De Beers Consolidated Mines (HQ and the Venetia mine), Diamond Trading Company (HQ), Debswana (the Jwaneng mine), Namdeb (CHQ and Oranjemund mines in Namibia), the Williamson mine and De Beers Diamond Jewellers. Insight from these visits and pilots has assisted in the construction of qualitative content in this report and in the development of case studies.

AA 1000 principles

We believe De Beers has made significant progress with respect to being fully compliant with the AA 1000 principles of materiality, completeness and responsiveness.

Materiality

This report presents a coherent framework for identifying issues relevant and material to stakeholders. Maplecroft is able to verify that both the Diamond Dialogues and Multi-Stakeholder Forum were critical in identifying and prioritising most of the issues presented in this report (p13-14).

Our partnership with De Beers during the reporting process enables us to confirm that De Beers reports on issues that previous assurance statements and reviews identified as needing to be addressed. This includes more detailed reporting on corporate governance, host country beneficiation (p34) and business integrity in high risk countries (p49). This report also includes first time reporting on closure timelines (p9), the relationship between business strategy and sustainability (p10), occupational illness frequency rates (p65), impact assessment coverage (p85) and sulphur dioxide (p115).

It is our belief these issues have been fairly reported.

Completeness

Our enquiry found De Beers to support the need for greater transparency in its disclosures. This report includes frank discussion of challenges and learnings relating to the identification of meaningful health indicators (p64-65), social investment accounting and climate change and water targets (p116). These discussions have sought to acknowledge areas where insufficient progress has been made on commitments published in the Report to Stakeholders 2005/6 or where a different course of action was taken, for example on anti-corruption (p50). Our inspection of documents and enquiry of discipline experts did not identify any material shortfalls with respect to completeness of reporting.

Responsiveness

This principle requires De Beers to demonstrate how it is responding to stakeholder concerns and interests. Our work with De Beers supports the accuracy of relevant statements and targets presented in this report, most notably the answers provided in the “questions from stakeholders” panels and the targets noted on p20. Our inspection of agendas, briefing materials and minutes enables us to confirm that a more detailed set of 100 sustainability actions is being managed and tracked through the Principles Committee for the Family of Companies. These activities suggest De Beers is committed to continuous improvement in managing its sustainability risks and responsibilities and in contributing to sustainable development. De Beers has also made a commitment to engage the Multi-Stakeholder Forum in future reporting cycles.

The De Beers statement that it has applied the GRI G3 guidelines at level A+ is fairly stated. We understand this report will be submitted to the GRI for checking.

Recommendations

Key areas for improvement:

Rigour in data collection and reporting against quantitative targets

Different parts of the business collate data in different ways. Finance, safety and environment have well-structured electronic performance reporting applications and data templates that apply to all entities and are regularly updated. Other areas such as social investment and human resources are less systematically organised, or use business unit specific templates. The reporting process would be faster and more rigorous if a single suite of data templates were used across all business units and were completed and reviewed on a monthly/quarterly versus annual basis. This would also help in the appraisal of data integrity and identification and monitoring of quantitative targets for all areas.

Accuracy of report content and role of discipline principals

Reporting is the logical end-point in the cycle of sustainability management and assurance (p11). Its primary aim is to report on performance in a rigorous, transparent and accessible way that enables stakeholders to confirm from their perspective whether the company is addressing and managing issues responsibly. The reporting process, whilst it might provoke sustainability-related activity, is not an implementation function. This should be reserved for the functional areas of the business. De Beers should ensure discipline experts take the lead in input, review and sign-off of all content and material disclosures in their respective areas of expertise.

The current reporting cycle implemented a rigorous sign-off procedure. We look forward to reviewing the effectiveness of this process in the 2008 reporting cycle.

Further disclosure on the “strength” of management systems

The current report identifies relevant Principles, policies, procedures or guidance materials for most discipline areas, but does not fully disclose how rigorously these tools are implemented. De Beers would benefit from an approach that shows in a consistent and logical format for each issue to what extent management structures have been developed, communicated, implemented, monitored and assured. This would enable readers to monitor any change in “system integrity” with respect to each issue.



Future reports

We consider that future reports should address progress by the Family of Companies on:

- Beneficiation, especially in Africa
- Effectiveness of contributions to development, both direct and indirect economic impacts
- Contribution to addressing the wider challenges of artisanal diamond mining
- Implementation of the APPs
- Reducing greenhouse gas emissions and adaptation to climate change

We believe this report presents a relevant and complete statement of the sustainability performance of the Family of Companies.

Professor Alyson Warhurst
Dr Kevin Franklin

 www.maplecroft.com
 www.global-risks.com



SGS: On the 2007 BPP cycle

Appointment of SGS

Following a tender process beginning in April 2003, SGS was invited to present their proposal and following responses to additional information were advised of their selection as the verification partner in July 2003. SGS is the world's largest independent verification and certification organisation and has no commercial interests. As part of this contract SGS has undertaken not to provide any consultancy or related services to any parties involved in the BPP programme so as to ensure that this strict independence is maintained at all times.

Scope of work

The scope of work undertaken by SGS as the BPP verifier for the 2007 cycle comprised of the following:

- Desktop review of the workbooks submitted by DTC Sightholders and by the Family of Companies. This process verifies workbooks have been submitted; that all questions have been answered; that the responses to the questions support the compliance status declared in each case and to test that conclusion by requesting supporting evidence on a random number of questions.
- Verification visits on up to 10% of the declared facilities to check that the original first party assessments have been undertaken thoroughly both by discussing this with the assessor and by seeking first-hand evidence of compliance with the issues concerned.
- Provision of information relating to the compliance status of Sightholders and De Beers facilities and details of any significant issues. This information is provided in accordance with the confidentiality requirements imposed by the Supplier of Choice Ombudsman.

De Beers group entities

In April 2007 De Beers submitted 109 Workbooks covering 84 of their own facilities and 25 contractors. Full reviews were conducted and completed during the cycle and nine visits were undertaken during this cycle, including two visits to contractors.

The BPP programme

The BPPs follow major international standards for corporate social responsibility and business partner evaluation and follow all national and international legal requirements. Although they are leading in their sector they are not out of line with current best practice in this arena.

The compliance process requires an in-depth evaluation and investment of resources to complete self-audits. For the Family of Companies this has included workbook submission for contractors at an earlier stage than is required for Sightholders as they have set themselves a higher level of commitment and expectation of compliance.

Verification methodology

The verification process is undertaken in three stages:

- In the country of operation, workbooks are reviewed by a qualified Social Accountability auditor, cross-trained in environmental management and briefed on the BPP requirements.
- Local reviews are then submitted to a central review point where the reviews are cross-checked to ensure consistency by country and key point.
- A sample of 10% of facilities is selected for onsite verification to check the effectiveness of the first party assessments and to evaluate at first hand the situation on the ground.

In response to recommendations made by the fourth party verifier further to their review of the 2006 cycle, a standard breach classification table was drawn up and circulated to all the local offices and further training was provided to the key offices. This was reviewed during the course of the year as queries were raised and the distribution of this table was controlled through the BPP extranet. The central review team was expanded to provide responses to the facilities in a more meaningful timeframe and the reviewers communicated frequently among themselves and with the BPP team to ensure a common understanding of issues and requirements.

Key findings

All workbooks were received within the required timescales.

The workbooks were generally completed more thoroughly than in the previous cycle, although there was still a high level of variability in the level of detail provided. A more consistent approach towards rating issues was also observed and there was less need to re-rate the responses given.

Corrective actions for many of the infringements from the 2006 cycle have been completed, particularly with regard to missing policies and procedures. However, these have not always been implemented and circulated to all facilities and improvement opportunities have been raised to highlight the need for more work in this regard.

The verification visits confirmed most of the findings from the first party reviews.

Overall summary

There were no Material Breaches identified during first or third party assessments.

One facility was found to have Major Infringements in relation to policies and health and safety that had not been progressed since the 2006 cycle. Improvement plans have been implemented and at the date of this report the Major Infringements have been closed and the issues remain as Minor Infringements.

A further 21 facilities had Minor Infringements. Corrective Action Plans have been received for all infringements and are in the process of completion and review.

This increase in infringements from the previous cycle reflects the greater depth of review both by the De Beers business units and SGS rather than a deterioration in performance.

Recommendations for improvement

During the assessment process open communication was maintained with the De Beers compliance team and a number of recommendations were made for improvements.

Recommendations made include:

- The need to train the Compliance team in the BPP process and assessment techniques so as to promote a more consistent approach to the completion of workbooks.
- The need for the Compliance Officers to challenge their businesses to prove effective implementation of the BPP requirements.



Effie Marinou

SGS United Kingdom Ltd
28 February 2008

 www.sgs.com

The Namaqualand mine in South Africa was visited by SGS in 2007



Deloitte: On compliance with the Kimberley Process

Limited Assurance Report of the Independent Auditors to the Directors of De Beers Société Anonyme with regards to compliance with the Kimberley Process

Introduction

We are the independent auditors of De Beers Société Anonyme (De Beers). We have been engaged to provide a limited assurance report on material compliance of the De Beers group with the terms of the diamond imports and exports undertakings governed by the Kimberley Process, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the De Beers group, for our work, for this report, or for the conclusions we have formed.

The Kimberley Process is a joint government, diamond industry and civil society initiative that require participants to certify that rough diamond shipments are conflict free. Compliance with the Kimberley Process is a legal requirement for participating countries. These requirements relate equally to the import and export of rough diamonds in and out of participant countries.

Directors' responsibility

The directors of the De Beers group are responsible for the design, implementation and effective operation of adequate systems of control over import and/or export transactions, for the maintenance of related supporting documentation that facilitates the prevention and detection of fraud and error, and for ensuring compliance with the terms of the diamond imports and exports undertakings with regard to the Kimberley Process. Please refer to the representation made by the Directors outlined on page 46 of this stakeholders report.

Auditors' responsibility

Our responsibility is to express our limited assurance conclusion to the directors about whether the De Beers group has materially complied with the rough diamond imports and exports undertakings governed by the Kimberley Process for the year ended 31 December 2007 and to report on material instances of non-compliance identified during our limited assurance engagement. We are not responsible for reporting on any diamond sales and purchases including import and export transactions beyond the period covered by our limited assurance engagement. For the purpose of our engagement, the De Beers group incorporates the subsidiaries, associates and joint ventures of De Beers excluding the Element Six group, De Beers Diamond Jewellers and the Hindustan Diamond Company.

Our independent limited assurance engagement, relating to diamond import and export transactions of the De Beers group in respect of the year ended 31 December 2007 was performed in accordance with the International Standard on Assurance Engagements (ISAE 3000), Assurance Engagements other than Audits or Reviews of Historical Financial Information. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement so that we obtain sufficient appropriate evidence regarding the subject matter of the engagement to support our limited assurance conclusion, which is stated below. As a limited assurance conclusion is expressed, our evidence-gathering procedures are more limited than they would be for a reasonable assurance engagement, and therefore less assurance is obtained than would be in a reasonable assurance engagement. Our engagement does not constitute an audit or review performed in accordance with International Standards on Auditing or International Standards on Review Engagements and consequently an audit or review opinion is not expressed.

Subject matter and criteria for evaluation of compliance

The subject matter and criteria for evaluation of compliance comprises the rough diamond sales and purchase including the import and export transactions conducted in accordance with the Kimberley Process including the industry self regulation System of Warranties, during the year ended 31 December 2007 and related supporting documentation required in terms of the diamond Imports and/or Exports Undertakings.

Limitations

Owing to the inherent limitations of a system of internal control and because of the characteristics of irregularities, including concealment through collusion and forgery, errors or fraud may not be prevented or detected, and a properly designed and performed limited assurance engagement may not necessarily detect all irregularities. Our procedures included the examination, on a test basis, of evidence supporting the amounts and transactions and were designed and performed to provide limited assurance that the De Beers group materially complies with the rough diamond sales and purchases including the imports and exports undertakings with regard to the Kimberley Process.

Summary of work performed

We have obtained an understanding of the entity and its environment, including its internal controls, and inspected, on a test basis, supporting Kimberley Process Certificates and warranties for the year ended 31 December 2007, sufficient to identify and assess the risks of material instances of non-compliance with the Kimberley Process whether caused by fraud or error.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that the diamond imports and export transactions entered into by the De Beers group are not materially compliant with the requirements of the Kimberley Process.

Yours faithfully



Deloitte & Touche

Per Kevin Black

Partner

18 May 2008



Compliance table **3.12**



































































Performance indicators - GRI (G3) Sustainability Reporting Guidelines		Page reference	Extent	UN mechanisms
1	Strategy and analysis			
1.1	Statement from the most senior decisionmaker about the relevance of sustainability to the organisation and its strategy	2, 4		
1.2	Description of key impacts, risks and opportunities	4, 10, 22, 44, 58, 60, 68, 82, 98, OFR		
2	Organisational profile			
2.1	Name of the organisation	6, cover, OFR		
2.2	Primary brands, products and/or services	OFR		
2.3	Operational structure including main divisions, operating companies, subsidiaries, joint ventures	6, OFR		
2.4	Location of organisation's headquarters	6, cover, OFR		
2.5	Number of countries where the organisation operates, names of countries with major operations or sustainability issues	6, OFR		
2.6	Nature of ownership and legal form	6, cover, OFR		
2.7	Markets served (geographic breakdown, sectors served and types of customers/beneficiaries)	6, 8, OFR		
2.8	Scale of the organisation, including: number of employees; net sales; capitalisation and quantity of products provided	6, 8, cover, OFR		
2.9	Significant changes during the reporting period regarding size, structure or ownership	OFR		
2.10	Awards received in the reporting period	2, 10		
3	Report parameters			
	Report profile			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	cover, OFR		
3.2	Date of most recent previous report (if any)	cover, OFR		
3.3	Reporting cycle (annual, biennial)	cover, OFR		
3.4	Contact point for questions regarding the report or its contents	cover, OFR		
	Report scope and boundary			
3.5	Process for defining report content, including: determining materiality; prioritising topics; identifying stakeholders	6, 11, 126		
3.6	Boundary of the report (countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	6, 8, cover, OFR		
3.7	State any specific limitations on the scope or boundary of the report	6, cover, OFR		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	6, cover, OFR		
3.9	Data measurement techniques and the bases of calculations underlying indicators and other information	65, 100, 127, OFR		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons behind them	70, 100		
3.11	Significant changes from previous reporting periods in scope, boundary, measurement methods	6, OFR		
	GRI content index			
3.12	Table identifying the location of the Standard Disclosures in the report	132		
	Assurance			
3.13	Policy and current practice with regard to seeking external assurance for the report	10, 16, 46, 120		
4	Governance, commitments and engagement			
	Governance			
4.1	Governance structure of the organisation, including committees under the highest governance body	16, 60, 63, OFR		10
4.2	Indicate whether the chair of the highest governance body is also an executive officer	OFR		10
4.3	The number of members of the highest governance body that are independent and/or non-executive members	OFR		10
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	16, 60, 62, 68, OFR		
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives and the organisation's performance (including social/environmental performance)	OFR		10
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	OFR		10
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	OFR		1-10 1-8
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation. Explain the degree to which these are applied across the organisation and relate to international standards	16, 18, 49, 54, 68, 73, 84, 100, 110, 116, 136, OFR		1-10 1-8
4.9	Procedures of the highest governance body for overseeing the identification and management of economic, environmental and social performance, including risks, opportunities and compliance with international standards	10, 16, 60, 63, 68, OFR		1-10 1-8
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	OFR		1-10 1-8
	Commitments to external initiatives			
4.11	Explanation of how the precautionary approach or principle is addressed by the organisation	16, 60, 63, 74, 100		7
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	11, 44, 46, 54, 73, 84, 87, 100, 104, 110		1 2 4 5 10 1 4-8
4.13	Memberships in associations and/or advocacy organisations in which the organisation: has positions in governance bodies; participates in projects or committees; provides substantive funding; or views membership as strategic	11, 46, 49, 54, 89		
	Stakeholder engagement			
4.14	List of stakeholder groups engaged by the organisation: communities; civil society; customers; shareholders and providers of capital; suppliers; and employees, other workers and their trade unions	11		1 2 4 5 8 10 1-8
4.15	Basis for identification and selection of stakeholders with whom to engage	11		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and group	11, 84, 87, 100		
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting	11, 14, 22, 44, 58, 82, 98		1-10 1-8

Note 1: More references to the G3 Sustainability Reporting Guidelines may be contained in the text than identified in the compliance table

Note 2: Titles of performance indicators have in a small number of cases been amended for formatting reasons

Note 3: OFR refers to our Operating and Financial Review 2007

Indicator shading	Extent of reporting	UN mechanisms
"Core" indicators	 Partially reported	 UN Global Compact principles
"Additional" GRI indicators	 Fully reported	 UN Millennium Development Goals

Performance indicators - GRI (G3) Sustainability Reporting Guidelines		Page reference	Extent	UN mechanisms
Economic performance indicators				
Aspect: Economic performance indicators				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	24, 29, 91		 1-8
EC2	Financial implications and risks/opportunities to the organisation's activities due to climate change	10, 110		 7
EC3	Coverage of the organisation's defined benefit pension plan obligations	73		
EC4	Significant financial assistance received from government	n/a		
Aspect: Market presence				
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	74		
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations	29, 54		
EC7	Procedures for local hiring and proportion of senior management hired from the local community	75		
Aspect: Indirect economic impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	27, 31, 34, 86, 91, 104		 1-8
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	24, 27, 29, 34, 41, 86, 91, 104		
Environmental performance indicators				
Aspect: Materials				
EN1	Materials used by weight or volume	118		 7 8
EN2	Percentage of materials used that are recycled input materials	118, 119		 7 8
Aspect: Energy				
EN3	Direct energy consumption by primary energy source	112		 7 8
EN4	Indirect energy consumption by primary source	112		 7 8
EN5	Energy saved due to conservation and efficiency improvements	112		 7 8
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives	112		 7 8
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	112		 7 8 9
Aspect: Water				
EN8	Total water withdrawal by source	116, OFR		 7 8
EN9	Water sources significantly affected by withdrawal of water	116		 7 8
EN10	Percentage and total volume of water recycled and reused	116		 7 8
Aspect: Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	105		 7 8
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	105		 7 8
EN13	Habitats protected or restored	105		 7 8
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	105, 107		 7 8
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	105		 7 8
Aspect: Emissions, effluents and waste				
EN16	Total direct and indirect greenhouse gas emissions by weight	115, OFR		 7 8
EN17	Other relevant indirect greenhouse gas emissions by weight	115		 7 8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved			 7 8
EN19	Emissions of ozone-depleting substances by weight			 7 8
EN20	NO, SO, and other significant air emissions by type and weight	115		 7 8
EN21	Total water discharge by quality and destination	116		 7 8
EN22	Total weight of waste by type and disposal method	119		 7 8
EN23	Total number and volume of significant spills	100		 7 8
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention and percentage of transported waste shipped internationally	118		 7 8
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	87		 7 8
Aspect: Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services and extent of mitigation	98		 7 8
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	n/a		 7 8
Aspect: Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	100		 7 8
Aspect: Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials			 7 8
Aspect: Overall				
EN30	Total environmental protection expenditures and investments by type			 7 8

Compliance table

Performance indicators - GRI (G3) Sustainability Reporting Guidelines		Page reference	Extent	UN mechanisms
Social performance: labour practices indicators				
Aspect: Employment				
LA1	Total workforce by employment type, employment contract and region	29, cover		
LA2	Total number and rate of employee turnover by age group, gender and region	74		
LA3	Benefits provided to full time employees that are not provided to temporary or part-time employees, by major operations			3
Aspect: Labour management relations				
LA4	Percentage of employees covered by collective bargaining agreements	74		3
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	74		3
Aspect: Occupational health and safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	60, 62, 63		1
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region	60, 65, 69, OFR		1
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	62, 67, 68, 69		1
LA9	Health and safety topics covered in formal agreements with trade unions	63, 68		1
Aspect: Training and education				
LA10	Average hours of training per year per employee by employee category			
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	74, 79, 80		
LA12	Percentage of employees receiving regular performance and career development reviews	79		
Aspect: Diversity and equal opportunity				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	75, 76		6
LA14	Ratio of basic salary of men to women by employee category	76		6
Social performance: human rights indicators				
Aspect: Investment and procurement practices				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	46		1 2
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	16, 46, 54		1 2
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	74		1 2
Aspect: Non-discrimination				
HR4	Total number of incidents of discrimination and actions taken	74		1 2 6
Aspect: Freedom of association and collective bargaining				
HR5	Structure including main divisions, operating companies, subsidiaries, joint ventures	74		1-3
Aspect: Child labour				
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	74		1 2 5
Aspect: Forced and compulsory labour				
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	74		1 2 4
Aspect: Security practices				
HR8	Personnel trained in the organisation's policies or procedures concerning aspects of human rights	46, 74		1 2
Aspect: Indigenous rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	86		1 2
Social performance: society performance indicators				
Aspect: Community				
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	27, 34, 41, 84, 86, 87, 88		1 2
Aspect: Corruption				
SO2	Percentage and total number of business units analysed for risks related to corruption	49		
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	49		
SO4	Actions taken in response to incidents of corruption	49		
Aspect: Public policy				
SO5	Public policy positions and participation in public policy development and lobbying	27, 34, 49		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	49		
Anti-competitive behaviour				
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	49		
Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	49, 100		

Performance indicators - GRI (G3) Sustainability Reporting Guidelines		Page reference	Extent	UN mechanisms
Social performance: product responsibility indicators				
Aspect: Customer health and safety				
PR1	Life cycle stages in which health and safety impacts of products/services are assessed for improvement	n/a		
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products/services	n/a		
Aspect: Products and services labelling				
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	46		1 2
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	46		1 2
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	54		
Aspect: Marketing communications				
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications	54		
PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	54		
Aspect: Customer privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	54		
Aspect: Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	49		
Performance indicators - Mining and Metals Sector Supplement				
MM1	Identify those sites where the local economic contribution and development impact is of particular significance and interest to stakeholders and outline policies with respect to assessing this contribution.	8, 27, 29, 31		1-7
MM2	Value added disaggregated to country level	26, 29, 31, 34, 39		
MM3	The number/percentage of sites identified as requiring biodiversity management plans and the number/percentage of sites with plans in place	85, 107		7 8
MM4	Percentage of product(s) derived from secondary materials	n/a		
MM5	Describe policies for assessing the eco-efficiency and sustainability attributes of products (e.g. recyclability, material use, energy use, toxicity etc.)	100, 118		7 8
MM6	Describe approach to management of overburden, rock, tailings and sludges/residues including: assessment of risks; structural stability of storage facilities; metal leaching; and hazardous properties	118		7 8 9
MM7	Describe significant incidents affecting communities during the reporting period and grievance mechanisms used to resolve the incidents and their outcomes	87, 88		1 2
MM8	Describe programmes in which the reporting organisation has been involved that addressed artisanal and small-scale mining (ASM) within company areas of operation	89		1 2 1-9
MM9	Describe resettlement policies and activities	88		1 2
MM10	Number or percentage of operations with closure plans, covering social, environmental and economic aspects. Describe company policy, stakeholder engagement processes, frequency of plan review and amount and type of financial provisions for closure	41, 85		
MM11	Describe process for identifying local communities' land and customary rights, including those of indigenous peoples and grievance mechanisms used to resolve any disputes	88		1 2
MM12	Describe approach to identifying, preparing for and responding to emergency situations affecting employees, communities or the environment	60, 100		
MM13	New cases of occupational disease by type and programmes to prevent occupational disease	65		
Performance indicators - Reporting Guidance on HIV/AIDS				
Good governance				
Indicator 1	Describe the organisation's HIV/AIDS policy	5, 69, 136		4-6
Indicator 2	Describe the overall strategy for managing the HIV/AIDS risk	68		4-6
Indicator 3	Describe preparedness and contingency planning in anticipation of expected impacts	68		4-6
Indicator 4	Describe how your organisation monitors its progress and reports in terms of Indicators 1-3	68, 71		4-6
Indicator 5	Describe how the organisation involves stakeholders in the formulation of policy, strategy and implementation	67		4-6
Measurement, monitoring and evaluation				
Indicator 6	Indicate current and projected future HIV/AIDS prevalence and incidence rates among relevant populations (workforce, service providers, communities, target consumers, direct suppliers)	68, 70		
Indicator 7	Report current HIV/AIDS-associated costs and losses to the organisation	72		
Indicator 8	Indicate total assumed future HIV/AIDS-associated costs /losses	72		
Workplace conditions and HIV/AIDS management				
Indicator 9	Describe the workplace and workplace-related HIV/AIDS programmes and interventions and the extent to which they maintain a workplace environment respectful of human and legal rights	5, 69, 72		4-6
Indicator 10	Indicate total allocated budget dedicated to HIV/AIDS programmes per annum	72, 92		4-6
Depth, quality and sustainability of programmes				
Indicator 11	Detail the organisation's Voluntary Counselling and Testing (VCT) programme	71		4-6
Indicator 12	Describe other support and counselling programmes and measures	63, 70, 71, 93		4-6
Indicator 13	Describe the organisation's HIV/AIDS education and training programmes	67, 71		4-6
Indicator 14	Describe the organisation's condom and femdom distribution programme	71		4-6
Indicator 15	Describe the organisation's general health care and wellness provision for employees (and/or ex-employees) and their families with specific mention of STD-treatment for those AIDS sick	69		4-6
Indicator 16	Describe additional benefits and support for employees sick, dying or deceased from AIDS-related conditions	69		4-6

Our Principles

Three guiding Principles define the way we do business, inform our understanding of what is right and wrong, and describe what is important to us. These are supported by an extended set of specific Principles that cover the economic, ethics, employees, community and environment aspects of our activities.

Sustainable development through partnership

The Family of Companies is committed to operating in accordance with national legislation and towards the goal of sustainable development. This means ensuring that we consider and take responsibility for the longer term economic, social and environmental implications of the decisions we make today – not only for our own business but also for the broader societies in which we operate. We will work with our partners in government to ensure that diamonds, a finite resource, are transformed into economic wealth and improved quality of life and wellbeing for all those stakeholders touched by our business along the diamond pipeline.

Diamond dreams and development

We will work to address the poverty and socio-economic deprivation that affects many of the communities where we operate. We will work with African governments to help realise their long term visions and, through education, training and shared decision making, to ensure the success of programmes that help build the capabilities of their citizens. In particular, we will partner with our stakeholders to address the priority of HIV/AIDS. We will also work meticulously through the Kimberley Process, the industry's system of warranties, and our Principles to ensure conflict diamonds are eliminated from world diamond flows.

Accountability and “living up to diamonds”

The Principles Assurance Programme translates our Principles into practice and provides a framework for measuring continuous improvement in performance over time. Through peer review across the Family of Companies, we will help each other achieve this goal. The implementation, monitoring and reporting of these Principles through the Assurance Programme, including a willingness to open up our performance to third party scrutiny, will ensure that our stakeholders are able to rely on our high standards and know that we are “living up to diamonds”.

Economics

- Long term wealth creation through investment in economic development and delivery of enhanced shareholder value
- Transparency in financial payments to governments and relevant and meaningful reporting
- Local procurement and capacity building that contributes to local and national development goals
- Strong relationships with government and constructive participation in policy dialogue relating to mineral development plans
- No political donations to individuals but legitimate support for the democratic process in emerging multi-party democracies in Africa, guided by policy criteria that, on the basis of disclosure, allow exceptional political donations to eligible registered political parties
- Impact assessment, monitoring and management strategies that are comprehensive, involve those affected by our activities and are regularly undertaken, including prior to new projects and mine closure

Ethics

- Good corporate governance and high ethical standards in compliance with legislation and relevant codes of practice, including the UN Global Compact and other UN, OECD and industry agreements
- Free and fair competition and compliance with national and regional competition/antitrust legislation
- Disclosure of transactions and relationships that could reasonably be expected to give rise to illegalities or conflicts of interest
- Anti-corruption programmes that reject giving or accepting bribes and that require the disclosure of facilitation payments
- Zero tolerance for money laundering plus an active commitment to combat the financing of terrorism
- Compliance with privacy and data protection legislation relating to employees, partners, Sightholders and customers
- Risk mitigation relating to consumer confidence in the diamond pipeline through audited adherence to the DTC Diamond Best Practice Principles and the “system of warranties”, as well as audited adherence to, and support for, the Kimberley Process to prevent conflict diamonds
- Transparent relationships with consumers based on adherence by the DTC and its Sightholders to the accurate description of diamonds, the full disclosure of any treatments to diamonds and full disclosure in respect of synthetics and simulants

- Respecting the fundamental rights of all peoples as outlined in the Universal Declaration of Human Rights, ensuring there is no complicity if others infringe the rights of our employees or local communities
- Recognising and respecting the legal authority of governments in the countries in which we operate, we believe that we have the right and the responsibility to make our position known to them on any matters that affect our employees, shareholders, Sightholders, customers or local communities

Employees

- Compliance with the core labour standards of the International Labour Organization including freedom of association, the right to collective bargaining, non-discrimination and the responsible prevention of child labour and forced labour within our sphere of influence
- The highest security and human rights standards for employees at our operations and in our exploration activities, ensuring our security services, or those sub-contracted by us, do not violate the human rights of our employees or local communities
- The integration of best practice safety and occupational hygiene standards into planning and management systems to enable a supportive and accident-free safety culture
- Employee health and wellbeing rooted in the moral obligation to “do no harm” and help prevent ill health
- Comprehensive HIV/AIDS management programmes in our principal operations where the need exists, and can be provided for in a responsible and sustainable manner, for employees and their life partners based on the principles of education and prevention, care, confidential treatment and support
- The promotion of diversity and inclusiveness; and, in line with our Values, developing the human potential of employees, promoting respect and reciprocity in working relationships and harnessing the richness of different ideas, cultures and perspectives to enable us to better serve the markets and producer countries in which we operate

Community

- Lasting positive contributions to local community livelihoods during and beyond the lifetime of our mines
- Respecting the cultural integrity of all peoples, their spiritual and religious beliefs, their traditions and their traditional knowledge systems

Cover caption (from left): Tshepo Malebatsi and Randy Mokoti at the Diamond Trading Company office in Kimberley, South Africa

- Respecting community governance and a community's rights to consultation with a view to securing their free, prior and informed consent for any significant operations that have substantial impact on on their interests and livelihoods
- Treating neighbours with understanding and dignity, taking seriously the issues that concern them to ensure that our operations neither prejudice nor infringe on their rights or interests
- Sensitive to the difficulties encountered by some indigenous or tribal minorities and other vulnerable populations in the areas in which we operate, we aim to be responsive to their needs and concerns
- Stakeholder dialogue to ensure that concerns are treated with respect, actions are taken to address concerns, and that meaningful reporting is undertaken in the public domain
- Social investment programmes to alleviate poverty and address socio-economic deprivation through capacity building and enterprise development, harnessing the passion of employees to "show we care"
- Partnering with relevant stakeholders where we can to deliver or support comprehensive community health management programmes and facilities, such as those for HIV/AIDS, including a focus on prevention and access to treatment as well as on vulnerable groups such as women and children
- Partnerships to help transform small-scale informal diamond digging activities, where feasible, into flourishing sustainable businesses that benefit diggers and their families by alleviating poverty and accelerating sustainable socio-economic development around diamond mining areas

Environment

- Proficient and responsible environmental management integrated into all aspects of the business and supported by management systems, impact assessments and risk management programmes
- Responding proactively to emerging societal concerns by developing systematic ways to prevent or minimise the negative impacts of our operations
- Efficient use and management of energy resources and emissions that contribute to climate change, and the use of market-based emission reduction mechanisms where appropriate
- Stewardship of terrestrial and aquatic ecosystems, and of resources on land that we own, lease or manage
- Programmes to conserve biodiversity, protect endangered fauna and flora and promote sustainable use of the ecosystems that we manage in partnership with, and for the shared benefit of, our stakeholders

Extended contacts 3.4

Angola

De Beers Angola Holdings
Caixa Postal nº 4031
Luanda
Tel: +244 (0) 222 63 8800
Fax: +244 (0) 222 63 8801

Botswana

De Beers Botswana
Private Bag 00380
Gaborone
Tel: +267 (0) 390 2991
Fax: +267 (0) 390 2990

De Beers Prospecting Botswana
PO Box 404331
Gaborone
Tel: +267 (0) 391 9962
Fax: +267 (0) 395 9106

Debswana Diamond Company
PO Box 329
Gaborone
Tel: +267 (0) 361 4200
Fax: +267 (0) 395 2941/6110

Diamond Trading Company Botswana
Private Bag 0074
Gaborone
Tel: +267 (0) 364 9000
Fax: +267 (0) 364 9999

Canada

De Beers Canada
Toronto Office, Suite 300
65 Overlea Boulevard
Toronto, M4H 1P1, Ontario
Tel: +1 (0) 416 645 1710
Fax: +1 (0) 416 429 2462

India

De Beers India
Advanced Business Centre
83 Maker Chambers VI
Nariman Point, 400 021, Mumbai
Tel: +91 (0) 22 2283 2971/27
Fax: +91 (0) 22 2283 2823

Luxembourg

De Beers Société Anonyme
BP591, L-2014 Luxembourg
Tel: +352 (0) 264 8711
Fax: +352 (0) 264 871 303

Namibia

De Beers Namibia
PO Box 23132, Windhoek, 9000
Tel: +264 (0) 61 204 3444
Fax: +264 (0) 61 204 3445

Namdeb
PO Box 1906, Windhoek, 9000
Tel: +264 (0) 61 204 3333
Fax: +264 (0) 61 204 3334

Namibia Diamond Trading Company
PO Box 23316, Windhoek, 9000
Tel: +264 (0) 61 204 3222
Fax: +264 (0) 61 204 3263

Russian Federation

De Beers Société Anonyme
Suite 1240, Ducat Place III
6 Gasheka Street, 125047, Moscow
Tel: +7 (0) 495 589 1070
Fax: +7 (0) 495 589 1071

South Africa

De Beers Consolidated Mines
PO Box 616
Kimberley, 8300
Tel: +27 (0) 53 839 4111
Fax: +27 (0) 53 839 4210

Tanzania

Williamson Diamonds
PO Box 9470, Dar es Salaam
Tel: +255 (0) 28 276 3872
Fax: +255 (0) 28 276 2965

United Kingdom

Diamond Trading Company
17 Charterhouse Street
London, EC1N 6RA
Tel: +44 (0) 20 7404 4444
Fax: +44 (0) 20 7831 0663

Environmental information

Printed on Revive 50:50 made from 25% de-inked post consumer waste, 25% pre-consumer waste and 50% virgin fibre. All pulps are Elemental Chlorine Free and the manufacturing mill is ISO 14001 certified. Use of the Forest Stewardship Council (FSC) logo identifies products that contain wood from well-managed forests certified in accordance with FSC rules.



Mixed Sources

Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SA-COC-1487
© 1996 Forest Stewardship Council

Acknowledgments

Prepared and produced by the De Beers Family of Companies in partnership with Maplecroft.

Design: Maplecroft
Printing: Taylor Bloxham

DE BEERS
A DIAMOND IS FOREVER



DE BEERS

General enquiries

De Beers Corporate Headquarters
Private Bag X01
Southdale 2135
South Africa

Email: info@debeersgroup.com
Telephone: +27 (0) 11 374 7000
Fax: +27 (0) 11 374 7700

www.debeersgroup.com

