

5 Communities

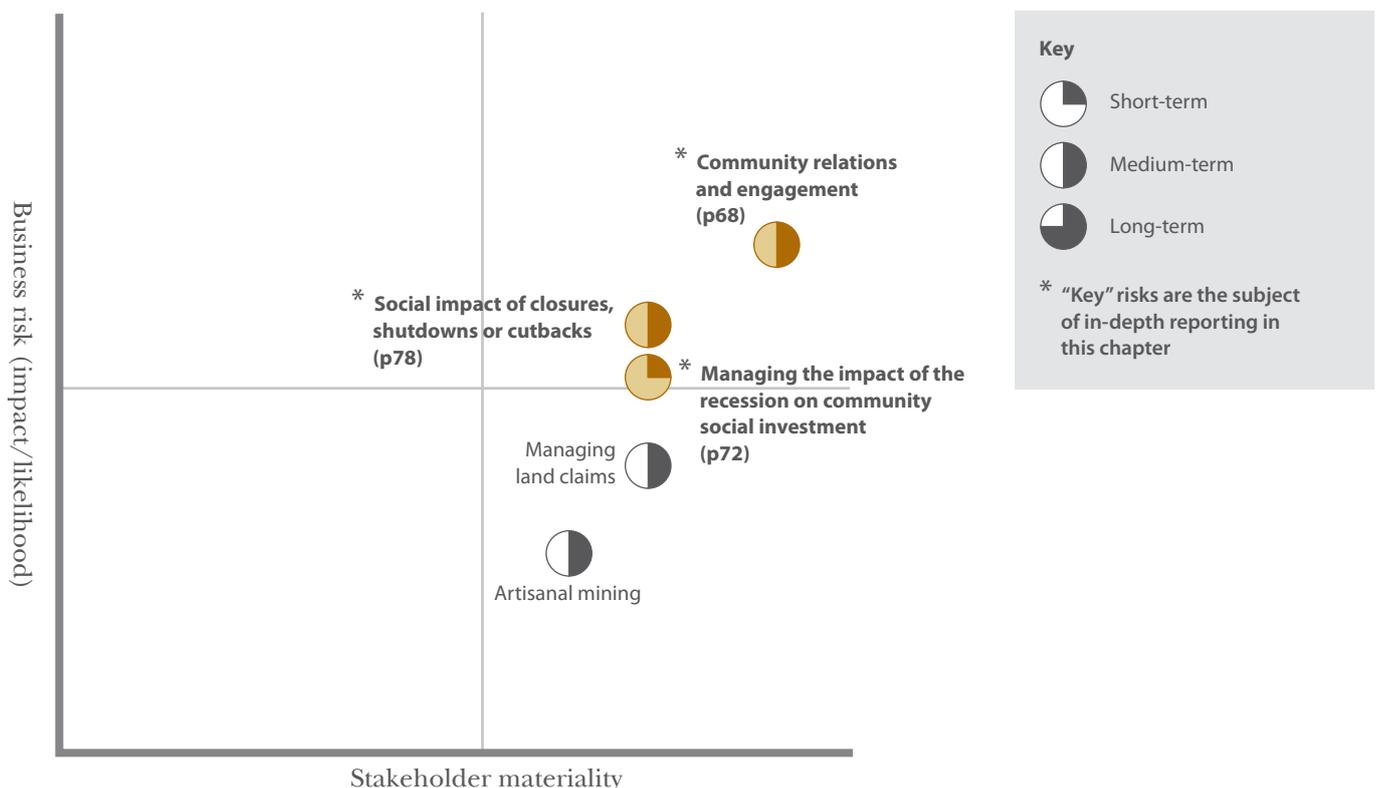
Our engagements with local communities are based on the same principles of sustainability that frame our partnerships with producer governments. Our aim is to promote the development of sustainable local economies that endure post-mining. We work with local communities to “multiply” the impact of our presence into long-term and self-sustaining development. We do this through capacity building, infrastructure development, the provision of employment, strategic social investment, enterprise development and the promotion of procurement agreements with local suppliers.

Successful partnerships are based on principles of mutual benefit and reciprocity. In our engagements with local communities the framework for these principles is defined in terms of our social licence to operate. Gaining a social licence involves ongoing engagement with local and indigenous communities with a view to ensuring that they understand the impacts of our activity and participate in the development of impact mitigation strategies, as well as programmes to maximise local benefit.

Well managed community engagement during the life of a mine promotes a foundation for a positive post-mining legacy. This requires careful planning for closure, ongoing monitoring and continuous review. It also requires us to work in partnership with government and non-government agencies to find relevant and lasting solutions to community development challenges.

The value of this integrated approach to supporting our communities was clearly demonstrated in 2009 as we were able to ensure the continuity of key community programmes across all our operations despite staff cutbacks, production holidays, temporary closures and reduced social investment budgets as a result of the economic crisis.

Key community risks



Risks

* **Community relations and engagement (p68)**

Effective engagement is essential for constructive, frank and stable relationships with local communities and other interested parties. Without such relationships, our business risks operational disruption as well as reputational damage. These relationships also inform our efforts to generate lasting socio-economic benefits at a local level and to maintain our social licence to operate.

* **Managing the impact of the recession on community social investment (p72)**

While social investment in our local communities is essential to maintaining our social licence to operate, expenditure over and above statutory requirements and the maintenance of ongoing commitments is ultimately dependent on the revenues available to our operating companies and business units.

* **Social impact of closures, shutdowns or cutbacks (p78)**

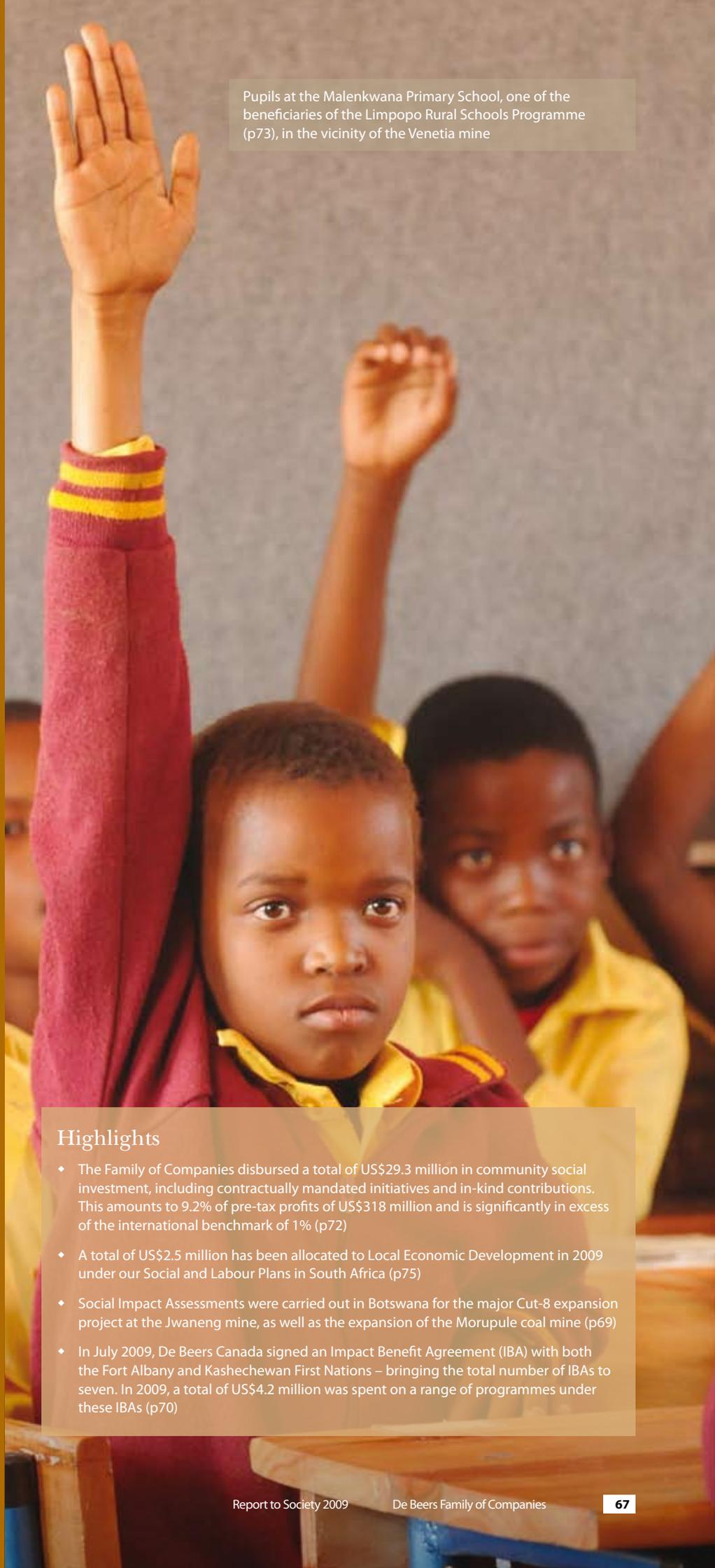
The effective management and mitigation of the socio-economic impacts of mine closure depends to a large extent on a mining operation's ability to generate consistent local value throughout the productive lifespan of the mine. The need for mining operations to adapt to variable economic conditions, as was the case in 2009, can impact on their ability to do so.

Managing land claims

Our community policy recognises that people's interests in property may derive from traditional and spiritual association in addition to legal title. Through free and informed dialogue we seek to ensure the land rights of indigenous people are upheld at all times.

Artisanal miners

Although the Family of Companies is not involved in artisanal mining, informal small-scale diamond mining does take place in some of our exploration areas in which our future growth is likely to be focused. In addition, the poor socio-economic conditions and exploitative practices that are often associated with artisanal mining pose a reputational risk to the diamond sector as a whole.



Pupils at the Malenkwana Primary School, one of the beneficiaries of the Limpopo Rural Schools Programme (p73), in the vicinity of the Venetia mine

Highlights

- ◆ The Family of Companies disbursed a total of US\$29.3 million in community social investment, including contractually mandated initiatives and in-kind contributions. This amounts to 9.2% of pre-tax profits of US\$318 million and is significantly in excess of the international benchmark of 1% (p72)
- ◆ A total of US\$2.5 million has been allocated to Local Economic Development in 2009 under our Social and Labour Plans in South Africa (p75)
- ◆ Social Impact Assessments were carried out in Botswana for the major Cut-8 expansion project at the Jwaneng mine, as well as the expansion of the Morupule coal mine (p69)
- ◆ In July 2009, De Beers Canada signed an Impact Benefit Agreement (IBA) with both the Fort Albany and Kashechewan First Nations – bringing the total number of IBAs to seven. In 2009, a total of US\$4.2 million was spent on a range of programmes under these IBAs (p70)

* Further information presented in this report

5.1 Community relations and engagement

Risk: Effective engagement is essential for constructive, frank and stable relationships with local communities and other interested parties. Without such relationships, our business risks operational disruption as well as reputational damage. These relationships also inform our efforts to generate lasting socio-economic benefits at a local level and to maintain our social licence to operate.

Our social licence to operate relies on the creation and maintenance of mutually beneficial partnerships with local communities. The success of our partnerships requires ongoing, frank and constructive engagement with local stakeholders at all stages of the mining cycle. Stakeholders not only include local communities, but also government and non-government agencies that can bring vital skills, perspectives and resources into our decision-making process. This level of engagement maximises the benefit of our operations and assists in the mitigation of any negative impacts. Engagement of this kind also ensures:

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

5.1.1 Community engagement

Effective community engagement requires an intimate knowledge of the communities in which we work. It also requires us to ensure we are doing our utmost to meet their needs, address their concerns and proactively manage our stakeholder relationships.

5.1.1.1 Maintaining constructive community relations

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

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

During 2009, we adopted a risk-based approach to managing community relations. This was in order to ensure the prioritisation of those community relationships that are most material to the sustainability of our operations.



Children in the vicinity of the Finsch mine in South Africa

In addition, we deferred a number of key strategic projects in order to concentrate on the immediate challenges posed by the impact of reduced diamond sales on our community relations. This includes a Social and Economic Scenario Planning exercise to support exploration and business development activities in Angola, as well as the universal roll-out of the Anglo American Socio-Economic Assessment Toolbox (SEAT).

These actions helped mitigate the impact of organisational changes within the Family of Companies and on our ability to manage community affairs. This includes the allocation of responsibility for international community relations strategy to our global External and Corporate Affairs function and a reduction in the size of our Community team. Nonetheless, the Community Peer Group continued to operate throughout 2009, with participation from External and Corporate Affairs, as well as ECOHS professionals and community liaison managers from our mining operations. Four peer group meetings were held during the course of the year.

In addition, Debswana has initiated the development of a new Community Relations Policy to supplement the Family of Companies Community Policy. This reflects efforts to better tailor our policies to local circumstances (p77).

5.1.1.2 Community context

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

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

The effective management of these impacts is particularly important when operating in areas of socio-economic vulnerability or cultural sensitivity. Our mines in southern Africa and Canada all fall within these categories. Key issues affecting our relations with local communities in 2009, for example, included:

- The strong cultural, social and economic relationship between local First Nations communities in Canada and the land on which we operate (p70)
- The communication of the benefits generated by our mining operations to local communities in Botswana
- Ongoing land claims in South Africa (p71)

5.1.1.3 Managing engagement

The Family of Companies conducts impact assessments for all new mining projects and whenever significant changes are made at existing operations. All of our operations are covered by Environmental Impact Assessments (EIAs). Many also have Social Impact Assessments (SIAs) in place, as well as formal agreements with local communities. These include Impact Benefit Agreements (IBAs) in Canada (p70) and Social and Labour Plans (SLPs) in South Africa (p71). We rely on a number of tools to ensure the effective engagement of community members. These include:

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

Our Community Policy meets and exceeds international law and industry protocols relating to the rights of local communities and indigenous peoples, resettlement and compensation. All of our exploration staff have also received our Human Rights Policy to help guide them in their interactions with local communities.

SEAT was initially developed by Anglo American. It includes tools to map and engage local stakeholders in remote and underdeveloped areas, as well as under-represented groups such as women and indigenous people. SEAT also contains tools to help operations manage their socio-economic impacts on local communities. As a result of disruption caused by the recession during 2009, the global roll-out of SEAT or equivalent tools was deferred at operations, following a pilot project at the Venetia mine in South Africa during 2007 and 2008. Nonetheless in 2009, De Beers Consolidated Mines (DBCM) continued to use SEAT to engage local communities in Namaqualand (p82-83) and it remains a core tool for our Community discipline. The broader application of SEAT across our southern African operations will be reviewed in 2010. In Canada, SEAT will be used to carry out a gap analysis of current community engagement programmes.

Launched in 2008, our SIA Guidelines cover issues including community development planning processes, coordination with partners and procedures for identifying resources essential to community subsistence. Our SIA Guidelines also identify the land and customary rights of local communities, including those of indigenous peoples. They are based on work completed by the ICMM, as well as the principles endorsed by the International Association for Impact Assessment.

In 2010, we plan to conduct a mine-by-mine gap analysis against the community related requirements of the Responsible Jewellery Council's (RJC) certification scheme. This will be conducted as part of our broader RJC pilot process in 2010, which will be integrated into the internal BPP process (p46-47).

- 📄 www.angloamerican.co.uk
- 📄 www.responsiblejewellery.com
- 📄 www.icmm.com
- 📄 www.iaia.org

5.1.2 Botswana

In 2009, the Family of Companies carried out an SIA for the Cut-8 mine expansion project at the Jwaneng mine in Botswana (p25). The project required an approach that explicitly recognised both the human resources management and social management aspects of the design of employee accommodation for the project.

The SIA focused on a range of issues identified through internal and external stakeholder engagement, including:

- HIV and Aids
- Local economic benefits
- Family integrity
- The wellbeing of employees and their families
- Employee productivity
- Existing social structures and amenities

Following the SIA, it was recommended that accommodation be developed in such a way that about 60% of employees were transported in and out of the mine by bus on a daily basis from villages within a 90 km radius. This was (in part) due to the need to:

- Protect family integrity
- Reduce employee dependence on Debswana
- Stimulate broad economic growth in labour sending areas

It was further recommended that another 30% should be accommodated in third party built family housing that would be available for renting or purchase. This again offers advantages in terms of family solidarity, as well as the accommodation of people from more distant locations. It was recommended that the remaining 10% be accommodated in an "operations village" adapted for use by employees' families and offering regular accommodation without having to check in and out. At the time of writing, Debswana was consulting with employees as to the final form of accommodation for the project.

In addition, Debswana carried out an SIA at the Morupule coal mine and a series of engagements were initiated with local communities. These included meetings with traditional leaders, mine tours for local people and the communication of project descriptions. Plans are in place to combine Debswana's engagement efforts with the developers of a new power station at Morupule (p90).

There are also plans in place for an SIA in 2010 for the potential conversion of the No. 1 plant to treat tailings and the construction of a new No. 3 plant at Orapa. This will focus on accommodation for project personnel, as well as economic benefits for surrounding areas.



On 26 October 2009, a group of teenagers from "Demelza" visited the DTC in London. Demelza provides hospice care for more than 600 young people with life-limiting illnesses from across East Sussex, Kent and South East London, United Kingdom

Case study: Impact Benefit Agreements in Canada

Impact Benefit Agreements (IBAs) aim to ensure that mining delivers tangible benefits to local First Nation communities in Canada. They are not legally required.

Of 45 active IBAs in Canada, De Beers is signatory to seven, four in the Northwest Territories (NWT) and three in Ontario. These include agreements with the:

- Attawapiskat First Nation (November 2005)
- Yellowknives Dene First Nation (November 2005)
- Tlicho Government (March 2006)
- North Slave Métis Alliance (August 2006)
- Lutsel K'e and Kache Dene First Nation (April 2007)
- Moose Cree First Nation (September 2008)
- Fort Albany and Kashechewan First Nations (July 2009)

Although the specific content of each IBA varies, they typically include the following benefits:

- **Business opportunities:** For example, the Moose Cree IBA includes provisions for one third of the seasonal freight transport from the rail head to the Victor mine site
- **Preferential hiring:** For example, all members of the First Nations in the NWT IBAs have been established by De Beers as the first hiring priority
- **Education and training:** For example, training of Aboriginal apprentices, and support for one training centre in Yellowknife and two in Attawapiskat
- **Cultural support:** This is included in all seven IBAs. A cultural centre has been constructed at Snap Lake to support cross-cultural awareness at the mine site and the company brings in Aboriginal artists (performing, visual, literary) to showcase and support culture. Similarly, a tepee has been constructed at Victor as a centre for cross-cultural activities
- **Environmental monitoring and protection:** For example, funds provided through IBAs with the Fort Albany and Kashechewan First Nations are used to map and protect traditional harvesting grounds and trap lines and some of the funds provided to Attawapiskat are used for environmental monitoring
- **Monetary compensation:** For example, in 2009 a total of C\$4.8 million (US\$4.2 million) was paid to the seven communities in which we operate

 www.impactandbenefit.com

“[This] is a fair agreement for our people. It respects our way of life. At the same time, it provides opportunities for our youth and our workforce. It also provides compensation to assist us to manage the impacts of the mine on our livelihood and it recognises the need to protect wildlife and the environment.”

Chief Jonathan Solomon, Kashechewan and Fort Albany Communities, commenting on their July 2009 IBA



5.1.3 Canada

Impact Benefit Agreements (IBAs) are signed between mining companies and First Nation communities in Canada in order to provide assurances of tangible benefits of mining for local people. Although not a legal requirement for permits, IBAs are considered best practice to establish a formal mechanism between companies and First Nation communities that define how the First Nations will participate in, and benefit from, mining projects.

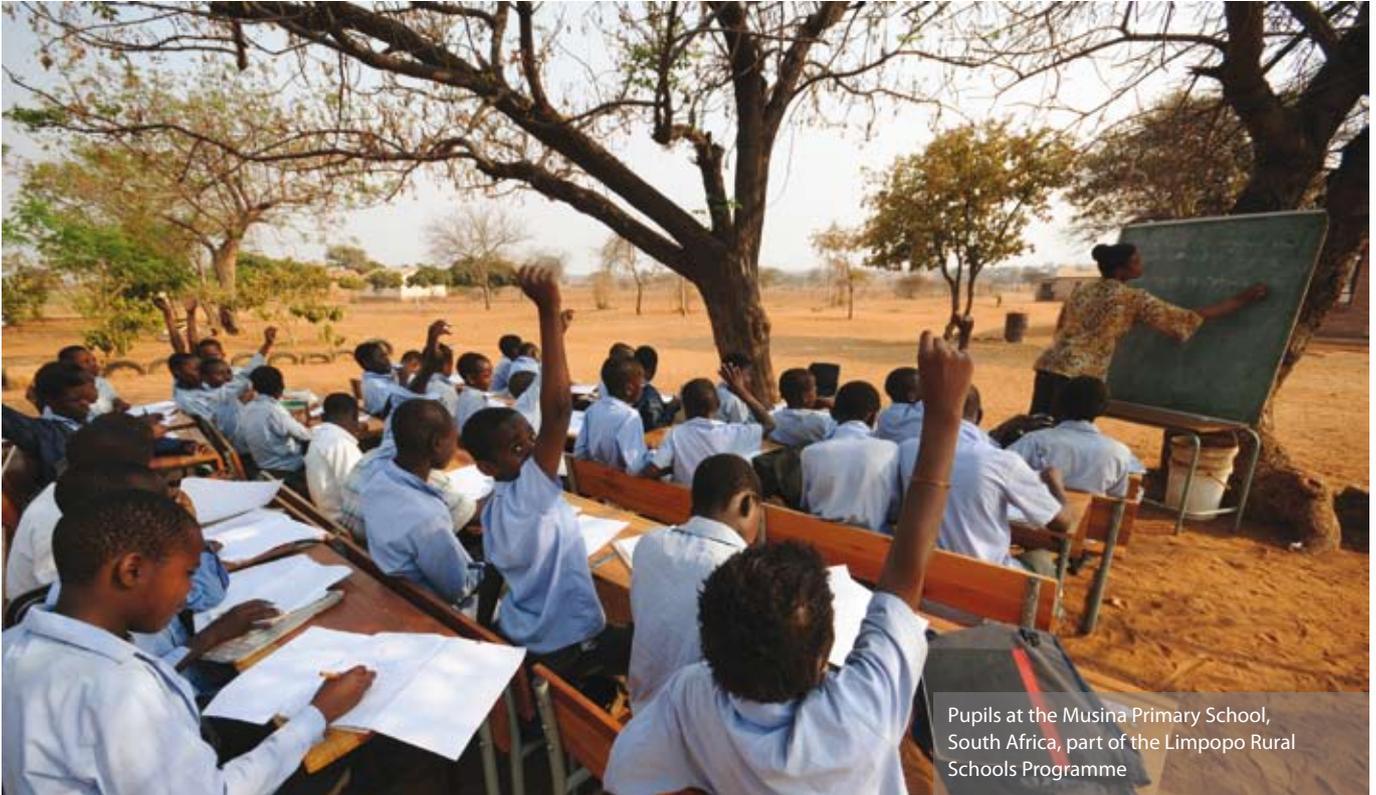
At Snap Lake, we have IBAs with four groups, including Tlicho Government, Yellowknives Dene First Nation, the North Slave Métis Alliance and the Lutsel K'e and Kache Dene First Nation.

At Victor, three IBAs are in place with four groups, including Attawapiskat First Nation, Moose Cree First Nation and an agreement with both the Fort Albany and Kashechewan First Nations. The latter agreement was ratified and signed in July 2009. This marked an important step forwards in the consolidation of our community relationships in the area. In addition, we have a Working Relationship Agreement with a further First Nation at Victor mine.

In February 2009, a faction from the Attawapiskat First Nation blocked the winter road to the Victor mine for two weeks. Those involved cited disagreements within their own community, as well as a perceived lack of communication and failure to resolve asserted issues on the part of De Beers Canada. An action plan was subsequently agreed and the blockade was removed. Dialogue to resolve remaining disputes continued with all significant issues related to the company having been resolved by the end of 2009.

De Beers Canada also undertook negotiations with the Moose Cree First Nation regarding the back haul of timber cut during the construction of a power line from Otter Rapids to Moosonee, as well as the use of herbicides to clear the route before handover to the power operator.

In certain cases, De Beers Canada provided assistance to local communities in relation to issues outside of its responsibility. For example, De Beers Canada provided emergency accommodation for about 100 members of the Attawapiskat First Nation when sewage back-up contaminated eight housing units. The company also worked successfully with the Attawapiskat First Nation to encourage the federal government to put the community on the priority list for a new elementary school.



Pupils at the Musina Primary School, South Africa, part of the Limpopo Rural Schools Programme

5.1.4 Namibia

As part of its “Positive Legacy Project”, Namdeb continued to engage with the Namibian government to expedite the Oranjemund town proclamation process (p80). To facilitate the process, the Oshipe Development Fund was moved to Oranjemund to help promote local economic development (p21). This took place within the context of Namdeb’s broader environmental rehabilitation of the West Coast mining areas (p98-99).

 www.oranjemundonline.com

5.1.5 South Africa

Under South Africa’s Mineral and Petroleum Resources Development Act 2002, applicants must submit an SLP before mining or production rights will be granted. This process requires close consultation with local communities and local authorities to ensure we not only satisfy our legal and rehabilitation requirements, but also maximise community benefits. Each SLP includes both a Skills Development budget for employees and a Local Economic Development budget. They aim to advance the socio-economic welfare of all South Africans, drive transformation of the extractive sector to include more Historically Disadvantaged South Africans (HDSAs) and ensure mines contribute to socio-economic development and local employment in those areas where they operate. DBCM is implementing SLPs at all of its mines in line with plans agreed with the Department of Mineral Resources and commensurate with available funding.

DBCM is also working with local communities in Namaqualand on the Living Edge of Africa Project (LEAP). This aims to mitigate the anticipated impacts of the suspension of production and potential sale of the mine on local employment and community development. LEAP includes an integrated stakeholder engagement plan to support the closure planning process and aims to establish alternative livelihoods through a number of programmes, including mariculture, tourism and renewable energy (p82-83).

The De Beers Zimele enterprise development vehicle was piloted in Kimberley in 2009 in order to help address our long-term legacy issues in the area (p21). It is also examining opportunities to support LEAP.

In 2009, DBCM faced a number of ongoing land claims. These included:

- Engagement with the Limpopo Land Claims Commissioner over claims made on company properties in the Venetia Limpopo Nature Reserve
- A validated claim involving company properties in the Hondeklip Bay area
- Engagement with the government and the Regional Land Claims Commission in relation to claims relating to Griqualand and Rooiport

5.2 Managing the impact of the recession on community social investment

Risk: While social investment in our local communities is essential to maintaining our social licence to operate, expenditure over and above statutory requirements and the maintenance of ongoing commitments is ultimately dependent on the revenues available to our operating companies and business units.

5.2.1 Our community investment strategy

The Family of Companies community investment strategy looks beyond narrow philanthropic spending to focus on real socio-economic outcomes for local communities. This is in order to reflect the full range of our contributions to the communities in which we operate. It also ensures our community activities closely support our social licence to operate (p68) by helping maintain positive and constructive relations with local communities, government and other relevant stakeholders (p68-71).

This approach has been particularly important in 2009 due to the impact of a significant fall in revenues from diamond sales on our short-term philanthropic spend (p18). Despite this, our core investment in local communities has been maintained as a result of a range of long-term programmes such as our Social and Labour Plans (SLPs) in South Africa (p71), Impact Benefit Agreements (IBAs) in Canada (p70) and important in-kind educational and medical contributions in Botswana (p73).

5.2.2 Our total investment in 2009

Traditionally our community social investment reporting has only recorded voluntary cash disbursements for external community initiatives (i.e. philanthropic spend). Reflecting the impact of reduced diamond sales on cash flow within the Family of Companies, this narrow measure fell from US\$13.6 million in 2008 to US\$7.5 million in 2009. The fall reflected a reduction in available cash within the Family of Companies due to lower diamond sales. This resulted in the prioritisation of philanthropic spending on existing and core projects, as well as the partial suspension of support for new initiatives. This gives a three year average of 2% of pre-tax profits compared to the international benchmark of 1%.

¹ Calculations presented in Figure 5-1 and Figure 5-2 include broader social investment activities such as the running of mine hospitals shared by local communities in both Botswana and Namibia

In 2009, we introduced a broader measurement of corporate social investment to more accurately reflect our actual impact on the societies in which we operate. In addition to our philanthropic spend, this includes a range of community benefits that have hitherto not been recorded such as social investment that is required under applicable legislation or contractual agreements (e.g. such as our SLPs in South Africa (p71) or IBAs in Canada (p70)), as well as long-term, in-kind social investment.¹ Under this broader measure, De Beers spent a total of US\$29.3 million on community social investment in 2009. A total of 67.1% of this spend (US\$19.7 million) was concentrated in Botswana, primarily as a result of Debswana's ongoing provision of education (US\$9.5 million) and health services (US\$8.9 million) that are available to the public. This broader measure of community social investment represents 9.2% of pre-tax profits of US\$318 million and is significantly in excess of the international benchmark of 1%.

5.2.3 Community social investment activities

Where relevant, we try to align our community investment activities with relevant national development programmes in order to maximise the impact of our community social investment on long-term national development. These include:

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

Our overall social investment contribution falls into the following six broad categories:

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

Figure 5-1: Social investment spend by region and (African) country, 2009 (US\$)

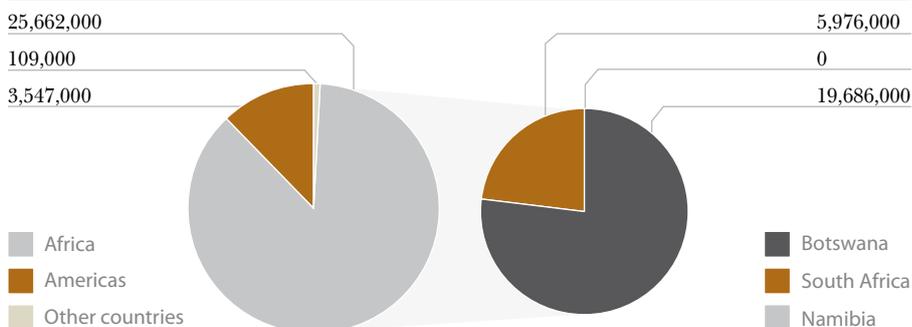
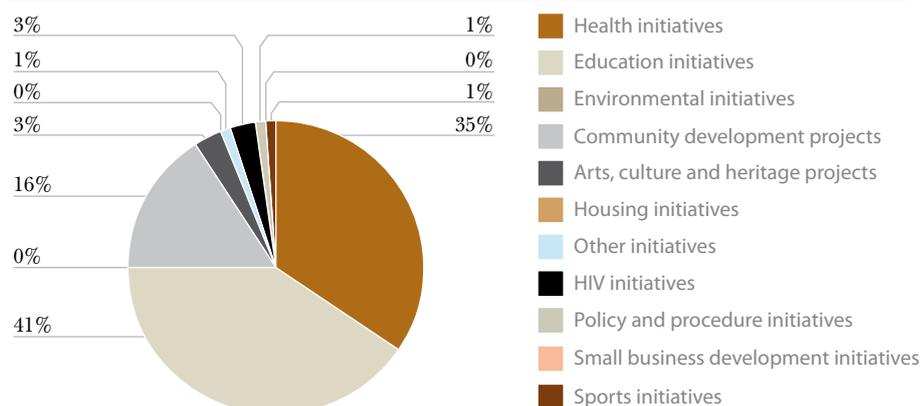


Figure 5-2: Social investment spend by project type, 2009



Case study: Community care at Jwaneng Hospital

The Jwaneng Hospital, which serves Debswana employees, their families and the local community, is completely funded by Debswana at a cost of P53 million (US\$7.6 million) annually. In 2009, the hospital received a Council for Health Services Accreditation of Southern Africa (COHSASA) accreditation score of 97%, confirming its reputation as one of the best hospitals in Botswana. All 172 health workers (including 10 doctors) are employed by Debswana. With 89 beds, the hospital provides health services for an estimated 20,000 people per annum. Overall, it is estimated that 50% of outpatients and 90% of inpatients are local community members.

As the main district hospital, Jwaneng Hospital's official catchment area covers about 30,000 people. In reality, however, it is believed to serve a far larger community that is at least double this size. The hospital's reputation means people often travel from far beyond the catchment area in order to seek treatment.

In addition to district-level hospital care, the Jwaneng Hospital also provides the following:

- A dental clinic
- An Infectious Diseases Care Centre
- Laboratory services support for all clinics and health posts in the district
- Rehabilitation and intensive care
- Community outreach

The Infectious Diseases Care Clinic, which is staffed by Jwaneng Hospital personnel, administers government-funded Anti-Retroviral Treatment to local community members. Since the inception of the clinic, HIV and Aids care has moved from inpatient care to outpatient care. As a result, the occupancy rates of medical wards have dropped from over 100% to about 40%, making a significant difference in improving HIV and Aids treatment within the Jwaneng community.

www.cohsasa.co.za



Dr Thato Moumakwa, Chief Medical Officer at Jwaneng mine, Botswana

5.2.3.1 In-kind community services

The Family of Companies provides a range of in-kind services to local communities. In 2009, we included these services in our community social investment reporting in order to better reflect our actual impact on local communities.

For example, Debswana provides mine schools at both the Orapa and Jwaneng mines.

The schools provide subsidised teaching to mine employees and other members of the community, as well as external teaching support, school buildings and learning support for community schools. In 2009, the total cost of supporting these educational services was P43 million (US\$6.2 million). In addition, Debswana has debentures in a private primary school in Gaborone, servicing a total of 980 pupils.

Debswana also fully funds mine hospitals at both Orapa and Jwaneng, which work in partnership with Botswana's Ministry of Health. Both serve as district hospitals, providing essential public medical services to both employees as well as community catchment areas covering about 75,000 people. In 2009, the Orapa hospital provided more than 19,000 free consultations to outpatients, and free treatment to more than 7,600 inpatients.

In 2009, the cost of providing these medical services to local communities was P95.1 million (US\$13.6 million).

In addition, a number of in-kind initiatives take place at operational level. At the Orapa mine, for example, Debswana employees carry out water monitoring on behalf of the government, local communities and the mine itself (p86-89).

In Namibia, Namdeb provides subsidised schooling and medical services to employees and local community members in Oranjemund.

5.2.3.2 Skills development and capacity building

Community and employee skills development plays a key role in the profitability of our business, as well as our promotion of local economic growth. It helps build the local skills base upon which we can rely, and also contributes to the generation of lasting benefits that will continue post-mining.

We estimate that between 1992 and 2009 Debswana spent in excess of P243 million (US\$34.8 million) on scholarships for more than 1,000 current and future Debswana employees to study in Australia, the United Kingdom and South Africa. In 2009, this included a budget of P5.9 million (US\$845,539). Students are not required to take up employment at

Debswana when they have concluded their studies. As a result, many recipients of the programme have gone into the broader economy, providing valuable skills and experience to other businesses and sectors.

In 2009, DBCM spent R52.8 million (US\$6.4 million) on skills development through legally required SLPs (p71).

Externally, our skills development programmes focus on:

- The provision of educational services to local communities
- Preferential procurement from local suppliers (p20)
- Targeted enterprise development within local communities (p21)

In 2009, De Beers Canada spent C\$1.8 million (US\$1.6 million) or 47.1% of its entire community social investment budget on education and youth literacy. This excludes spending under our IBAs.

In Namibia, De Beers Namibia is a longstanding supporter of the Namibia Institute of Mining and Technology (NIMT) (p76). Through this initiative, we hope to help drive the development of a strong mining and engineering skills base in the country – both for the benefit of the Family of Companies and for Namibia's long-term economic development.

In South Africa, the De Beers Fund supports a range of local education initiatives. One of the most important of these is the Limpopo Rural Schools Programme, which it jointly supports with the Limpopo Department of Education. The programme focuses on the development of schools around the Venetia mine. Since 2004, the ongoing partnership has invested a total of R32 million (US\$3.9 million) on educational infrastructure.

Together, we believe these programmes help establish the foundations for long-term economic growth and development.

www.limpopo.gov.za

“This partnership has helped the Department to address some of the challenges like shortage of classrooms, need for ablution facilities, need for clean water and other educational resources, much earlier than it would have been if it had to do it alone.”

Limpopo Province Education Development Trust on the Limpopo Schools Programme

Case study: Laxmi Diamond social programmes in India



Laxmi Diamond is a Diamond Trading Company (DTC) Sightholder. The group has offices

in India, the United States, Belgium and Hong Kong, with manufacturing units in India and jewellery units in India and Thailand. In 1993, Laxmi established the Shantaben Haribhai Gajera charitable trust, which aims to uplift poor and vulnerable communities in India. The trust has established two schools (Shaikshaniik Sankul and Gajera Vidyabhavan) as well as a home for orphaned children and the aged (Vatsalya Dam).

Shaikshaniik Sankul was established in Amreli in a remote area of Sankul. The school provides kindergarten to college level education for 7,000 disadvantaged girls in rural areas. The facility is situated on 105 acres of grounds and includes 10 school buildings, three hostels, an open air theatre, canteen and sports playground. The school has a five-star rating and is considered one of the best in Gujarat.

Gajera Vidyabhavan was established in 1999 and began with 583 students from pre-primary to senior levels. The school has now expanded to educate more than 12,256 students and is one of the most prestigious schools in Surat. Facilities at the ISO 9001-2000 certified school include a 10,000 book library, a gymnasium and conference facilities.

Vatsalya Dam was established in 2006 as a centre to house a total of 321 aged people and orphaned children in Surat. Facilities include a hostel, school, garden, playground and prayer hall. The institution provides food, clothing, medicine and shelter to orphaned children, as well as higher education and professional training, leading to secure employment. The centre provides a home for the aged, who co-exist with the children and share their talents, wisdom and experience.

www.laxmidiamond.com

Figure 5-3: Distribution of current and planned SLP spending²

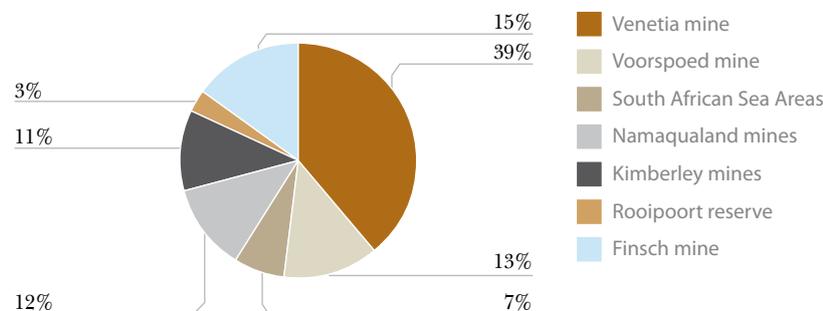


Figure 5-4: Current and planned SLP spending on Local Economic Development (US\$ millions)²

	2007	2008	2009	2010	2011	2012	Total	%
Infrastructure development	0.10	3.07	0.93	0.36	0.25	0.01	4.73	38%
Community development	0.85	1.06	1.00	0.69	0.67	0.58	4.85	39%
Poverty eradication	0.17	1.17	0.57	0.43	0.29	0.20	2.83	23%
Total	1.12	5.30	2.51	1.49	1.21	0.78	12.41	100%

² Due to the nature of Local Economic Development projects, planned and actual expenditure may vary significantly in any one year. Nonetheless, total spend over the course of each SLP will remain the same

5.2.3.3 HIV and Aids programmes

High HIV prevalence rates in our southern African countries of operation pose a serious challenge to the sustainability of our business (p60). UNAIDS estimates prevalence rates to be as high as 23.9% in Botswana, 18.1% in South Africa and 15.3% in Namibia (2007 latest figures). This threatens the health and productivity of our employees, as well as the very fabric of the communities in which we work and interact.

In addition to our internal HIV and Aids management programmes (p60-64), the Family of Companies seeks to promote healthy and productive communities by helping mitigate the impact of the epidemic. Our community HIV and Aids programmes assist in preserving the socio-economic integrity of local communities and the skills base in our countries of operation. It is in the clear commercial and moral interest of our business to do so.

Initiatives include:

- Support for HIV and Aids education and awareness building initiatives
- Outreach and training support in the community
- Home-based care support

Care in many cases includes providing access to doctors, pathology testing, nutritional supplements and access to Anti-Retroviral Treatment through company hospitals. This includes, for example, our mine hospitals at Orapa and Jwaneng in Botswana (p73).

In response to the recession, the Family of Companies reorganised how it addresses HIV and Aids in the community. This was in order to ensure the continued delivery of core services to community beneficiaries, whilst at the same time focusing our expenditure on the most effective measures. In South Africa, for example, our De Beers Community HIV/Aids Partnership Programme (DBCHAPP) was incorporated into the De Beers Fund. In addition, DBCM focused on the direct provision of community HIV and Aids programmes, reducing its reliance on third party service providers such as Soul City. During 2009, the De Beers Fund spent approximately R2.4 million (US\$290,990) on HIV and Aids programmes. This compares to an average of R10 million (US\$1.2 million) spent each year by DBCHAPP between July 2006 and July 2009. Despite this reduction, the De Beers Fund has better focused its spending on the most effective of interventions.

Case study: Trau Bros “Diamond Namibia Employee Wellness Programme”



Based in Windhoek, Trau Bros is one of 11 NDTIC Sightholders in Namibia. In partnership with the Namibia Coalition on Aids and UNAIDS, the Trau Bros Employee Wellness Programme promotes awareness of life-threatening illnesses including, but not limited to, HIV and Aids. The programme was developed shortly after the Windhoek-based factory started operations in 2007 and will remain active until HIV and Aids is no longer a threat to employees.

The programme aims to reduce HIV and Aids fatalities by 50% in 2010. Goals include:

- Building awareness of activities that increase HIV and Aids transmission risks among employees
- Decreasing real and perceived barriers to HIV testing

Activities undertaken through the programme include:

- Development of a customised corporate HIV and Aids policy, addressing issues of discrimination, confidentiality and premature retirement
- Appointment of an HIV and Aids coordinator to ensure programme implementation
- Training of employees as peer educators (PEs) to spread awareness and encourage voluntary counselling and testing (VCT)
- Conducting lectures and workshops to promote awareness and prevention
- Distributing free male and female condoms
- Adoption of the Blue Diamond Medical Aid Scheme, offering extensive Anti-Retroviral Treatment to employees

During 2009, the success of the programme was apparent, with employee VCT doubling from 10% in 2008 to more than 21%. Based on initial testing registration, it is likely that this figure will exceed 40% in 2010. During 2010, the programme will prioritise the following activities:

- Expanding training to other life-threatening illnesses, such as tuberculosis
- Offering rewards, such as a day off, for employees who undertake VCT
- Expanding the number of PEs

- www.nabcoa.org
- www.unaids.org
- www.traubros.com

Case study: Bhavani Gems and the Lathi Dam



In 2001 DTC Sightholder Bhavani Gems initiated a major project to develop a 7 km long dam on the Gagadia River near Lathi in Saurashtra, India. Bhavani Gems provided a total of US\$1.5 million in financial support to the three year project.

Prior to the construction of the dam, the area around Lathi, the home town of the company's chairman, Manjibhai Dholakia, experienced acute water shortages due to irregular rainfall. This had a significant impact on the local agricultural economy and resulted in increased migration from the area. Almost 10 years on, the positive impact of the dam remains significant. Its storage of the monsoon rains has boosted the local economy by increasing the number of possible harvests a year from one to three. The dam has also provided a reliable source of running water for about 125,000 people – enhancing local health, sanitation and standards of living.

Bhavani Gems continues to provide about US\$50,000 a year in financial support, so that the dam can be maintained in good order by qualified civil architects.

Key projects and activities relating to community HIV and Aids programmes in 2009 include support for:

- Women in Action, a Botswana-based NGO that provides support to vulnerable women and children living with HIV and Aids
- The National Association of Child Care Workers “Isibinidi” programme in South Africa to support children living in households affected by HIV and Aids
- Soul City communication initiatives in South Africa relating to health, development and HIV and Aids

• www.naccw.org.za

• www.soulcity.org.za

5.2.3.4 Investment as part of SLPs

Under DBCM's SLPs, planned expenditure on Local Economic Development for 2009 was R20.1 million (US\$2.5 million) (p71).

Components included:

- Infrastructure development
- Community development
- Poverty eradication

Some SLP projects were deferred to 2010 due to the restructuring of DBCM. These include, for example, the development of waste-water plants in Kimberley and Lucerne cultivation at the Finsch mine. Nonetheless, SLPs have ensured a high level of continuity in our overall social spend in South Africa, despite the short-term reduction in our philanthropic spend in 2009.

• www.dme.gov.za

5.2.3.5 Impact Benefit Agreements

De Beers Canada has seven IBAs in place with First Nations groups in the vicinity of the Victor and Snap Lake mines (p70). In 2009, a total of C\$4.8 million (US\$4.2 million) was spent on a range of programmes (2008: US\$4.8 million) under these IBAs. This is in addition to conventional community social investment spending. The continuity of social investment payments are guaranteed under IBAs.

5.2.3.6 Strategic philanthropy

Strategic philanthropy includes cash and in-kind support for small- and large-scale development projects, including those relating to education, health, youth development, environment and cultural programmes including sports development. This is generally managed through dedicated social investment vehicles such as the De Beers Fund in South Africa, De Beers Fund Namibia and the Diamond Trust in Botswana (p76).

Case study: The Ponahalo De Beers Trusts

The Ponahalo De Beers Trusts (Trusts) were established in 2006 as part of a Black Economic Empowerment agreement that saw the sale of a 26% equity interest in DBCM to Ponahalo Holdings. The three Trusts are specifically aimed at supporting communities, women and people with disabilities.

The Trusts receive about R5 million (US\$606,230) a year via their equity interests in Ponahalo Capital, which in turn has a 50% holding in Ponahalo Holdings. Trustees include two representatives from DBCM, two from Ponahalo Capital and one independent representative.

Where possible, the Trusts work in partnership with DBCM mines to promote independent development within local communities. It does so by supporting projects aligned with the mine's business needs, for example in the areas of employment and procurement. Key projects active in 2009 include:

- An initiative with the Voorspoed mine that made 20 employment positions available for people with disabilities, including the development of a specialist recruitment centre in Turnahole
- Planning for the establishment of an adult basic education and training project for people with disabilities in Kroonstad
- Funding of a business support centre to help local small businesses tender for new procurement opportunities at the Voorspoed mine and to help DBCM's traditional suppliers take on new partners from disadvantaged communities
- Initiation of a women's paper making cooperative in Viljoenskroon to supply gifts, jewellery boxes and cards to the mining industry



Trustee visit to the Viljoenskroon paper making cooperative

5.2.4 Community social investment vehicles

5.2.4.1 De Beers Fund

In South Africa, much of our social investment is carried out through the De Beers Fund. In 2009, the Fund disbursed R18.8 million (US\$2.3 million) excluding SLP funding, to more than 59 different projects (2008: US\$3.1 million through 213 projects). This reflected a decision to focus on maintaining support for existing projects and commitments as a result of diminished funds. Approximately 70% of De Beers Fund expenditure was focused in the vicinity of our mining operations.

The De Beers Fund is independently managed by Tshikululu Social Investments, a leading social fund manager in South Africa.

5.2.4.2 Debswana and the Diamond Trust

In Botswana, social investment is carried out directly by Debswana and by the Diamond Trust. Like the De Beers Fund, and reflecting the impacts of recession on the availability of funds for community initiatives, Debswana suspended the approval of any new projects in 2009. It also focused on the maintenance of support for existing initiatives in order to minimise the impact on its community partners.

The Diamond Trust is jointly funded by Debswana and De Beers to support large community projects. In May 2009, the Diamond Trust signed a five year, P10 million (US\$1.4 million) agreement with the Letloa Trust to cover the cost of community projects in the vicinity of the Tsodilo Hills UNESCO World Heritage Site (p77).

In September 2009, De Beers Botswana held an NGO workshop on "Building Relationships with Donors". This was aimed at facilitating positive relations between the Family of Companies and NGOs, to demonstrate our commitment to cooperating with NGOs in community matters and to aid relationship building with donors.

 whc.unesco.org

5.2.4.3 Namdeb Social Fund and the De Beers Namibia Fund

In Namibia, much of our social investment is carried out through the Namdeb Social Fund and the De Beers Namibia Fund. In 2009, the De Beers Namibia Fund built on our support for the Namibia Institute of Mining and Technology (NIMT) by opening a new NIMT campus in Keetmanshoop in the Karas region. Funding was supplied and accounted for in 2008.

NIMT is an autonomous technical institution subsidised by the Namibian government. Its main campus is in Arandis, central Namibia. NIMT trains boilermakers, electricians, fitters, diesel mechanics and other artisans for the Namibian mining and engineering industry. In November 2007, De Beers provided financial support for NIMT to acquire property for the establishment of its Northern and Southern campus in Tsumeb and Keetmanshoop respectively.

In addition, the Oshipe Development Fund is playing a key role in supporting post-mining development in Oranjemund, through the promotion of sustainable local enterprises (p21).

“Skills development plays a vital role in our business, which is why we feel so strongly about investing in and nurturing what NIMT is doing. Skills development, among its citizens, is critical for Namibia's future, and is an important part of achieving Namibia's Vision 2030 goals”

Nicky Oppenheimer, Chairman of De Beers

Case study: Tsodilo Hills Integrated Management Plan

In 2009, De Beers and Debswana's Diamond Trust signed a P10 million (US\$1.4 million) agreement with the Letloa Trust for the implementation of the Tsodilo Hills World Heritage Site Integrated Management Plan. Once implemented, the plan will make a meaningful contribution to job creation and community development. Over the next five years, the funding will support the development of eco-tourism in the 16,000 hectares (ha) surrounding the Tsodilo Hills. The area has over 4,500 paintings, one of the highest concentrations in the world. The project aims to expand the archaeological, cultural and wildlife tourism potential of the area.

The project will provide the following benefit to local communities:

- Career opportunities in hospitality and related services
- Training and skill development
- Opportunities to share cultural and traditional knowledge with visitors

A Tsodilo Management Authority manager and 10 community escort guides have been appointed from local communities. The guides received training in the use and conservation of national monuments, interpretation of rock paintings and archaeological aspects by the Department of National Museum, Monuments and Art Gallery. They also received international accreditation through the Botswana Training Authority on business aspects of tourism and professional safari guide training.

The project was launched by Botswana's Minister of Environment, Wildlife and Tourism, the Honourable Kitso Mokaila on 19 November 2009. In a reflection of the collaborative nature of the project, the launch was attended by local communities, government officials, local authorities and the CEO of De Beers Botswana. In preparation for the launch, a local company was contracted to print and produce the Tsodilo booklets, brochure and banners.

“I applaud the Diamond Trust for realising the importance of synergies and partnerships between the government, communities and the private sector in rural development and conservation”

The Honourable Kitso Mokaila, Minister of Environment, Wildlife and Tourism, Botswana



Traditional dancing at the launch of the Tsodilo Hills World Heritage Site Intergrated Management Plan

5.2.5 The future

In 2009, we focused efforts on deriving maximum impact from community social investment, in order to ensure that we continue to deliver core benefits to local communities. This is in line with our broader company strategy of “doing more with less”.

5.2.5.1 Strategy

The new constraints imposed by the global recession mean that the Family of Companies will be required to maintain a risk-based approach that targets social investment on projects and initiatives that directly relate to:

- Stakeholder concerns
- Our social licence to operate
- Our legal obligations

Our stakeholder engagement tools (such as the Anglo American Socio-Economic Assessment Toolbox) and activities are likely to play an important part in this process (p69). Capacity building amongst our own employees as well as local communities will also enable them to play a more proactive role in our social investment process.

This revised approach involves concentrating our community social investment on our mines. In Debswana, for example, only about a third of community social investment has been directly linked to our operations. In future this proportion is expected to increase to about 50%, whilst at the same time continuing support for core national programmes.

As part of this “bottom-up” strategy, greater emphasis will be placed on empowering Local Area Committees (LACs) at each of our operations in South Africa to take a greater role in guiding social investment. LACs are made up of employees, as well as an outside representative (for example from government or an NGO) and a representative from our External and Corporate Affairs function.

The LACs will also concentrate on helping build the capacity of community-level NGOs to develop effective funding proposals. This, along with enhanced stakeholder engagement, will ensure local communities continue to be at the heart of the social investment decision-making process.

5.2.5.2 Longer-term community risks

In addition to the ultimate closure of mines (p78), the Family of Companies has identified climate change as a key long-term risk to our local communities in southern Africa. This global challenge is likely to have serious long-term consequences in terms of the availability of water, the viability of local agriculture and the availability of biodiversity assets.

Furthermore, climate change has the potential to impact upon our logistics in Canada, where our operations are highly reliant on seasonal ice roads for their supplies (p86). Where these fail, our operations must rely on resupply by air at significant cost.

We can play a role in combating the effects of climate change in two ways. The first is to mitigate the effect of our own water consumption on the availability of water to local communities (p86-89). The second is to invest in initiatives to help communities adapt to changing climatic conditions. As a result, future social investment initiatives are likely to focus on issues such as water conservation, biodiversity conservation and water infrastructure.

5.3 Social impact of closures, shutdowns or cutbacks

Risk: The effective management and mitigation of the socio-economic impacts of mine closure depends to a large extent on a mining operation’s ability to generate consistent local value throughout the productive lifespan of the mine. The need for mining operations to adapt to variable economic conditions, as was the case in 2009, can impact on their ability to do so.

The finite nature of mining projects and the cyclical nature of the global diamond market have the potential to significantly impact the sustainability of our local communities.

Aside from social investment (p72-77), enterprise development (p21) and preferential procurement (p20), our mines make an important contribution to local communities by means of:

- The generation of employment and capacity building opportunities
- Employee spending with third parties
- Mine utilisation of local products and services, from food suppliers to contractors

As a result of short-term production holidays and mine suspensions during 2009 these contributions were reduced relative to previous years (p23, p51).

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

5.3.1 Short-term disruptions to production

Production suspensions and shutdowns were imposed across the Family of Companies during 2009 in order to align production to diminished demand (p23, p51). Nonetheless, these measures were not uniform. They ranged, for example, from six week production holidays at the Snap Lake and Victor mines, to the closure of the Damtshaa mine in Botswana for much of the year (Figure 5-5). This was due to a range of factors including the commercial and technical suitability of particular operations for continued production during a time of limited demand.

Despite initial fears about the effect of these disruptions on our local communities, the actual short-term economic impact was less severe than anticipated. This was partly due to the fact that we continued to pay employees during production suspensions in southern Africa and concentrated on “intermediary measures” instead of involuntary redundancies. Doing so helped ensure that employee salaries and local employee spending was maintained in most locations. Likewise, the fact that production was reduced across the Family of Companies meant the impact of reduced diamond demand was “spread” over multiple locations rather than being concentrated on a small number of severely affected locations.

It is too early to identify what the longer-term impacts of retrenchment will be (p52-53). These impacts are likely to have been “disguised” during 2009 by our payment of retrenchment packages that are in excess of national norms. Over the course of 2010, it is likely to become more apparent how such retrenchments affect communities, and the degree to which mitigation initiatives, such as the retraining of employees and investment in enterprise development, have been successful.

5.3.2 Late lifecycle mines

The three operations that are considered to be at the latest stage of their lifecycle include Namdeb’s land operations, Debswana’s Letlhakane mine and DBCM’s Finsch mine. This does not necessarily mean, however, that these mines will be closed in the near future.

Where viable, the Family of Companies has sold late lifecycle mines to smaller operators with a demonstrable ability to extend their productive life. Examples include the sale of both the Williamson mine in Tanzania and Cullinan mine in South Africa to Petra Diamonds in 2008.

In addition, reduced production in 2009 across all of our operations is likely to affect forecasted closure dates. In 2009, for example, DBCM saw a reduction in production of 60%, Namdeb of 56% and Debswana of 45% (p23). This is likely to influence the life of our mines.

The Oaks mine in South Africa was formally closed in early 2009. Although social and environmental mitigation programmes are still in effect, no outstanding social legacy issues have been identified at the site.

 www.petradiamonds.com

Figure 5-5: Production reduction measures across the Family of Companies, 2009

Business unit	Production measures
De Beers Canada	Six week production holiday at Snap Lake mine Six week production holiday at Victor mine with reallocation of under-utilised resources to carry out repair work and waste stripping
DBCM	Revision of production schedule and reallocation of under-utilised resources to non-production projects such as waste stripping at Venetia Mine
Debswana	Production holiday across all mines from the end of December 2008 to mid-April 2009 Damtshaa mine closed for the duration of the year
Namdeb	Four month production holiday at land operations and realignment of employee shift patterns Two month production holiday at sea operations Operational suspension of the Grand Banks vessel and relinquishment of lease on the Ya Toivo vessel

5.3.3 Managing social impacts of closure

Our Community Policy requires us to apply the highest standards of social impact assessment during each stage of the mining lifecycle including closure. This includes:

- Thorough stakeholder engagement
- Development of robust socio-economic closure plans
- The regular review of closure plans as projects evolve

5.3.3.1 Closure planning

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

At a minimum, closure plans must ensure legal compliance and the remediation of environmental impacts. All of our mines currently have closure plans covering the physical and environmental aspects of closure.

Integrated environmental and social closure plans that also include employee and socio-economic community impacts have been established at many of our operations (Figure 5-6). Integrated plans cover a range of issues including:

- Labour transition
- Employee skills training
- Enterprise development
- Social investment
- Rehabilitation

Stakeholder engagement plays a vital role in the development of mine closure plans. The Family of Companies identifies and addresses the socio-economic impacts of mine closure using:

- The ICMM and Anglo American Closure Toolbox
- The Anglo American Socio-Economic Assessment Toolbox (SEAT)

We also use our community social investment vehicles to support socio-economic mitigation measures, including strategic social investment programmes such as the Living Edge of Africa Project (p82-83), as well as training and enterprise development initiatives (p21).

In 2010, we plan to conduct a gap analysis of all of our closure plans against the Responsible Jewellery Council Mining Standard requirements (p47), as well as the Anglo American Standard. We also plan to concentrate our efforts on securing a positive and lasting socio-economic closure legacy for all Debswana mining operations.

www.responsiblejewellery.com

5.3.3.2 Divestment

The Family of Companies seeks to implement formal agreements that ensure purchasers of our mining assets fulfil relevant closure requirements. In some cases, our monitoring of impacts on stakeholders will continue after sale or closure, as demonstrated in the case of the Cullinan mine in South Africa (Report to Society 2008, p31).

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

The diamond recovery plant at the Venetia mine, South Africa



5.3.4 Mine closure activity

5.3.4.1 Namibia

Namdeb's closure activities centre on the rehabilitation of its land-based operations (p98-99) and the development of a viable post-mining economy in the Karas region. As part of this process, Namdeb is in continuing discussions with Namibia's Inter-Ministerial Committee to secure the proclamation of the town of Oranjemund. Once secured, proclamation will open up this "closed" town to outside economic investment and development, supplementing existing efforts by Namdeb to promote local enterprises.

As part of Namdeb's efforts, the Oshipe Development Fund was relocated from Windhoek to Oranjemund, in order to better drive local economic development (p21). Namdeb is also exploring enhanced consultation regarding the social impacts of closure on labour sending areas.

Figure 5-6: Status of social elements of closure planning at business unit level, 2009

Name	Status	Description
DBCM	In place	Social elements are addressed at all mining operations as part of their SLPs. Formal integrated closure plans are expected to be in place in 2010
De Beers Canada	In place	Social closure planning is addressed through original licence commitments. These are subject to one or three year review depending on activities
Debswana	Pending	Social elements have not yet been included in existing closure plans
Namdeb	In place	Social closure planning for land operations developed in 2007 and now underway

5.3.4.2 South Africa

In Namaqualand, DBCM is promoting a range of initiatives to secure a sustainable and environmentally friendly future for the area (p82-83). As part of this process, DBCM is working to increase outside investment in the region through the proclamation of the mining towns of Kleinzee and Koingnaas as public towns. At the time of writing, Namaqualand mines were awaiting an "in-principle" decision from the Executive Committee of the Northern Cape Provincial Government on this issue.

During 2009, DBCM further developed closure plans for the Finsch mine. This included an examination of options for final land use, including the integration of mine housing into the local municipality, brick and tile manufacturing from residue deposits, a retirement village and golf estate, intensive agriculture and grazing. This process identified some instances of non-alignment between the mine's closure plan and its SLP. Plans are in place to correct these in 2010.

The Orapa mine, Botswana



In Kimberley, DBCM continued to work on securing a sustainable future based on heritage, tourism and biodiversity. A closure plan update is planned for late 2010.

SEAT was used to help further develop the closure plan at Venetia mine. It was also used to address aspects of the closure process for the Oaks mine.

In a demonstration of early closure planning, DBCM held a Mine Closure Planning Workshop for the Voorspoed mine – one of the newest mines in the Family of Companies – in August 2009. This set out a closure vision exploring opportunities around future agricultural use, eco-tourism, biofuel production and reuse of mine infrastructure. It also explored the alignment between mine closure and the Local Economic Development component of Voorspoed's SLP. A preliminary mine closure plan was subsequently developed in September 2009.

 www.northern-cape.gov.za

Questions from stakeholders:

How does the Family of Companies define the scope of its development role in producer countries?

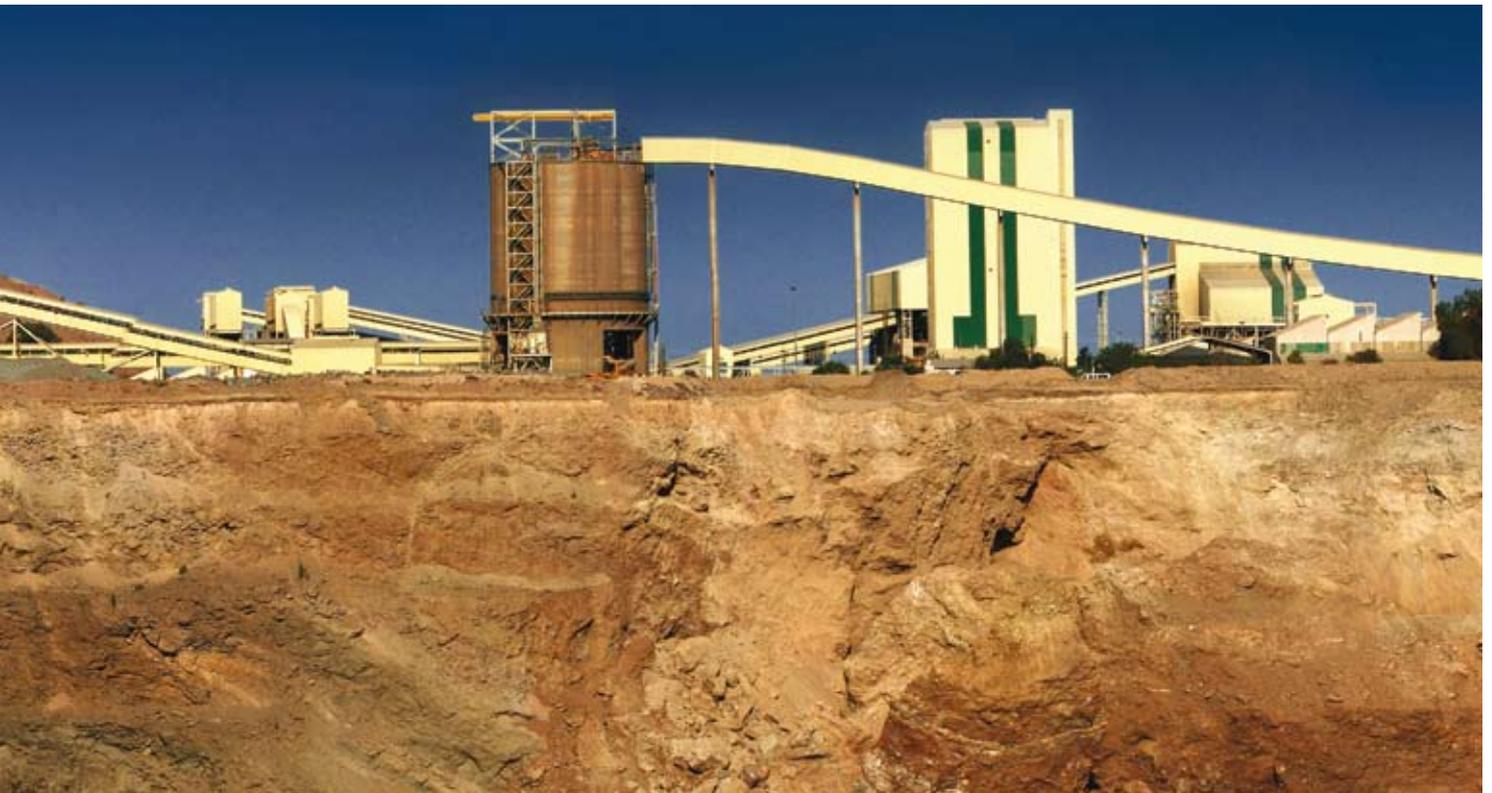
Although our primary purpose is to generate profits for our shareholders – including the Government of the Republic of Botswana – this needs to be balanced against the role we can and do play in helping drive local and national development.

This role of the Family of Companies is particularly important in Botswana, and to a lesser degree Namibia, which are relatively dependent on diamond revenues. Even in Canada and South Africa, we can have a significant positive impact at a local level, due to the fact that our mines are often in remote locations that otherwise have limited access to development opportunities.

Whilst performing this role, there are two key issues to be considered. The first is the finite nature of diamond resources. This means that all of our community programmes need to be planned and executed in such a way that they deliver lasting benefits that will endure beyond the lives of our mines.

The second is the need to draw a clear line between our delivery of tangible and lasting socio-economic benefits to local communities, and work that lies within the proper remit of government. This ensures we do not undermine the role and influence of government in certain areas, and that our actions are of a sustainable nature. Nonetheless, we seek to align our community programmes with government policy and to target them in such a way that they help achieve national development objectives. These include relevant strategic national development programmes in Botswana, Namibia and South Africa.

Ultimately, however, our main development role is to generate sufficient diamond revenues and profits to enable our government partners to pursue their own development agendas and to invest in the long-term development of their citizens.

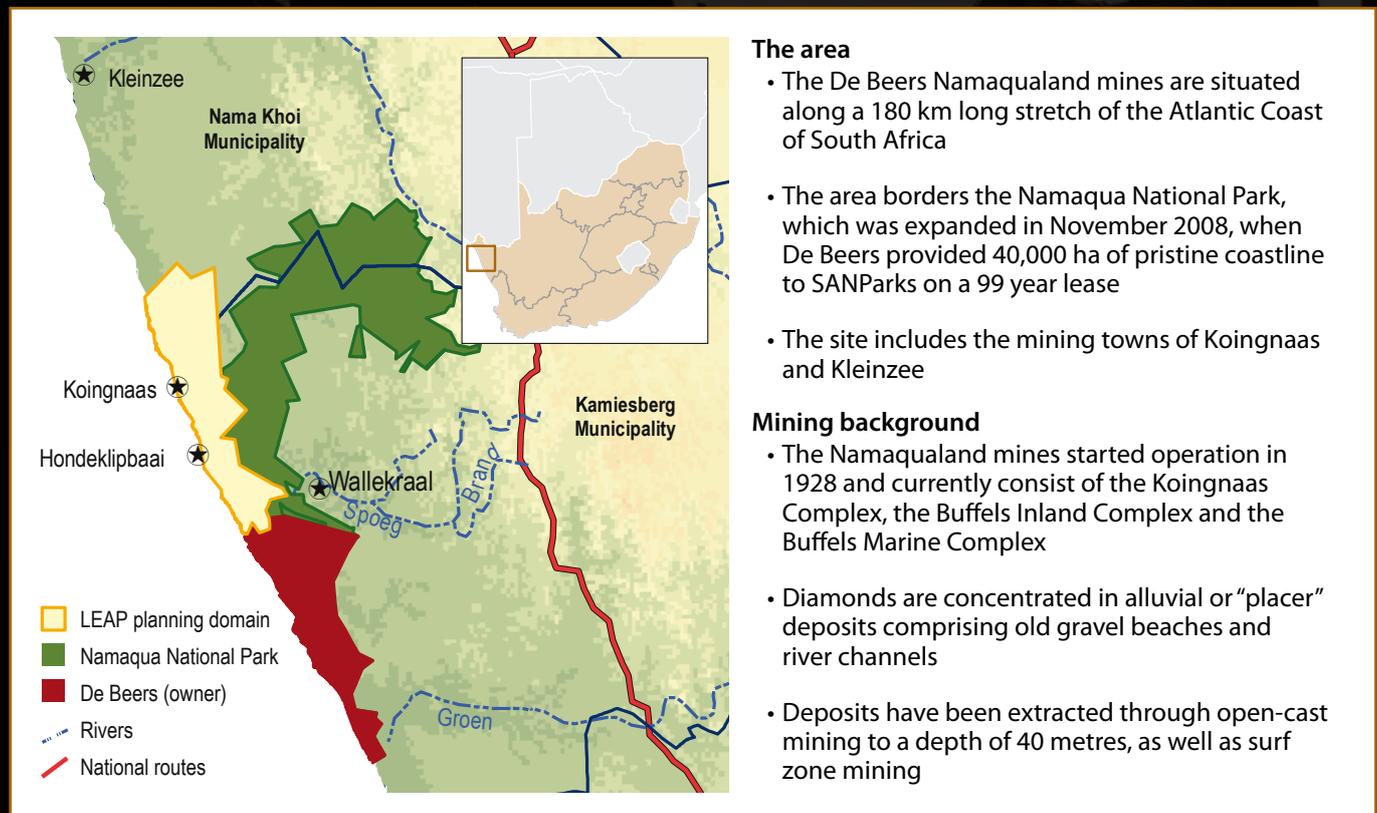


Sustainability Initiatives in Namaqualand

The economic downturn resulted in some mines suspending or reducing production during 2009. Namaqualand Mines in South Africa took this opportunity to divert mining equipment and skills to conduct extensive rehabilitation across the mining area and make significant progress in addressing the rehabilitation legacy from many decades of mining. As diamond mining draws to a close in the region, our aim is to foster a new sustainable economy that will create jobs, generate taxes and ensure sustained economic opportunities for Namaqualand.

"It's been my dream to empower local people from Namaqualand, by providing opportunities to become owners of fully functional businesses that provide much needed services, and generate their livelihoods from the incredible biodiversity of Namaqualand's unique ecosystem."

Dr Peter Carrick, Ecologist, University of Cape Town



Rehabilitation initiatives

Rehabilitation comprises two distinct parts – physical rehabilitation (getting the landscape right) and ecological restoration (getting the biodiversity right). The sound principle has been adopted of first defining the required ecologically sustainable end-state and ecosystem services, and then determining the appropriate landscape profile. Dr Peter Carrick, specialist ecologist from the University of Cape Town working under the “Namaqualand Restoration Initiative” (NRI), was contracted to advise on our efforts to ensure a solid scientific basis for ecological restoration.

As part of the land forming process, a total of 210 ha were profiled and our large dragline moved 8 million m³ of material to flatten large dumps and fill voids. The ecological restoration process included soil testing, as well as the selection of appropriate seed species for restoration packs, transplant species and netting requirements. Two teams of local people trained by the NRI conducted the restoration activities. As a result, excellent progress was made during the year.

Socio-economic initiatives

In addition, the integrated (social and environmental) closure planning process at Namaqualand advanced, with post-mining land-use projects either already underway or in the planning stage. As mining is nearing the end of its life in the region, it is important to manage and mitigate the impact this is likely to have on local communities. As a result, De Beers has been consulting extensively with the local government and other key stakeholders for a number of years regarding the promotion of new socio-economic activity. This includes the desired proclamation of the mining towns of Kleinzee and Koingnaas as open municipal towns. This would make housing and facilities available to the public, and would also act as a trigger for a number of sustainable economic development projects.

During the course of the year construction was completed on two mariculture projects; a new abalone farm and the expansion of an oyster farm. The Living Edge of Africa Project (LEAP) also completed its pre-feasibility investigation of restoration and socio-economic opportunities. Options being taken forward into the feasibility phase include a wind farm, seawater greenhouses, restoration mapping, land art, tourism, a visitor centre and the “greening” of the town of Koingnaas. The possibility of a Kleinzee Public Private Correctional Services Facility, which would generate a number of employment opportunities, is also under discussion.



Physical rehabilitation



Ecological rehabilitation



Rehabilitation training



The mining town of Koingnaas



Mariculture



Tourism