

Ethics

Management Approach - Ethics

At De Beers Canada, we believe responsible, ethical practices form the backbone of a company. In maximizing the value and life of our resources, we consider not only the value in dollar terms, but also the value to our various local communities and other stakeholders. While the life of the mine is important, we plan and operate in a way that looks to achieve a balance between economically mining the ore and maximizing employment, business and other opportunities for our Communities of Interest.

In Canada, we focus on the actual life of mine that begins in exploration and moves through production and then onto the sale of our product to the downstream part of the diamond pipeline. The downstream industry specializes in the cutting, polishing and retail portion of the diamond pipeline. Most of the production from the Victor Mine is gem, or near gem, quality and is destined for jewellery. The production from Snap Lake Mine contains not only gem and near gem diamonds, with the same end uses, but also diamonds destined for industrial applications. The life of these rough diamonds, once cut, can be as long as the life of the piece of jewellery it is placed in, unless the stones are re-cut or remounted. The life of diamonds with industrial applications is often dependent upon the wear of the diamond in its specific application. Our related companies further along the diamond pipeline play a significant role in these downstream aspects of the life of the resource.

Our management systems, policies and procedures guide our behaviour and our ethics at each stage of the diamond pipeline, while our Best Practice Principles measure how we do. We comply with the Kimberley Process Certification Scheme, the World Diamond Council's System of Warranties, the Canadian Diamond Code, the DTC's Best Practice Principles (BPP) Assurance program, and through the De Beers Family of Companies, we are aligned with the Global Reporting Initiative (including the Metals and Mining supplement), the Millennium Goals, Extractive Industries Transparency Initiative (EITI), the Partnership Against Corruption Initiative (PACI), the Voluntary Principles of Security and Human Rights, the UN Global Compact and the Universal Declaration of Human Rights. Wherever practical, we provide metrics for our statements to illustrate our progress. In summary, we take a broad based approach and consider as many relevant factors as practical.

The Canadian Diamond Code of Conduct helps us with respect to our code of conduct and to provide a minimum standard for authenticating a claim that a diamond is a "Canadian diamond". The Code states that there is a requirement for an in-house tracking system that secures and reconciles all rough diamonds extracted from a Canadian mine.

Introduction

The Family of Companies is committed to fighting corruption and the damaging effects it has on business and economic growth. Accepting or giving bribes in all forms is prohibited in business transactions undertaken by the Family of Companies or through third parties. This includes subsidiaries, joint ventures or agents. This requirement is present in our Values, the BPPs and our Code of Business Conduct and Ethics. It is further supported by our commitment to the 10 principles of the UN Global Compact, the UN Convention against Corruption, our support for the EITI and our participation as a founding signatory of PACI.

All De Beers Canada's employees and contractors are expected to behave in an ethical manner. All employees are required to abide by the Code of Business Conduct and Ethics, as well as a range of policies addressing corruption, anti-money laundering, and bribery. All transactions are transparent, and show respect for the rule of law, respect for international norms of behaviour, and respect for human rights. In addition, fair operating practices and consumer issues are part of our ethics. Senior managers were required to participate in a web-based legal training session on competition law compliance.

We do not have a formal consumer issues policy because De Beers Canada has a single consumer, the Diamond Trading Company in London, which is a related company. If the marketing arrangements change in the future, we will review whether a formal consumer policy is required.

Fair operating practices are relevant because these deal with the way we deal with other organizations that we may do business with, whether they are government, non-government organizations, other companies, Communities of Interest or stakeholders. Observance, promotion and encouragement of standards of ethical behaviour are key components, and performance is assured through our code of business conduct and ethics. Each employee signs this code annually as part of their annual performance appraisal and undertakes to abide by our code of business conduct and ethics. Fair competition, respect for the rule of law and adherence to ethical standards including accountability and transparency are essential. These are reinforced by our anti-corruption, prevention of money laundering, bribery, and practices with regards to political donations all of which are important.

In line with the De Beers Family of Companies' policy, no political donations were made during 2010. Any Lobbying was undertaken only through trade organizations.

The nature of our product, diamonds, requires a high level of customer confidence. We therefore have developed a “Best Practice Principles” (BPP) program for the De Beers Family of Companies to monitor how we are doing with respect to the many facets of ethics, namely corporate governance, legal compliance, combating corruption, bribery and anti-money laundering, human rights, safety, occupational health, environmental protection, product safety and our procurement supply chain. This means that we can provide our customers with a level of certainty that diamonds from De Beers Canada are not tainted in any way. The recent debate over diamonds from the Marange diamond fields in Zimbabwe has raised consumer fears that conflict diamonds may become a concern again. Anything that we can do to inform our customers and provide them with greater confidence in our product is advantageous and will help to protect our reputation. In addition, the BPP third party Assurance Programme verifies compliance with national and, where appropriate, international legislation with respect to:

The Best Practice Principles consists of a list of about 140 different questions. This list is tailored to the specific risk-based requirements

- Money laundering
- Terrorism financing
- Bribery
- Corruption
- Smuggling
- Embezzlement
- Fraud
- Transfer pricing
- Tax evasion

of each entity and each entity completes a customized questionnaire. This customized questionnaire takes into account the nature of the entity’s activities, their risks, and their position in the diamond pipeline. Where questions are not relevant to a specific entity, they are not asked. The completed questionnaires are then reviewed by the internal audit department of the De Beers Family of Companies, and are then reviewed by an independent third party. Currently this independent third party is SGS (formerly known as Société Générale de Surveillance). SGS then carries out a physical field verification of about one third of the entities each year to check whether or not the answers provided in the questionnaire are correct.

The Victor Mine was the subject of one of these physical field verification visits in November 2010. The Victor Mine participated in a successful physical field verification in November 2010. In Victor’s first-ever field visit, results were very positive with only six non-conformances (two minor and four major), all of which saw immediate Corrective Action Plans prepared and implemented. Findings are expected to be closed out in the first quarter of 2011.

To reinforce our position on ethics, De Beers Canada created a whistle blowing hotline. The hotline provides individuals with a safe and secure



means to report possible fraud, corruption, or theft; issues with diamond control or intellectual property, or deviations from good corporate governance practice. Reports can be submitted anonymously and without fear of reprimand.

Recent changes in legislation come into force in the United Kingdom relating to corruption with effect from April 1 2011. All the divisions of the De Beers Family of Companies will have to meet the requirements in order to comply with this new legislation. The De Beers Family of Companies is implementing a new anti—corruption policy and guidelines to ensure that its various business units are compliant, and these will be rolled out with an accompanying training program in the first quarter of 2011. During 2010, no training on anti-corruption or anti-money laundering took place as both of these are considered to be low risk in a Canadian context. This is mainly because we do not handle any significant amounts of cash and payments are centralised with good financial controls and are made by electronic transfer or by cheque.

No incidents of corruption were reported or detected during 2010.