

Contractors, suppliers and procurement

Management Approach Contractors, Suppliers and Procurement

Our approach is to coordinate procurement for both our Canadian mines to obtain economies of scale where practical while maintaining quality and reducing cost considerations where we can. We are moving to standardize on equipment where practical so that material is interchangeable between operations. Within these boundaries, we endeavour to encourage businesses within the local communities to work to supply us with goods and services so that they can maximize opportunities, and develop new businesses that may be sustainable after our mines close. In this context, local communities means the eight communities with whom we have impact benefit agreements.

The role of the manager for supply chain and asset management is to provide a leadership role in asset management, including maintenance philosophy, continuous improvement programs and the management of supply chain activities such as warehouse and purchasing/ procurement of strategic commodities and/or services for De Beers Canada to manage risk, ensure maximum savings and identify and deliver value-added opportunities.

De Beers Canada starts its activities with exploration and there is no upstream impact as this is the beginning of the diamond supply chain. Downstream impacts relate to the marketing of the rough diamonds produced from its mines, and the impacts of its exploration and mining activities. We need to develop a Canada-wide procurement system that makes the best use of our resources, and maximizes the purchasing

power of the company by standardization where practical between our various operations.

Contractors

Each De Beers Canada vendor signs a contract outlining the requirements to comply with the Law and Policies of De Beers Canada. This includes but is not limited to the vendor making themselves aware of the United Nations Universal Declaration of Human Rights; International Labour Organization Conventions; Minimum Age Convention, 1973 (No. 138); the Worst Form of Child Labour Convention, 1999 (No. 182) and the Forced Labour Convention, 1930 (no.29). In addition, the vendor covenants in respect of all Child Labour, between the ages of 16 and 18 that it will comply with all other requirements under the Conventions. Further, the vendor certifies that the workers it uses, and will use to produce product, provide services or manufacture or supply material are present voluntarily and that they do not nor will not knowingly use forced labour.

Procurement

Procurement through the use of local suppliers for goods and services is one of the commitments that we have in our IBAs. We work diligently to ensure that opportunities are provided to our Communities of Interest, and we regularly review future opportunities to see how these could be presented in a way that will enable communities to participate and tender for them. Our procurement practices are guided by a Northwest Territories Business Policy, and by a preferred purchasing from local suppliers where practical elsewhere.

Table 8-1: 2010 human resource goals and objectives

Goal	Degree achieved	Successes	Shortcomings	Additional remarks
Appoint a manager for asset management and the supply chain.	Appointment made.	New manager is in place and working on updating and implementing appropriate policies and procedures.		There is much work to be done in this area.
Align and improve asset management and procurement Canada-wide for DBCI.	Progress has been made.			Much still remains to be done.

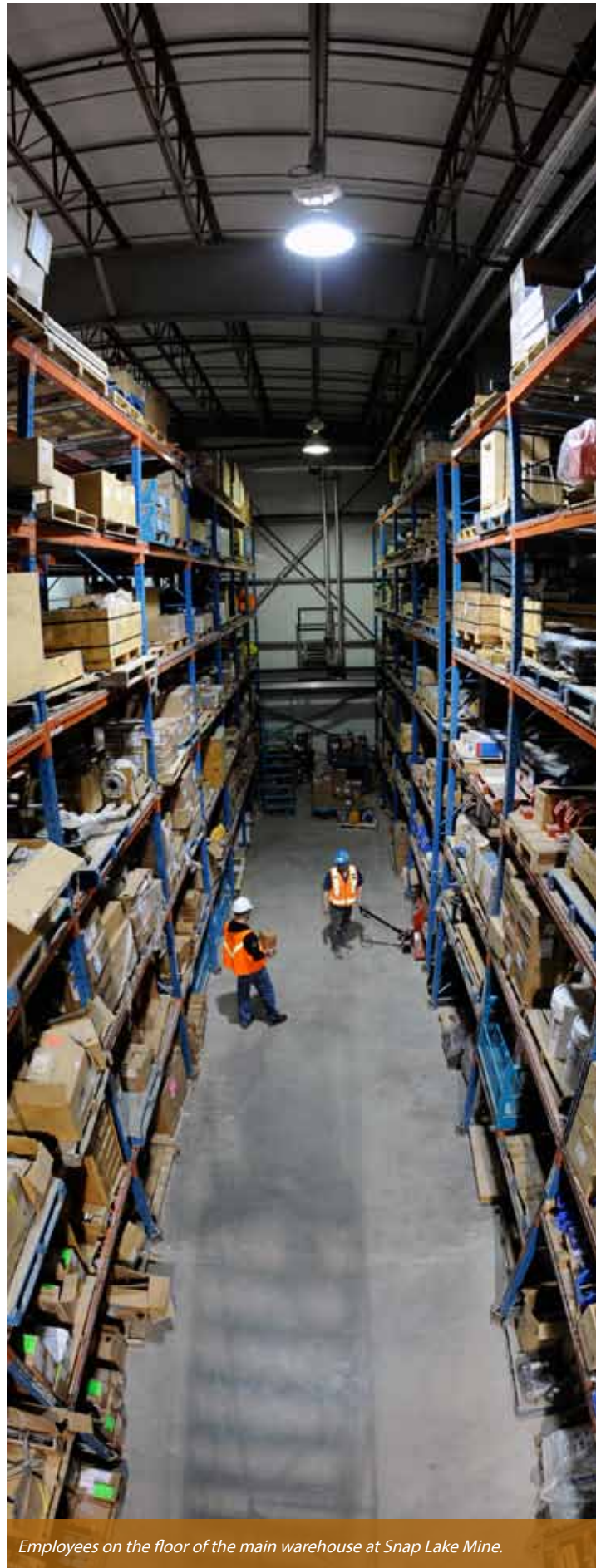
At Snap Lake, a total of \$119,106,000 was spent on operations' contracts during 2010; \$104,194,930 (87 per cent) of these goods and services were supplied by "northern businesses", and \$48,062,961 or 46 per cent of this total has been provided by Aboriginal suppliers during the three years of construction. For definitions of northern and Aboriginal, please see the glossary.

At Victor, during 2010 a total of \$157,317,000 was spent on goods and services: \$49,070,000 or 31 per cent of this total for the goods and services was supplied by Aboriginal businesses.

All suppliers of goods and services are expected to comply with the basic conditions of the Best Practice Principles (BPP). The Best Practice Principles program provides confidence and assurance that the participants are acting and operating in a responsible manner, and are adhering to good practices with regards to ethics, business conduct, legal requirements, human rights, safety, health and environment and general security. Those individual businesses that provide a significant percentage (>10%) of the goods and services are required to provide a written statement that they are adhering to Best Practice Principles,

At Snap Lake, four vendors supplied goods or services totalling more than 10 per cent of the total expenditure to De Beers Canada. These were Imperial Oil with sales of \$17,500,000; Sandvik Mining and Construction with sales of \$16,685,600; Tli Cho Logistics with sales of \$15,833,900; and EK'ati Services Ltd. with sales of \$12,7167,000. At Victor, none of the vendors supplied goods and services totalling 10 per cent or more of the total expenditure. In Exploration, four vendors supplied goods or services totalling more than 10 per cent of the total expenditure. These were Les Forages LBM with sales of \$2,305,000; Foraco Canada Ltd with sales of \$2,075,000, Fugro Airborne Survey Corporation with sales of \$1,6789,000, and De Beers Group Services for administration and laboratory services with sales of \$1,553,000. At the Corporate offices, there were two vendors who supplied goods and services totalling more than 10 per cent of the total spend. They were Marsh Canada Ltd with sales of \$3,589,000; and De Beers Group Services with sales of \$1,986,000.

The BPP program helps to provide assurance and confidence to customers of the Diamond Trading Company that the diamonds marketed by the Diamond Trading Company have been produced in an ethically, environmentally and socially responsible manner. De Beers Canada provides very limited services to related companies and these services have to be provided within the framework and expectations of the Best Practice Principles assurance program.



Employees on the floor of the main warehouse at Snap Lake Mine.