

# Best Practice Principles

## What do the BPPs involve?

At the heart of the BPPs lies the simple requirement that as a multinational group we adhere to all applicable national and international laws. In providing a robust framework for ensuring that this responsibility is met and understood by all, the likelihood of our group failing to meet the exacting requirements of an increasingly complex corporate responsibility and legal arena will be diminished.

The BPPs have been designed to cover three main areas: areas that are commonly known as "*the triple bottom line*".

- 1) That we must ensure that all of our operations act responsibly and ethically in the conduct of all business practices, including, for example, sales transactions, supply chain management, the sourcing of goods and our everyday business relationships.
- 2) The BPPs are designed to ensure that participants continue to adhere to strict 'social requirements'. These may relate, for example, to how the employees of an operation, regardless of global location, are treated and how in turn such an operation impacts on its local community – with the aim that such impact should only ever be a positive one.
- 3) Environmental requirements are also a key component of the BPPs. The procedures and policies enshrined in the BPPs have been designed to ensure that all operations, regardless of their scale, adopt the highest standards with regard to their impact on the environment in which they operate.

## Why are BPPs being implemented?

We find ourselves operating increasingly in times in which reputation is a pivotal element of corporate sustainability. Other companies who might believe business responsibilities lie externally to the corporate agenda will be vulnerable to many corporate, social, ethical and professional risks in failing to recognise the importance of demonstrating business integrity.

Household names such as Nike, Nestlé, Marks & Spencer and Gap have all suffered financially through their reputations having been damaged by corporate scandals relating to alleged unethical business practices. Consumers have become more concerned about business practices and it has only been through the development of corporate responsibility policies that companies with poor reputations have managed to get back on track. Consumers now want proof of firms' corporate responsibility; the BPPs provide this proof and with it, reassurance of the integrity of the end product presented to them.

To those subscribing to BPPs there must be complete and unparalleled commitment to at least meeting, and ideally, surpassing, minimum national and international standards within those countries in which we operate. We strive to be the best in everything that we do and our commitment to such goals should be no less resolute in relation to these fundamentally important legal, professional and ethical standards. We expect all our business partners to adhere to this same degree of commitment.

## Who is involved in this process?

BPPs apply to all entities owned or controlled by the De Beers Group (this includes Joint Ventures and diamond related contractors). This level of buy-in has been achieved after a valuable consultation process involving all participants, thus ensuring full support.

The BPPs are also applicable to entities owned or controlled by Sightholders (the select group of clients who receive rough diamonds from the Diamond Trading Company) and their contractors.

Coverage of our BPPs is clearly broad, but this will hamper neither detail nor depth of content. However straightforward at times, or difficult at others our standards compliance may prove in practice, these Principles are not intended simply as *'a nice to have'*; they are *'a must have'*; an absolute. It is the responsibility of all subscribing to BPPs, to take ownership and promote this initiative.

## BPP Coverage

The BPP net has been cast far and wide: this is an essential means towards raising the industry benchmark for corporate responsibility. All of those entities required to comply will be subject to regular and consistent assessment by an independent third party verifier. This is an objective and impartial process and one that is designed to stand up to the most exacting scrutiny. Incidences of non-compliance with the BPPs by De Beers Group entities may well be directed to the De Beers board and could impact the statements that we include in our annual report. In the case of noncompliance by our clients and their partners, this could well result in the termination of a sightholding appointment.

The three groups that subscribe to BPPs are split into three different 'Tiers'. Tier 1 applies directly to the De Beers Group and diamond related contractors/partners, Tier 2 includes Sightholders and Tier 3 includes contractors to Sightholders. A further fourth Tier has been identified which, while not subject to specific verification, must adequately demonstrate best endeavours in this arena. This Tier encompasses ancillary (non-mining) contractors to the De Beers Group operations as well as those independent companies that buy or sell diamonds or jewellery as a result of their business relationships with the De Beers Group or Sightholders.

It is intended that through such far reaching endeavours, the De Beers Group and its business partners are always promoted as a positive influence in the industry, meeting, if not raising ultimately, the bar on what is legally, ethically, socially and professionally acceptable and appropriate in the diamond world.

## How will BPP verification take place?

BPPs are as fair as they are far-reaching; they are a tool for evidencing continuous improvement, not a means of policing.

All those subscribing to the BPPs, both internal and external to the Group are required to complete the same 'BPP workbook' containing the same standards of compliance that, in turn, will be verified by an external independent third party known as 'SGS'. In order to guarantee objectivity and impartiality, the third party verifier, 'SGS' will also be subject to review by a further audit-experienced body, proving to the highest level possible, our commitment to the highest of business standards.

While it is essential that all operations complete the same workbook, each facility will be viewed in context and on its own merits in order that all facilities complete the workbook in a manner applicable to them.

## What is the result of non-compliance?

In indicating that the BPPs are intended as a means to evidence Best Practice, the possibility remains that certain entities may well fail to meet all of these high standards. In this eventuality, positive and constructive action will crucially follow through the means of 'Corrective Action Plans' developed with SGS. Such remedial action is a major element of the BPPs, in which continuous and unwavering improvement is key, rather than immediate penalisation – save in the most serious of BPP breaches. On the agreement of a Corrective Action Plan, the third party verifier will closely monitor progression towards full compliance.

For those facilities that do not take action to amend existing breaches or fail to meet the standards required, the probability of imminent sanction does of course remain. Save in the most exceptional of circumstances where it would be unreasonable or unfair to do so, such sanctions will always be imposed immediately for the most serious breaches of the BPPs.

**We cannot and will not take half measures when enacting Best Practice.**

## Principles of Business Responsibility



### Ethical Standards

The De Beers Group of companies will endeavour to maintain and enhance consumer trust in, and the reputation of, the gem diamond industry.

We intend to strengthen the credibility of the BPPs through annual auditing of all entities involved in the BPP Assurance Programme.

We will not engage in, encourage or accept, any practice that brings the diamond industry into

disrepute, this includes-

- ✚ the misuse of rough diamonds in support of conflict
- ✚ non-disclosure of synthetics and simulants or treatments to natural diamonds
- ✚ the use of child labour
- ✚ practices which harm the health or welfare of individuals
- ✚ non compliance with international environmental best practice

### Money laundering, terrorism financing and other financial offences

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

### Kimberley Process and System of Warranties

We will continue to give full and active support to the Kimberley Process. The World Diamond Council 'system of warranties' must be adopted by all buyers and sellers of rough and polished diamonds with statements of guarantee on all invoices.

### Full Disclosure of Synthetics, Simulants and Treated Diamonds

BPP compliance necessitates that all those subscribing to the program must take steps to ensure that no attempt is made to mislead the consumer. All relevant product information must be disclosed, for example, the unqualified use of the word 'Diamond' is not permitted with respect to simulants, synthetics and/or diamonds that have been treated.

### Supply Chain Management and Best Endeavours

We must ensure that not only do all De Beers Group companies meet requirements laid down in the BPP's but also that Joint Venture partners, Sightholders and respective sub-contractors are equally committed to the same standards.

## Principles of Social Responsibility

### Employment

It is necessary that all businesses should adhere to national employment laws. Where no such appropriate employment laws exist, it is essential that the relevant United Nations (UN) and/or International Labour Organisation (ILO) Conventions and Declarations be followed.

### Health & Safety

BPPs necessitate the provision of a safe and healthy working environment for individuals in accordance with both the national minimum requirements of the relevant countries and the international standards set out by ILO Conventions.

### Non-discrimination and Disciplinary Procedures

BPPs prohibit any form of employee discrimination, be it on the basis of race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation, or any other unlawful criteria.

### Child Labour

Through adherence to Best Practice Principles, those subscribing are committed to the enforcement and promotion of a raft of international codes of conduct regarding the use of child labour in order to eliminate the possibility of this practice from the diamond industry.

### Forced Labour

In accordance with the 'Universal Declaration of Human Rights' (1948) BPPs stipulate that *'no one shall be held in slavery or servitude'*. Furthermore, as stated in the 'ILO Forced or Compulsory Labour Convention' (1930), BPPs forbid...*'all work or service which is exacted from any person under the menace of any penalty and for which said person has not offered himself voluntarily'*

### Human Rights

BPPs prescribe that employees are treated with equality, respect and dignity in accordance with ILO Conventions, with regard to the promotion and protection of human rights and with sensitivity to local laws

## Principles of Environmental Responsibility

### Environmental Best Practice and Regulatory Framework

BPPs require adherence to the highest standards / policies and regulatory frameworks with regard to the management of materials, energy, water, bio-diversity, emissions, effluent and waste.

Through this requirement we and our partners will endeavour to conserve biodiversity, energy and water, and other natural resources through employing the principles of reduction, recovery, re-use and recycling. This policy also includes managing wastes, emissions, dust and potentially harmful substances so as to prevent any form of pollution.