

**CONFERENCE ON INTEGRITY AND INVESTMENT
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I am grateful to the organisers of this conference for the opportunity to address you on the subject of '*Conducting Business with Integrity*'. For me, this lies - should lie, must lie - at the heart of what we in industry do. Without demonstrable integrity, without proper transparency, without real engagement with society, the reputation of business will continue to languish at the bottom of the league table of public esteem.

A "good company"?

There is a debate currently about what constitutes a "good company". On one hand there are those who maintain that the primary objective of business is to maximise profits, and that this alone - through the creation of jobs and payment of taxes - serves the greatest public interest and should not be distracted by lip-service to Corporate Social Responsibility (CSR) - a mere 'ticking of the boxes' of required virtue.

On the other hand, there are those who insist that business must earn the right to profit from the provision of goods and services, that it must, in effect, obtain a licence to operate. For this body of opinion, CSR is a binding obligation, not a philanthropic option.

At De Beers, we don't see it in such extreme terms. We are governed by the maxim laid down by Sir Ernest Oppenheimer, grandfather of our present Chairman, when in the 1950s - long before it was accepted wisdom - he said:

"The purpose of the Company is to make profits for its shareholders, but to do so in a way that makes a real and lasting contribution to the countries and communities in which it operates".

"Adorned" capitalism

We do not see the two sides of the argument about what is a "good company" as irreconcilable. We believe that what has been described as "*unadorned capitalism*" can indeed serve the public interest, but that "*adorned capitalism*" can serve that interest even better.

Through the development and deployment of sound CSR policies in terms of employment and labour practices, health & safety, non-discrimination, human rights and environmental best practice, companies can not only gain significant advantage in terms of reputation, recruitment and investment, but also, when coupled with the impact of their core business activities, can make a real difference on the ground.

Of course it is important that companies are not just 'ticking the boxes' in this regard, or just producing glossy CSR reports. "Trust me, I'm a spin-doctor" won't wash these days. "Show me" is much more effective, and companies must be prepared and able to demonstrate what they are doing - both operationally and in social investment projects - to governments, journalists, NGOs and, indeed, to the communities in which they operate.

Responsible engagement

Equally, I have to say, it is incumbent upon media and activists to engage with companies and see for themselves. It often seems they fear their preconceived ideas - and thus justification for a newsworthy story or sexy public campaign - will be shattered by reality. Public oversight of corporate accountability is entirely appropriate, but must be on the basis of proper research and dialogue rather than instinctive confrontation and polemic. Global companies are accountable to a large and varied public audience. That audience needs to understand and recognise that it is responsible business that can make the most significant contribution to sustainable economic development.

A benign environment

The best companies are likely to be "good companies", but it is a mistake to think that business will be driven instinctively by ethical and/or philanthropic considerations alone - and certainly not in all circumstances. A benign economic, political and fiscal environment within the rule of law creates the conditions in which companies will choose to operate, to generate good returns for shareholders as well as revenues and other benefits for the host communities.

We take the existence of such a benign environment for granted most of the time - and certainly in the developed world. However, with our focus here on Africa and, in particular, on 'weak governance zones', this sort of environment does not always exist and cannot be created by business alone.

Good governance

In order to obtain those conditions in which business can flourish to the benefit of all, we need to harness the energy, the expertise, the finance and the development potential of business and link it with the critical and essential role of governments and the international community in the establishment of stability and security.

Private sector capital flows and direct investment, from both internal and external sources, are key to economic growth. Investors must know their money is safe. Security of tenure, of property rights and of contracts protected by law, administered by courts immune to political whim and bureaucrats free of corruption, are essential pre-conditions of benign investment.

In turn, business must ensure that profits gained make the real and lasting contribution to which Sir Ernest referred, and this should be done by active engagement and cooperation with both local and international NGOs.

Governments, international institutions and business can work together, encouraged and supported by the moral authority of responsible civil society, to create the virtuous circle: Security → Economic Activity → Development → Stability → Peace.

With regard to 'weak governance zones', we should not underestimate the positive impact of collaboration between international institutions, business and civil society on conflict prevention and post-conflict reconstruction, and in assisting governments to grasp the benefits that flow from embracing good governance as an absolute priority. A fine example of this, in the diamond context, is the Kimberley Process, in which De Beers is proud to have played a part.

It is, perhaps, through the De Beers experience that I can best address the topic of conducting business with integrity:

Conflict Diamonds

The UK based NGO, Global Witness, first brought the conflict diamonds issue to the attention of the world in the late 1990s with a focus on Angola. In 2000 Partnership Africa Canada alerted us to the horrors being perpetrated in Sierra Leone fuelled by illicit diamond activities. Although De Beers had not operated in Sierra Leone since 1985, there were clear moral and commercial imperatives arising from these gross humanitarian abuses. For De Beers, as leaders of the diamond business, it was clear that our privileged position carried with it moral responsibility to galvanise the wider industry into action to counter this despicable trade.

Morally, it was unacceptable that we - all of us in the diamond business, whether in New York, London, Antwerp, Tel Aviv, Mumbai, Hong Kong or Dubai, whether miners or cutters, jewellers or retailers, and whether active in Africa or not - be associated in any way with these atrocities.

Commercially, there was a real possibility that consumers - ever more better informed, socially aware and discerning - could turn away from diamonds in the same way as fur. It was immaterial that some activists failed to recognise that a boycott would have a far greater impact on the economies and people of developing nations - as Nelson Mandela pointed out - than on consumer attitudes.

Kimberley Process

It was obvious that we had to act. De Beers ceased all open-market purchases of rough diamonds. Our Chairman, Nicky Oppenheimer, and Managing Director, Gary Ralfe, wrote to the Presidents of the diamond bourses around the world, which led to the creation of the World Diamond Council, drawn from all sectors of the diamond business from mining to retail, to represent the diamond industry in the deliberations of the Kimberley Process. The diamond industry - traditionally diverse - deserves recognition for the forthright way it united to meet the challenge.

The Kimberley Process was the bold initiative of the South African Government, for which President Mbeki and the Minister of Mines should be roundly applauded and which, with its inclusion as prime movers the African producers, has impeccable NEPAD credentials. The Process now has some 70 nations as participants and, whilst not a perfect construct on which further work is necessary, it has been highly successful in limiting the trade in both conflict and illicit diamonds. Without the commitment and endorsement of the United Nations, the wholehearted and active collaboration and sheer hard work of civil society, governments and business, this could not have been achieved.

Beyond Kimberley

At the same time, De Beers placed its expertise and knowledge unconditionally at the disposal of governments. We have been training officials from several countries in the appraisal and valuation of diamonds to allow them better to assess the proper revenues due, and so critical for post-conflict reconstruction. We have been pleased, also, to work with various government agencies to address the threat to mineral resources posed by organised crime, money laundering and the funding of terrorism. We believe that business has a clear duty to support and assist in the defence and protection of society.

The relative success of the Kimberley Process does not mean that we can be complacent. Not only is there more to do to ensure that it is properly effective, but there are also concerns about the unregulated, and often illicit, alluvial diamond mining in parts of Central and West Africa. Whilst the Kimberley Process Certification Scheme may largely protect rough diamonds from the first point of export, there is often no control internally from earth to export. Not only are the proper revenues not being collected, but the working conditions and remuneration of the diggers are completely unacceptable.

I spoke of this in April 2003 at the Washington conference on 'Kimberley next steps'. More recently, Global Witness and Partnership Africa Canada issued an excellent report entitled "Rich Man Poor Man", highlighting the plight of the workers in these informal mining operations (<http://www.globalwitness.org/reports/show.php/en.00064.html>).

Diamond Development Initiative

Last month, Global Witness, Partnership Africa Canada and De Beers jointly convened a meeting in London to discuss what we are calling the 'Diamond Development Initiative'. Attendees at that initial meeting, which was chaired by the former US Assistant Secretary of State for Africa, Walter Kansteiner, included the World Bank, US State Department and USAID, the UK Foreign Office and Department for International Development, the European Commission, representatives of various diamond producing countries - including some of those most affected - and the current and immediate past Chairs of the Kimberley Process.

Various proposals for addressing the problems of unregulated mining were discussed and will be refined further - with input from all interested parties - before being placed before governments. We believe that this initiative must ultimately be owned and driven by the governments of the affected countries themselves - supported by their friends in Africa and beyond - and that NEPAD can play a most constructive role. In coming together with De Beers, Global Witness and Partnership Africa Canada are demonstrating that they understand the merits of cooperation between business and civil society. In doing so, they in no way compromise their role, nor weaken their position, but increase their influence and leverage. And, what is more important, they are working directly to make a real difference for the people of central and West Africa who have endured so much.

Ethics and example

De Beers' Managing Director, Gary Ralfe, reiterates on a regular basis that all of us in the De Beers Group - collectively and individually - are ethically accountable. To that end, De Beers has developed its Best Practice Principles, a mandatory ethical code of practice - independently verified - to which the De Beers Group and its customers and suppliers subscribe. We see the need, as should all companies, to go beyond what is required of us by law, as not everything that is legal is necessarily ethical!

These Best Practice Principles apply wherever we operate, and even more importantly in 'weak governance zones'. In such countries it is by insistence on doing business with integrity, and not using local custom as an excuse for lower standards, that business can be an agent for change and assist the process of economic and political reform. Companies cannot dictate to sovereign states, but have a real interest in seeing economic and political reform develop in a way that enables the benign investment climate to which I referred earlier.

Through dialogue and by example, companies can assist host governments to recognise the benefits of good governance, but the active support and engagement of the international community and civil society is critical. Also, the development of robust local NGOs, and an independent media, is an essential component in which we should all assist.

Business as villain

All too often, as we saw from experience with the UN Panel on the DRC, the international community and civil society are quick to cast business in the role of villain without any attempt at consultation or dialogue. This is enormously frustrating for reputable companies who wish to conduct their business - albeit under difficult and complex circumstances - to the benefit of all.

Nothing will be achieved by this confrontational - and sometimes doctrinaire - approach. We have to work together, to come to understand and respect each others views, concerns and constraints. We won't always agree on everything, but working together towards common goals we can do much - as Kimberley has shown. In seeking to re-enter diamond prospective regions post conflict, De Beers has been at pains to inform and consult the NGO community and I would urge that this sort of constructive engagement becomes standard procedure.

Setting standards

Whilst I would hope and expect business to apply proper ethical standards in 'weak governance zones', it is unrealistic to suppose that every commercial organisation will do so instinctively. Thus, "basic corporate common sense" is not an adequate threshold for conducting business in these countries.

As I said in my submission to the OECD in Paris last December, and in the light of the negative experience with the UN Panel, there is a clear need for a more practical code of conduct than currently provided by the OECD Guidelines. This should not only set out the criteria for operating in conflict or 'weak governance zones', but also establish a better mechanism for dealing with alleged breaches of the code. There is also a place for an international monitoring body with a clear mandate, fully briefed, with inclusive, transparent and accountable procedures. The certainty and clarity provided by such arrangements would give reputable companies the encouragement and confidence to invest in those countries whose need is greatest (as the Secretary General has advocated), whilst deterring undesirable elements.

Furthermore, the international community and civil society should continue to call for both companies *and governments* to sign up to the Extractive Industries Transparency Initiative, the UN Global Compact and the World Economic Forum's Partnering Against Corruption Initiative. All parties should be called to account. It would be illuminating, also, were NGOs to be obliged to reveal their sources of funding!

Partnerships...

The title of this Conference is *Alliances for Integrity*. Alliances, or partnerships, are at the heart of De Beers' business philosophy. Just as I believe that partnerships between governments, international institutions, business and civil society are central to the success of post conflict reconstruction, conflict prevention and development in 'weak government zones', De Beers has, seeks and aspires to partnerships in all it does.

...in Africa

In South Africa, our home, De Beers is deeply engaged in constructive dialogue with the Government on new mining legislation, beneficiation, transformation and Black Economic Empowerment. We embrace the political imperatives and are working to redress the historical imbalance. We are in partnership with the National Union of Mineworkers in our progressive programmes on HIV/AIDS. In Botswana, Namibia and Tanzania we are proud of our long-standing partnerships with government in diamond mining, and of the contribution we make to the economies of those countries.

...and elsewhere

In the United States we are partners with and sponsors of the Jewelers Fund for Children and plan to establish a child-care project with local government in the Northern Cape province of South Africa. We hope to be able to partner with USAID on HIV/AIDS and development projects.

In Canada, De Beers is in partnership with a number of listed exploration companies in the search for diamond deposits and is engaged in dialogue with First Nation groups to ensure that mining activities bring appropriate benefits to local communities. I have mentioned already how pleased we are to be working with Partnership Africa Canada and Global Witness in the Development Diamonds Initiative, and in India we have government as our partners in prospecting for diamonds.

Globally, we aim to be the Partner of Choice in prospecting and mining, the Supplier of Choice to our customers and the Employer of Choice for our staff. None of these can be achieved unless the company has, and is seen to have, the very highest ethical standards and to conduct its business - every aspect of its business - with integrity.

Leadership

Finally, I should just like to say that integrity in business depends on leadership - it has to come from the top. Leadership with integrity means that business leaders must speak out on those issues that affect us all. As we approach the report of the Commission for Africa (to which De Beers has been pleased to contribute) and the G8 Summit, there is real need, a duty, for us all to raise our voices on Africa's behalf. De Beers, a company proud of its African roots, will continue to do so.

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