



**International Business Students Global
Conflict Minerals Trade Theory and Resource Allocation (CoMTTRA)**

**IBSG/De Beers: An Annual Conversation
Response to Report to Society and Conference Call**

IBSG/CoMTTRA Team

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Dear Dr. Black and Ms. Weeks,

International Business Students Global's Conflict Mineral Trade Theory Resource Allocation (IBSG/CoMTTRA) team thanks you both for your time and interest in beginning this long term dialogue with the University of New Mexico. As New Mexicans, we recognize that our unique perspective on conflict minerals can contribute to De Beers' ongoing social performance efforts. We hope that our ongoing conversation results in meaningful and authentic social change.

The following comments contain feedback resulting from our reading of the 2015 Report to Society (RTS). They are shared in no specific order of importance, and represent ideas that repeatedly appeared in the various discussions leading up to our call. The differences between a stakeholder-reading to shareholder-reading are very clear in the RTS. Although De Beers currently has several documents that appeal to different audiences (i.e. the RTS and the Diamond Insight Report (DIS)), we believe that the RTS can still more clearly explain who the audience is intended to be. During the conference call, it seemed that the RTS was meant for shareholders, sometimes at the expense of accessibility to a wider audience. For example, on page five, the metric of "lost time injury frequency rate" reported a value of 0.15. These metrics are clearly intended for an initiated audience. A methodology section where the data accrual is defined and justified would be a useful addition to the RTS. Furthermore, there was concern that several of these statistics are not expressed in ways that an engaged but uninitiated reader would understand. For example, there do not seem to be direct ways of enumerating the number of employees injured each year. There were no statistics that reflect the economic impact of the closure of mines to the satisfaction of the team. One suggestion may be to organize every section with a more clear connection between goals (as you did with your environmental section on p. 51) and metrics. This would allow the reader to see progress in relation to previous reports.

After several readings of the report, several questions required further explanation:

- Who decides what De Beers' message will be that year, both internally and externally?
- What is the process for publishing the data?
- What accountability measures are in place?
- Which departments are responsible for ensuring that this data is accurate?
- How does De Beers ensure that the data presented is reliable and valid? Which organizational leaders approve the Report to Society?
- How is RTS approved for final publication? Are agents within the organization given the opportunity to approve, or is this an executive decision?

Additionally, though the RTS is not geared towards indigenous groups, it would still be useful to include a section on the treatment of indigenous and local groups where De Beers conducts business. While the report does illustrate how many inputs compose your final products, there could be more descriptions for how those at the lower end of the value-chain (i.e. rough cut



diamond producers) are encouraged or supported to develop work at the higher end of the value-chain (i.e. design and refinement). The RTS would benefit from two different sections that independently address supply chain transparency and value chain equity. Moreover, the RTS itself is part of the overall value chain, albeit an intangible part of the final product. It may be interesting to see how explicitly adding the RTS to the value chain changes the manner in which the overall product of the company is defined. In our discussions, our team often employed the vocabulary of “vulnerability” and “accompaniment” to address the difficulty in addressing issues of social performance. Vulnerability has become a preferred way within a human rights discourse to discuss power issues without ascribing weakness to those being discussed¹. Accompaniment is a term used in social entrepreneurship to replace “helping.” Among social entrepreneurs, the term has become a useful conceptual framework to avoid sentiments associated with inequality, including systems of patronage. It may be important to recast some of the framing questions in the report in terms of the following questions:

- Who is made vulnerable by the work De Beers group does?
- Who within the De Beers organizational structure is most invisible in terms of overall performance and how can that be changed?
- Which groups or communities does De Beers accompany versus those De Beers tries to “help”? Does this affect how a group is able to appear in the RTS?

During the conference call, the idea of several versions of the Report to Society, each catered towards a certain stakeholder or shareholder, was mentioned. Alternatively, the CoMTTRA team suggests creating a “perspectives” section at the end of the report that contains vignettes of groups of people that are affected or impacted by the activities of De Beers. This would humanize what a “society” means in the report and would allow De Beers to encourage the reader to expand their own perceptions of who matters to the report. As an example, a section on indigenous communities or on the “quants” who developed the statistics included in the RTS would add a resource to explain the societal dimensions addressed in the report.

Attached to this response you will find more specific perspectives that the team felt would stimulate further thought. Our team deliberated upon many different dimensions of the report, and in addition to the reader’s guide we created, we plan to increase the number of people and perspectives that will inform next year’s conversation. We hope that this is a beginning of a long and fruitful collaboration between the University of New Mexico and De Beers Group of Companies.

Yours in service,

The IBSG/CoMTTRA Team

¹ See Fineman, Martha, “The Vulnerable Subject: Anchoring Equality in the Human Condition.” *Yale Journal of Law & Feminism*, Vol. 20, No. 1, 2008



Some Thoughts on Stakeholders and Shareholders

De Beers faces a number of challenges in their reporting due to the contentious nature of the diamond mining and extraction industry. The company's reporting is even further complicated by the public ownership of the company, especially as the primary listing of DeBeers' stocks are located in the London Stock Exchange and not primarily listed in the main producing countries of concern to De Beers. This means that De Beers is no longer subject to a small number of private stakeholders and instead must account for the larger body of public shareholders. The new shareholders are a new demographic of concern to De Beers when both conducting business and delivering reports. Given the public nature of this corporation and the divide of ownership, one must question to whom De Beers is ultimately accountable. Those able to take part in the sharing of stocks in the London Stock Exchange surely control the financial aspects of the business; however, it is the workers, the communities, and the local leaders of the mined areas that most tangibly feel the impact of the business on a daily basis. CoMTTRA acknowledges that De Beers must be sensitive to both of these audiences and understands that, as discussed in the conversation, that the reporting mechanisms are more likely to reach and be of concern to those individuals more removed from the communities, and therefore better speaks to the public shareholders.

A Diamond May Be Forever, but Planet Earth is Not.

As our Earth continues to age and humanity continues to consume and utilize its once seemingly abundant, yet now limited resources, our inter-galactic future becomes less science fiction, and more the science-fact of a near-by tomorrow. As a company in the business of *Building Forever*, questions addressing the future are paramount. De Beers is an industry leader on planet Earth, but what steps is it taking to ensure it can become the industry leader in our Solar System?

Asteroid mining is coming, and with the help of Title IV in the US's 2015 Commercial Space Launch Competitiveness Act, it is now legal for US citizens to maintain ownership of resources mined and obtained in Outer Space. In no way a contradiction to the Outer Space Treaty of 1967, the US's act has been touted as a catalyst for other nations to also encourage and define the rights of companies pushing the boundaries of our global economy beyond the confines of the globe. Seen from a few perspectives, this new wave of Space-Commerce could have lasting impacts on the De Beers group of companies and the diamond industry as a whole.

Diamonds and Outer Space have a connection long pre-dating the concept of mining minerals from the inky void of space. The formation of many large diamond deposits on earth are credited to the pressure and heat supplied from meteorite impacts onto deposits of graphite on the surface of the Earth. Even more spectacular was the discovery in 2004 that white dwarf stars may crystallize into giant diamonds at the end of their life cycle, and the high probability



that many C-type near earth asteroids contain an abundance of the precious gem.

As the space exploration industry faces the debilitating issue of fuel availability in space again and again, companies have sprung up such as Deep Space Industries and Planetary Resources, eager to become the gas-stations of our solar system. Through mining and refining minerals and ice from asteroids, these companies plan to fuel inter-stellar missions at the mission sites, eliminating the need for rockets to carry all the fuel they will need for the entirety of the mission. An incredible side-effect of the research and development of these companies has been advances in the field of hyper-spectral imaging. Designed to quickly and accurately discern the composition of near earth asteroids, the technology is being applied back to planet Earth, and has major implications for agriculture and mining industries. The developer of this technology, Planetary Dynamics, claims its spectroscopy is game changing for these industries, as the possibility for more rich data usually is.

De Beers could approach the second space age in a few ways. First, De Beers could look into the possibility of sending diamonds mined on earth into space and marketing the *Galactic Forevermark Diamond*. Many companies have already capitalized on the novelty of space, and provide services such as sending souvenirs into space only to return them with a higher value upon re-entry. The second approach could be mining the diamonds from the asteroids themselves, with a similar potential for an inflated willingness-to-pay from consumers, and the added benefit of mining from sources that do not negatively impact ecosystems. Third, De Beers can work with hyper-spectroscopy companies through their advanced imaging of the Earth to develop their technology for current terrestrial mining operations. With these approaches and many others, it is easy to imagine De Beers as a galactic enterprise, ensuring its post-terrestrial survival alongside humanity's desire and need to stretch its existence beyond the blue orb of planet Earth.

Further thoughts on value-chain equity and supply-chain transparency

A good example of **value-chain equity** practices can be found in the work done by the United Nations Ethical Fashion initiative (EFI). The EFI currently works with textile workers throughout the world, primarily in places where poverty and inequality have been identified, and partners them with popular designers (e.g. Vera Wang, Prada, Armani)². These partnerships are intended to move workers to places where the value-chain results in more financial and economic reward, turning workers in to designers and strategic partners in the international fashion industry.

Supply-chain transparency is a process that identifies the inputs of a final product and explains where those inputs come from. This becomes increasingly difficult when one incorporates the intangible inputs of a product. The International Folk Art Alliance produces the

² <http://ethicalfashioninitiative.org/about-us/>



world's largest folk art market each July in Santa Fe, New Mexico. Last year, 173 master artists from over 57 countries made 2.9 million USD in 21 hours of market activity³. Prior to the market, these artists collaborate with experts from the global art community to refine the storytelling process behind their products. During the market, customers learn from the artists the rich and nuanced process that went into the making of their products, including the intangible qualities of ancestral traditions and community labor practices. This has resulted in consumers connecting to and changing consumption patterns over time, creating a demand for products that tell deeper stories of how they are made.

These resources may provide alternative strategies to further express issues of equity and transparency as the RTS evolves over time.

Environment - *Pandanus candelabrum*

Published in the June 2015 issue of *Economic Geology*, the discovery of *Pandanus candelabrum*⁴ (a plant) falls under the purview of an industry-wide focus and is a matter wherein De Beers and the International Union for Conservation of Nature benefit from advanced management. Furthermore, the discovery offers credence to a question that has informed the focus of CoMTTRA's work: do extracted mineral and energy resources serve an ecological function prior to extraction? De Beers' Juttadinteria albata eco partnerships and its 'no net loss of significant biodiversity' industry-wide focus⁵ provide meaningful insight into its collaborative conservation efforts. The discovery is considered significant given the exclusivity of its location on economically viable diamond-bearing kimberlite dikes in Liberia and its potential use in identifying new mining sites in densely forested areas. Granted, Liberia is outside De Beers' area of operations and further studies are required to understand the distribution of the species belonging to a family ranging from Senegal to Cameroon. However, the conservation implications of a plant species existing solely in extraction sites and how that might affect the diamond industry as a whole are noteworthy. Improperly managed the ten-plus meters high palm could prove extremely disruptive for the industry, even requiring cessation of mining should it be classified as endangered; and such occurrence is probable as the family is poorly understood and even less is known of the species.

It is readily understood what petroleum does for a vehicle; among its functions it lubricates the engine block preventing it from overheating and cracking. Assuming the planet is mutualistically symbiotic, is it a coincidence that as extraction has increased exponentially the planet has become warmer, that the frequency and magnitude of seismic activity has

³ <https://www.folkartalliance.org/>

⁴ Haggerty, S. E. (2015). Discovery of a kimberlite pipe and recognition of a diagnostic botanical indicator in NW Liberia. *Economic Geology*, 110(4), 851-856. doi:10.2113/econgeo.110.4.851

⁵ The De Beers Group of Companies. (2016). Building Forever: Report to Society 2015. pp. 54 and 53, resp.



increased? Addressing the greatest challenge of the 21st century necessitates asking as many questions as possible, e.g. why are diamonds called “ice” in pop culture? They are among the world’s foremost thermal conductors while remaining cool to the touch. Pandanus candelabrum was identified only in the soil above the 500x50m kimberlite pipe which has already yielded diamonds in the topsoil. Does a diamond’s ability to conduct surface heat facilitate the root-system growth of a newly discovered palm, or do kimberlites help regulate heat between earth’s mantle and crust, and does their mining somehow contribute to climate change in a previously unconceived manner?

Climate change is studied from the perspective of what is drawn from the earth and released into the atmosphere or the direct effects extraction has on flora affecting atmospheric conditions. The greatest folly of humankind is to almost always look up and outward but rarely down and within; part of developing a wider external audience is asking broader internal questions. Is there a story yet to be told in the Journey of a Diamond?

Environment & Community - waste water & the entrepreneur

Project valuation is an inherent component of operational and financial management which typically entails one question: is it more cost effective to pursue the project in-house or outsource the work to an existing enterprise, *assuming one exists*? However, there is a rarely discussed, potentially lucrative third option; directly investing in a new enterprise that continues to serve the industry and the local community beyond industry needs for the foreseeable future. Currently, De Beers is in the pre-feasibility phase of two such wastewater projects⁶ at its Orapa and Jwaneng, Botswana mines. This coincides with De Beers’ socio-economic development work² but is an especially pertinent alternative given the average lifecycle of a mine. Liability is always a concern when assuming partial ownership of a new venture, but the potential benefits can far outweigh liability concerns when considering net gains, including: the leverage afforded social license to operate (SLO) derived from general economic development and possible external economies of scale; reducing long-term operational costs and generating new profit streams; and proprietary access to intellectual property.

The latter of these potential benefits should be considered the most intriguing as small to medium-sized enterprises (SMEs) have, historically, often been the harbingers of some of the most influential innovations. The reasons for this are well-understood; SMEs lack the organizational and financial resources of multinationals and, by necessity, must innovate to be competitive in an increasingly globalized world. In 2009, a panel of eight judges from Wharton³, collaborating with PBS’ Emmy Award-winning, *Nightly Business Report*, developed a list (Figure a) of the thirty most influential innovations to business and society over the last thirty years. Even a cursory examination reveals roughly two-third of the innovations are the products of

¹⁻² The De Beers Group of Companies. (2016). Building Forever: Report to Society 2015. pp. 50 and 42-44, resp.

³ Knowledge@Wharton. (2009, February 19). Top Innovations Of The Last 30 Years. *Forbes*. Retrieved from http://www.forbes.com/2009/02/19/innovation-internet-health-entrepreneurs-technology_wharton.html



SMEs or government and/or industry-backed investments in independent operators' research. Each of these innovations fundamentally changed society; some dramatically increased proficiency of business operations worldwide and ushered the age of globalization, a few even became multi-billion dollar industries. The next revolutionary innovation in processing waste water could very well-likely come from an emerging SME and, by positioning itself as an investor, De Beers gains access to the proprietary rights of that intellectual property (IP) and can implement its use in operations business-wide, potentially gaining a significant competitive advantage, and/or lease or sell the IP throughout the extractive industry and beyond.

1. Internet, broadband, www (browser and html)	16. Media file compression (jpeg, mpeg, mp3)
2. PC/laptop computers	17. Microfinance
3. Mobile phones	18. Photovoltaic solar energy
4. E-mail	19. Large- scale wind turbines
5. DNA testing and sequencing/human genome mapping	20. Social networking via the Internet
6. Magnetic Resonance Imaging (MRI)	21. Graphic user interface (GUI)
7. Microprocessors	22. Digital photography/videography
8. Fiber optics	23. RFID and applications (e.g., EZ Pass)
9. Office software (spreadsheets, word processors)	24. Genetically modified plants
10. Non-invasive laser/robotic surgery (laparoscopy)	25. Bio fuels
.	
11. Open-source software and services (e.g., Linux, Wikipedia)	26. Bar codes and scanners
.	
12. Light-emitting diodes	27. ATMs
.	
13. Liquid crystal display (LCD)	28. Stents
.	
14. GPS systems	29. SRAM flash memory
.	
15. Online shopping/e-commerce/auctions (e.g., eBay)	30. Anti-retroviral treatment for AIDS
.	

Figure 1: Forbes – Wharton Top 30 Innovations of the Last

In effect, should De Beers pursue the alternative investment strategy as the new venture grows and becomes self-sufficient, generating profits by serving municipalities and related industries, the wastewater processing segment of De Beers' operations begins to pay for itself. Investing in local communities' infrastructure engenders goodwill, increasing the level of acceptance and approval of De Beers in those communities – the essence of SLO. Furthermore, in the event of revolutionary innovation, De Beers is not only well-positioned to make use of the IP as suited, it cultivates a wider audience by being at the forefront of water stewardship and every sector of society interested in water management will be paying attention to what De Beers does next.



Community – consumers & narrative

There is a substantive argument that De Beers' Report to Society (RTS) is not directed toward end-use customers. While the RTS thoroughly covers De Beers' global operations and issue areas related to social performance, it entails very little that would attract consumers who are otherwise not socially-minded readers. In this regard, the power of narrative should not be underestimated and the *Journey of a Diamond*⁷ should be viewed as a particularly advantageous opportunity to garner the interest of those consumers as readers. In its current form, the *Journey of a Diamond* is an abstract, albeit extremely detailed feature of De Beers' website that explains the journey of a diamond from formation to end use; but what if it took on a more specific narrative? What if each year the RTS featured a small section that introduced readers to one diamond in particular by extrapolating the existing framework through imagery and narrative? This would include current landscape and communal features of the precise location in which it formed and was mined, and introduce readers to one person involved in each stage of the journey through exploration, mining, sorting, cutting, sales, polishing, jewelry-crafting and setting to the most important aspect, the end-use customer and their reason for its purchase.

The feasibility of such an endeavor is quite possible owing to the Kimberley Process Certification Scheme (KPCS) and the De Beers Marque⁸; a process whereby a written guarantee accompanies every De Beers diamond certifying it is legitimately-sourced from conflict-free regions and all solitaire diamonds above 0.2 carats are microscopically etched with a De Beers' logo and unique diamond number. While it is understood there are safety concerns that must be considered when publishing information about people related to the suggested narratives, it's also apparent from reading the RTS that there are people willing to tell their stories. The willingness stems from an almost universal desire to share one's story and be recognized as an integral part of a collective, shared-experience; and it is that desire which will encourage consumers and employees alike to disseminate the RTS among friends and family thereby expanding the reach and breadth of De Beers social-performance reports' audience.

The utility of such narratives serves a secondary function; it addresses a larger problem systemic to the diamond industry. Despite the 3TGs (Columbite-tantalite – tantalum, Cassiterite – tin, Wolframite – tungsten, and Gold) being the predominant conflict minerals of the 21st century and the relative success of the KPCS, the conceptual forefront of conflict minerals is currently still exemplified by the "blood diamond." Why that mindset persists within the general public almost two decades after the UN sanctioned UNITA and more than a decade after the KPCS' institution requires a more in-depth analysis and can be addressed in De Beers' and CoMTTRA's future discussions if there is interest. However, incorporating a more specific

⁷ The De Beers Group of Companies. (2016). Journey of a diamond. *Diamonds Explained*. Retrieved June 6, 2016 from <https://www.debeersgroup.com/en/diamonds-explained/journey-of-a-diamond.html>

⁸ De Beers Jewelry. (2016). Peace of Mind. *The De Beers Difference*. Retrieved June 6, 2016 from <http://www.debeers.com/the-de-beers-difference/peace-of-mind/>



narrative in the RTS is a notable step toward reshaping the agenda whereby conflict minerals are more accurately understood in the collective conscience of the 21st century.

Minor critique – Issue Areas: Environment

Page 52, Heading - Environmental Incidents; Sub-heading - Figure 19: Significant Environmental Incidents By Type lists the following: Land 48.5%, Water 30.1%, Air 1.3%, Biodiversity 4.8%, Visual/aesthetics 3.7%, Cultural/archaeological 0.1%, and Other 11.5% environmental incidents recorded in 2015. It is the latter, Other 11.5%, which drew attention and piqued curiosity. Considering every readily conceivable type of environmental impact incident is mentioned, it leaves one wondering three things: 1) what does “Other” include or entail? 2) Why is “Other” the third largest type of incident? 3) And, if “Other” is the third largest type of incident, why is what includes or entails not elaborated in a footnote at the very least? Were it not the third largest type of incident, it would not have drawn significant attention; but because it is and because there is an absence of explanation it comes across as questionable reporting. For lack of more adequate terminology, it seems downright shady.

Minor critique – Issue Areas: Employees

“A rose by any other name...” are the immortal words of William Shakespeare reiterated over centuries, adapted for a more colloquial reading and intended to convey that the names of things matter not to what they really are; but what if a rose had a say in its naming? Would its voice still smell as sweet? There is an inherent power in the privilege of *naming*. It is a form of capital and, when considering authenticity, terminology such as *historically disadvantaged nationals/employees* creates pause and necessitates one consider whether that is an aspect of privilege in a postcolonial environment or the voice of a decolonial movement.

