

DEBSWANA STONES ARE INFINITELY NATURAL

The Botswana Resource Sector Conference returns to the City of Gaborone next month. With that in mind, The Business Weekly & Review took the opportunity to speak to Debswana's Manager of Corporate Affairs (responsible for) External Communications, Agatha Sejo. It is her conviction that synthetics may also sparkle but when it comes to life's most important and meaningful moments, people will always choose natural diamonds because they are billions of years old, rare, unique and have an enduring financial value.

Q: How many times have you been a part of the Botswana Resource Sector Conference and what role were you playing?

A: Debswana has participated in the conference as follows: 2007, 2009, 2010 and 2018. The company sponsored some delegates. In 2011, Debswana made a presentation on the Cut 8 project implementation and we also had some delegates. Debswana also presented on the Morupule expansion project and other topics.

In 2014, Debswana sponsored BRSC and presented on "Debswana Journey (past, current and future projects)." In 2015, Debswana sponsored BRSC and gave a presentation on "Debswana: Securing the Sustainability of our Operations into the Future."

Q: How would you say your affiliation to this conference has benefitted you since becoming a part of it?

A: The main benefit was around giving our employees opportunities to network with colleagues from the industry and learn new trends from industry experts.

Q: How has Debswana evolved since its inception?

A: Debswana has grown exponentially since inception to become the world's leading diamond producer by value and the largest private sector employer in Botswana with more than 5,500 employees and more than 6,000 contractors. Today Botswana has grown from being one of the poorest nations in the world in the late 1960s to becoming an upper middle-income country that is a model for successful development on the back of mineral revenues. Following independence in the late 1960s, Botswana had the world's third-fastest economic growth rate over the following 50 years.

A combination of revenue from diamonds and a track record of good governance have enabled the country to flourish, with diamonds having been the engine of economic growth (and) representing more than 60% of export earnings and around three quarters of government revenues. Debswana has a proud history, stretching back 50 years, of financing Botswana's economic development. In recent years, the business' profitability has been outstanding, safety performance has improved significantly and the De Beers/Botswana Public-Private Partnership (PPP) remains a role model for the global mining industry.

Q: Can you give us an overview of the current state of natural diamond mining in Botswana and prospects?

A: Debswana can only provide a view on Debswana mining operations.

Q: Diamonds are a finite resource and some argue that there has been limited 'world class' discoveries made in more than a decade by Debswana, unless something has not been disclosed. But natural diamond production has been stable at approximately 130 million carats,



according to researchers, and experts argue that these volumes are sustainable for at least the next 20 to 30 years. What is your view on this?

A: Indeed diamonds are a finite resource. We at Debswana will be mining natural diamonds for many more years, and the Debswana Board recently approved the Cut 9 Project which seeks to extend the life of Jwaneng Mine to 2035. Studies are underway to determine how we can successfully mine natural diamonds beyond Cut 9.

Q: What has been the biggest disruption to your business?

A: The biggest disruption was the 2008 market downturn. However, the plans that were put in place to mitigate this saw Debswana successfully respond to the challenges presented by the market downturn. We have also been able to deal with the technical challenges associated with mining deep pits.

Q: Over years, there has been growth in the production of synthetics and consumers were not able to choose between a natural diamond and a synthetic. Both sides needed to increase exposure through more marketing. Has the threat of synthetic turned into reality?

A: The core mandate of Debswana in the diamond pipeline is the extraction of natural rough diamonds and as such Debswana does not actively participate in the marketing of Botswana diamonds or carry out market research on the performance of diamonds against competing products. Our shareholders, the

De Beers Group and the Government, on the other hand carry the sales mandate and we are confident in their ability to ensure continued marketing of Botswana's natural diamonds through their various marketing efforts.

We are also encouraged by the recent establishment of the Okavango Diamond Company (ODC) which we believe will add great value to the worldwide exposure of our diamonds and the sustainability of the local diamond industry in general. Our contribution as Debswana remains in ensuring efficient, safe and ethical diamond mining with the view to give our diamonds the necessary credibility as they compete in the global market.

Debswana has a proud history in the natural diamonds industry and both our sales and research show us that when it comes to life's most important and meaningful moments, people still want natural diamonds, as natural diamonds are rare, finite, unique, billions of years old and have (an) enduring financial value. While synthetic or lab grown diamonds are pretty and sparkly and suitable for casual fashion jewellery, they are mass produced products made in a factory and therefore do not have the same enduring value or symbolism as natural diamonds.

Q: What do you think is the main threat to the sustainability of natural diamonds?

A: The top three macro trends that will have the biggest impact on mining over the next 15 years, according to the Biennial Mining Survey 2017 Report, are:

1. Technological change and

disruption.

2. Environmental pressures - climate change and energy consumption.

3. A technically aware generation entering the workforce.

These are the prevailing challenges that Debswana is gearing up to address head-on now and in the future through a robust long-term strategy. Cost and capital management, among other interventions, will be key to our continued sustainability.

Q: Does Debswana have any investments in the pipeline for Debswana?

A: Debswana management has been tasked with the safe, sustainable and efficient mining of the diamond resource to deliver shareholder value. Investments are the prerogative of the board.

Q: What is Debswana doing to capacitate locals to be able to compete with large foreign companies in the diamond industry?

A: Debswana recognises procurement opportunities emerging from its business activities as effective economic impact multipliers through which citizen economic empowerment aspirations can be realised to effectively deliver socio-economic development in Botswana. In collaboration with its business partners and stakeholders, Debswana has in the recent years embarked on a journey to create an enabling environment for citizen owned SMMEs to play an active role in Debswana's supply chain to strengthen its local supply base. Some of the efforts employed in this objective include:

a) Advertisements in local newspapers for invitation to tenders are made explicit to invite citizen owned companies to participate.

b) Engagement with financial institutions (banks) and original equipment manufacturers (OEM) were initiated to avail primary and support equipment as well as funding to build capacity for citizen owned companies to enable them to take up emerging opportunities in Debswana's supply chain.

c) Procurement Price Preferential (PPP) margins have been revised-up to align with that of the Government of Botswana's Economic Diversification Drive (EDD) to give citizen owned companies preference over their foreign competitors. A commitment has been made to ensure that orders and contracts of less than BWP10 million are seriously considered for citizen owned companies where practical.

d) Foreign companies doing business with Debswana have been encouraged to set up their production facilities locally to improve their chances of winning upcoming procurement opportunities. It has also been made contractual that they employ and develop Botswana, as well as support citizen owned SMMEs and the local community. Over the three years up to 2017, Debswana's local spend has been about 80% while foreign spend varies around 20%.