Are Diamonds Forever? With Bruce Cleaver, Co-Chair of DeBeers

Simon Brewer

If diamonds are forever, then the organisation most associated with them is of course De Beers. From inception in 1888, De Beers' leadership in the diamond market has been unrivalled, and even today, they sell around 30% of the world's rough diamond production by value. The company is steeped in history with early financiers, including N.M. Rothschild & Sons and American financier JP Morgan, who was on the board. And at the helm for so long was the late Ernest Oppenheimer, a German immigrant to Britain and later South Africa who founded mining company Anglo American, and built and consolidated De Beers' global position in the diamond industry. So for the Money Maze Podcast, the sparkle that attracts us to have this conversation is clear. Should we think of diamonds as collectables and a store of value? How does the supply of and demand for diamonds play out? How do we assess synthetic diamonds versus the real gems? Important to the brand, environmental mining considerations and running a multinational business as part of the Anglo American mining giant. And to be clear in 2022, the revenues of De Beers were over $6.5 billion. To help answer these questions and more, it's great to welcome Bruce Cleaver, who served as De Beers CEO from 2016 until last year and is now Co-Chair alongside Anglo American CEO Duncan Wanblad. Bruce, welcome to the Money Maze Podcast.

Bruce Cleaver

Thanks, Simon. It's great to be here. It's great to be on Money Maze. I've been a fan of your podcast for some while and been listening to all range of interesting people. So very kind of you to have me on.

Simon Brewer

It's terrific. Thanks go to our mutual friend, Brett Lancaster, a fellow South African who made the intro. We sit on an investment committee together and have known each other for a very long time. He's also one of the longest hitters on the golf course if you've ever suffered the ignominy of having to drive after him.

Bruce Cleaver

Sadly, more than once.

Simon Brewer

Let's look back briefly. Was yours an Anglo or South African childhood?

Bruce Cleaver

A bit of both actually, Simon. I grew up in a place called Pretoria in South Africa, which was, as I'm sure you know, the apartheid capital of South Africa. So that's sort of a strange place to come from. I went to university in Cape Town, a great liberal academic institution, spent a lot of my time working in Johannesburg before I joined De Beers. But I was very privileged at the law firm that I was at before I joined De Beers to work for a whole range of blue-chip clients. Probably the most important ones were Anglo American, as you mentioned, and De Beers. I got to know Anglo American at that stage, a business that owned vast swathes of the Johannesburg Stock Exchange and De Beers very well as the corporate titans of South Africa. So my history in South Africa and my prior working life is very intertwined with Anglo American and De Beers and the Oppenheimer family of course.

Simon Brewer

One of the questions we ask, which I will ask you in a second, is how did you ever earn your first rand or dollar. But I'll tell you that when I was working as a waiter in Cape Town in my year before I went to university, I used to drive along De Waal Drive and look up at that magnificent structure that is UCT, University of Cape Town. For listeners who, if you haven't been to Cape Town, you've got to just go and see it. It's absolutely majestic. But how did you earn your first rand?

Bruce Cleaver

The Magic Mountain as we used to call it. I actually earned my first rand in a university vacation job counting traffic, sitting on the side of an intersection, a busy intersection in the blazing South African sun with a hat on and a clipboard because I'd got a job via somebody who knew somebody at a firm of traffic engineers, and my extremely complicated job was counting how many cars turned left at a traffic light all day.

Simon Brewer

Well, you go from UCT to Cambridge I think to study law. So I just need to understand, what caused that pivot?

Bruce Cleaver

I was lucky enough to, as I said, to go to Cape Town University, which was a tremendous institution, still is a tremendous institution. And unlike many of my peers in the legal profession, I studied maths first. So I did a degree in Pure and Applied Maths first and then I went on to do an LLB in Cape Town University. I always wanted to be a lawyer, although I didn't really know what kind of lawyer I wanted to be. But I did my maths degree because I suppose many of us are alike because in my early years, I wasn't confident enough to think that I'd go on to be successful as a lawyer. So I thought if I did a maths degree first and I didn't carry on with a law degree, I'd be employable at that point. And then I was fortunate enough actually to win a scholarship funded by Cape Town University and the South African Law Society to Cambridge where I did a master's in law specializing really in commercial law subjects. And that's the kind of path my career took me on. After that commercial law at a law firm, I actually worked at a black empowerment investment bank in South Africa for four years around the time of Y2K in corporate finance, which was tremendous for me and my career. I went back to this great big law firm, Webber Wentzel, one of the great law firms of Africa and I sort of found my way to De Beers from there.

Simon Brewer

Given the long history of De Beers, if you're talking to new employees, and therefore, axiomatically listeners, what are the one or two most important observations about De Beers you'd share with us?

Bruce Cleaver

De Beers as the leader of the diamond industry has a responsibility that I think goes beyond just the 25,000 men and women we employ. I was in India last week with my successor Al Cook, the new CEO of De Beers, and speaking to an industry there that employs up to a million people. And it's really striking when you are there how the entire industry looks up to De Beers as the leader of the industry. In times of crises, they always come and look to De Beers for leadership as to how we're going to get through it together as an industry. One of the themes for me of this business is partnership. We're a complete business of partnerships right from ownership at the top where Anglo American owns 85% but the government of the Republic of Botswana owns 15%. So almost all of our mining operations across the world are all in joint venture with various governments, commercial partners, etc. And we like to think of ourselves as a partnership that works with those people, but also our customers, our retail clients, and ultimately, consumers. So very much for me a partnership of business, a business where model is to collaborate with people, but also to ensure that we are always at the forefront of the industry and trying to be ahead of the inevitable change that comes in the industry. So it's a fascinating place to be, fascinating because I can't think of another business that spans exploration, mining, a very big and complex B2B business where we sell goods to our hand-selected customers we call Sightholders, the sort of legendary De Beers ‘Sights’, they happen 10 times a year. We have a brand in the portfolio, a very powerful brand, and we work very much with partnerships. So it's a complex, fun business to be at. But for me, it's important that we continue to lead in all aspects of the business, including the things you spoke about like sustainability. That's the kind of message that I always say to people when they join us. You have a unique opportunity here to shape the future in a way that few businesses have.

Simon Brewer

So we're going to unpack a few of those, but let's start high-level. What is the allure and staying power of diamonds?

Bruce Cleaver

It's an incredible product. Essentially, in a nutshell, diamonds fulfil two needs for consumers. One is they fulfil a deep emotional need, and the other one, of course, they fulfil a financial need. Just to unpack those a little bit. Diamonds, and I'm talking about natural diamonds, we'll come into synthetics at some point, I'm sure. Diamonds are bought and given and increasingly self-purchased at life's greatest moments: the birth of a child, an engagement, the celebration of a partnership, the celebration of something incredible in your life. If you ask anybody about when they bought or gifted or received a diamond, they can remember the moment they got it. You can't say that about something in the fashion world. If you bought a digital watch for example, you'd throw it away in two or three years and get another one and it wouldn't mean anything to you. So there is an enormous emotional need for consumers that diamonds do fulfil. And when you go and ask someone 60 years after they got an engagement ring, do they remember the moment, they do remember the moment and they associate the moment with the diamond. So certainly, there's an enormous emotional store of value in diamonds. And of course, they are a financial store of value, at least to an extent. Now, it's not as uniform across the whole product suite. But broadly speaking, you can expect if you bought a diamond to be able to go and sell it back to the person you bought it for particularly if you're going to trade up for at least the price that you bought it for. And of course, people do hold them as financial stores of value. They pass them on to their children, they pass them on to their children's children. So I like to think of them as fulfilling two needs: an emotional need and a financial need. And I think it's the blend of those that makes them so unique. And of course, that's the point, Simon. They are unique. They were made a billion years ago by a miracle of nature deep under the earth. No two diamonds are the same. It's just not the same as any product that is manufactured. So every single diamond out there has got some different characteristic to any other diamond out there. And of course, when they're cut and polished and you look at them in the right light, they are amazing. They are truly a miracle of nature. So they sort of cover all of those aspects when people come in to buy them and people wear them. Other amazing things about them, you can wear them with a ball gown and you can wear them with jeans. You can't say that about many things and many products. So they are kind of universal as well for people across their lives. And of course, most people will wear them every day of their life. So they are reminded by this amazing piece every single day of their lives as they look at them.

Simon Brewer

Let's talk about the supply and demand. I understand from reading, it was admittedly a starting point of knowing almost nothing about it, that diamonds are a finite product and fewer and fewer are being created. No new mines of a tier one level have been found for 20 years. Just give us the sense of supply because you're obviously mining actively at the same time.

Bruce Cleaver

So of course, we look at supply, both our supply and supply around the world very closely. And I think one of the reasons why we feel so confident about the future of the natural diamond industry is global natural diamond supply has probably peaked. Last year, probably about 150 million carats were mined around the world, and that number should stay there for a good 10 or 15 years. So you will see a slight decline in supply, but luckily, no rapid drop off in supply. As long as demand keeps growing, and of course, we have a role to play in growing demand at De Beers, as long as demand keeps growing, one would think that there should be a continued happy future for the natural diamond industry. If you look back at the diamond prices, both polished diamonds and rough diamonds, we mostly sell rough diamonds but we also sell set polished jewellery in our diamond stores, you'll see that prices have risen by broadly 1% or 2% or 3% above inflation over the last 10, 20 and 30 years. So generally speaking, quite stable prices. Generally speaking, supply as I say has probably peaked and is going to stay where it is for some years. So we feel the combination of these two is very positive for us.

Simon Brewer

Let's just talk about the supply from a geopolitical standpoint, because I think I understand the other large player in the market is Russia's Alrosa. Given what's happened with Ukraine and Russia, just give us a sense of how that shakes up.

Bruce Cleaver

The second biggest player in the diamond world is a company called Alrosa, which is a Russian business majority owned by a combination of the federal government and the state of Yakutia, which is where most of the Russian diamond assets are found. As and when the war broke out in March last year, some of the G7 countries started to talk about imposing sanctions on Russian diamonds. And essentially, they tried to prohibit- largely, this is an

American issue for now actually, not a G7 issue. They tried to prohibit the import into America of Russian diamonds. Now ,for various complicated reasons, it's not as simple as that and there are a lot of brands who immediately self-sanctioned and refused to buy Russian diamonds. That is both a challenge and an opportunity for us as De Beers. Fortunately, four or five years ago, and not because we were prescient about a war but because we could see that sustainability and provenance were such important things to modern consumers, we started building a very sophisticated and ambitious blockchain which we call Tracr. And the war has accelerated the need to deliver Tracr. We have a fully functioning end-to-end in blockchain, proper, genuine distributed ledger technology on which all of our diamonds over a certain size are currently being loaded onto it. So the first point here is to be able to prove particularly if these sanctions get ratcheted up to any consumer particularly in America that the diamonds that they’re buying are from De Beers. Now, on top of that, of course, we have the ability with this tremendous technology to tell great stories because what we find in our world and certainly in the world of branding is that modern consumers, millennials and Generation Z in particular, more and more are asking what I think are the legitimate questions. Where did my diamond come from? What good did it do along the way? And we have been involved in building countries as De Beers. The stories you probably heard, 50% of the country of Botswana's Forex comes from our joint venture in Botswana and our business in Botswana. And the country of Botswana has invested diamond revenues really wisely. We have great stories to tell about what diamonds have done for consumers and we can now attach the story of a particular diamond. So if you trace it back to all the way where it came from, there's a school it funded, there's a hospital it funded, there's a natural park that it funded. And so that's the kind of thing consumers are starting to ask more and more. And in a sense, this technology and the war has accelerated our need to hurry up with this technology. So a bit of a concern in that 30-odd percent of global diamonds may no longer find their way into America, but a big opportunity for us to continue to build the brand and do the great stuff that we do at De Beers.

Simon Brewer

You talk about your relationships with Botswana and Namibia, and this is a relationship obviously not without its complexities because there's been this ongoing negotiation. How do you foresee that relationship over the next decade-plus panning out?

Bruce Cleaver

Botswana has a great story, Simon. We found the first diamond mine in Botswana in 1967 just after Botswana obtained independence. Some very smart forefathers of mine formed this joint venture called Debswana in Botswana, which is a 50/50 joint venture, which exploits that mine and three others. So two of the world's great diamond mines are in Botswana. When we found Orapa, Botswana was by some measures the poorest country in the world. It had four kilometres of tarred road in a country the size of Spain. It now has 4000 kilometres of tarred road ad that's all being built on the back of diamond revenues that have been wisely invested. It's probably the fastest-growing country in the world over the last 20 years. It's gone from being a low-income country to an upper-middle-income country. And so together, we have been on an amazing journey here of creating the revenue to build this country. We're involved in one of these discussions we have with the government from time to time about renewing some of our key contracts. I'm very comfortable and confident that we will resolve this on terms that work for us and for them. And of course, when you deal with a government which has a finite resource in its country after all, they have legitimate aspirations about things like locally beneficiating the product that comes out of the ground, and we totally support that. So 15 years ago, there were six factories in Botswana that cut and polished Botswanan diamonds, the rest got exported. Now there are 40, and we've been instrumental in bringing them there because we do work with the government and understand their aspirations and try and fit them in with ours. So I'm confident we'll end up with a deal that makes sense for all of us and the relationship will continue. I've heard President Masisi call it the most successful public-private partnership ever. It's not a PPP in the traditional financing sense, but it is a partnership of a government and a private sector business and so I'm confident that that will continue for many years to come.

Simon Brewer

Let's move to demand. And I think that here, I need a little help because I have read 52% of the world's polished diamond demand is in the US, but there's also this big industrial demand. So just to help us understand those two markets.

Bruce Cleaver

A couple of things to unpack. Let me start with the gem market, which is obviously the principal business that De Beers is in and I think will always be in. Just to go back to the beginning of course, diamonds don't necessarily sell themselves. They are a product that you also need to help develop and drive demand in. And there's a great story here. In the early 1930s, a young man by the name of Harry Oppenheimer went to his board and said, 'You know, of all the commodities and precious things we have in the portfolio at Anglo American, diamonds is the one where you should be able to stimulate demand because you have an ability to influence demand. So give me some money and allow me to go to America, which is the principal market, and develop this market.' And the board said no. Unfortunately, Simon, this was in the years before corporate governance. So young Harry Oppenheimer went to the chairman who just happened to be his father and agreed to ignore the board and off he set to America and started the business of starting to market diamonds. And at the time, less than 10% of couples getting engaged in America got a diamond as the principal piece of the engagement piece. Because until then, they were and they've been around for hundreds and hundreds of years, but they were for very wealthy people, for royalty, for celebrities, etc. We then worked on creating demand in America. A classic piece here, which I'm sure you've heard of, is that in 1947, a young woman, Frances Gerety, wrote for us at an advertising agency in New York this classic slogan 'A Diamond Is Forever'. And we sort of pinned the advertising on all diamonds, because we had about 80% of the world's diamonds to sell at that point behind this phrase, which really sums diamonds up perfectly because they are forever and they will last forever and they did come from a billion years ago and they represent forever for people, their future, their hopes and aspirations, etc. It's a great story as well from an inclusion and diversity point of view because if you've ever watched the box set ‘Mad Men’, you'll know how sexist Madison Avenue was at the time. And incidentally, it is said that the main character in Mad Men, his name was Peggy Olson is modelled on Frances Gerety. I have no idea if that's true but I've been told that story often. Anyway, by the mid-1980s, more than 85% of the couples in America getting engaged got the diamond engagement ring with a diamond as the principal piece. And that was really as a result of us bringing this marketing to America and marketing a diamond and continuing to tell the story to consumers. We took that to Japan in the 1990s and got that number to about 90% much quicker than that, and that's partly because the engagement ceremony in Japan is very public. So if you get engaged to your fiancé and your family standing around, and then a year later, your brother gets engaged, he feels obliged to get a bigger engagement ring. And so that was quite helpful for us. So we managed to get that market to about 90% by the late 1990s. And then we moved to China, which is obviously the market with the biggest potential and the biggest growth potential for us. Again, there was no culture of diamond engagement rings in China. In fact, it's a wedding gift, not an engagement gift. But in the tier one, two and three cities today, more than 50% of couples getting engaged at the marriage ceremony get a diamond ring where a diamond is the principal piece. So it's a brilliant story as what you can do with marketing, driving demand, telling the story to people and trying to meet with their aspirations as we go along. In the natural diamond world, about 50% of all demand is in America. The next biggest market is China which has been a bit lower this year for obvious reasons but would be about 14 to 15%. And the next big market is India. You can see therefore why we're so positive about this because the demographics are different and the buying patterns are different. So in America, we have some data that would suggest that once somebody has purchased one diamond and they buy another one, when they get to two, they will end up buying about six in their life, which is fantastic for us. In China and India, it's more about middle-class aspirations. As people grow into the middle class, as they come into the cities, as they purchase homes, have their televisions and these kinds of things, it's a very, very important symbol for them. So we've got quite a nice balance, we think, about a very mature market in America and huge opportunities in the emerging markets around the world. So I think if you look at demand, as long as we continue to do the marketing as well as we do, and lots of others do that, with the supply analysis that I spoke about earlier, we're confident about the future there. Industrial diamonds is a completely different thing. Mines do produce, as a byproduct of mining, industrial diamonds as well as gem-quality diamonds. But actually, people have been able to manufacture industrial diamonds which are called synthetic diamonds, have been able to manufacture them for years and years and years and are used for industrial purposes. We have a very smart business we call Element Six, the sixth element being carbon, that works in industrial diamonds and carbide in all kinds of applications. Now, diamond is the hardest product known to man and it is a fantastic conductor of heat. So it has all kinds of applications that you can use it for. In the more traditional industrial business, we make drill bits that go into oil and gas drills. We make the cutting tools that are used to cut, for example, the fuselage of large aeroplanes. We make mining and road tools because of the hardness of diamonds. So there's an established industrial business there. There are two ways of making industrial diamonds and the newer way. There are all kinds of other fantastic potential applications here. So this is, of course, CVD diamond, but this you can use in given its conductivity properties in all kinds of optical work, in all kinds of medical work, in some defense kind of work, etc. So there’s a whole suite of possibilities there as well for us. That's in a different division of De Beers that's run by people to understand industrial diamonds and industrial businesses. But it's a little bit of a neat place for us to be because that will play into growing demand and technology. And we're a big technology-focused business so there's a lot of cross pollination between the technology folks on that side of the business and on the natural side of the business.

Simon Brewer

Let's stay with the brand and the power of marketing. You talked about that slogan. I actually read that in 2000, Advertising Age named 'A Diamond Is Forever' as the best advertising slogan of the 20th century, and probably inspired ‘Diamonds Are Forever’ as the novel.

Bruce Cleaver

It did in fact. I mean, there are various people who give these accolades out. Certainly, I've seen that Advertising Age one. I've seen another magazine that suggested that 'A Diamond Is Forever' and 'Just Do It' from Nike are the two most successful advertising slogans of the 20th century. And in fact, it did inspire the title of ‘Diamonds Are Forever’. And in fact, the Fleming family paid us a royalty to use that. So it's a great story and just yet another area of where De Beers and diamonds have touched the whole world.

Simon Brewer

Well, I didn't know that. We, of course, were lucky to have Etienne Bizot, who is the Chief Executive of Bollinger on an interview a few weeks ago, and of course, their association with James Bond has been fantastic and all of us hopeless Bond fanatics have loved replaying all those films. How do you think about the brand?

Bruce Cleaver

You know, as I said earlier, as far as we're concerned, brands are increasingly important in our world, they are increasingly important to all consumers, because really, consumers regard brands in a sense as a shortcut to trust. So we have tremendous evidence that consumers in the diamond world will pay more for a brand than they will for a generic, and that's important. That's because they trust the brand. Now, that's because the brand does something unique for them. Either there's something in the story of sustainability that I told you or the designs are better or the designs are unique or the work that the company does and the values that it aspires to are the same as theirs. And interestingly, we find that generation Z and millennials are the biggest two cohorts of buyers of diamonds, but they are starting to ask questions about sustainability. So as we build the brand in our retail businesses, we think very hard about what we think is a unique opportunity. We're the only brand with a connection to the source. All the other brands buy from us or from some of our customers. So if we can tell the story of the diamond from its source to its ultimate end user and all the good it's done along the way, it's a tremendous opportunity for us. So when we think about that and when we ask people what they think about De Beers the brand, they recognize it, they think it's very powerful. They trust it. They do think it's a heritage brand, which I think is both good and bad because we've been around 135 years. So we've got to work with all of that as we try and build this brand out. A lot of the sustainability work we do, for example, is around what we call protecting the natural world. So we have an amazing project going on with National Geographic, where together, we are doing a significant amount of work in Angola to try and protect the source waters of the Okavango Delta. If anyone has ever been to the Okavango Delta in northern Botswana, it's perhaps the greatest wilderness on Earth, and it won't be there forever unless water practices, water management, farming practices and so on in Angola are changed so that the water can be protected. So we've got a really fabulous project with National Geographic, which incidentally, is the single most recognised brand on social media, which is extraordinary, to work with people in Angola, to work with local communities, to work with farming communities, to educate them to be able to have jobs that are sustainable outside of agrarian farming so that those protected headwaters can continue to be protected. Now, that's the kind of story that we can tell that no one else can tell, and that is very powerful with consumers, apart from the fact that it's just a great thing for us to be involved thinking about what the staff think of it. It's a really meaningful thing for consumers. So when we think about the brand, as I say, we think more and more about how do we connect consumers to all this amazing work we do around communities and diversity and inclusion and the environment and so on. But building a brand is not a simple exercise as I've listened to some of your other guests. These are long-term commitments you've got to make. You've got to invest through the cycle, you've got to be smart about it, you've got to market in different ways. In China, there's no such thing as print media. It's all WeChat and so on. Whereas in America, print media is still quite something. Television advertising in America continues to be important, whereas in China, nobody watches television. They watch their phone as they travel. So you've also got to be very smart about how you do it. We've got to work with influencers. We have a great influencer, probably our first great celebrity influencer this year. Last year, we signed up with Lupita Nyong'o to help us market diamonds and to talk about the source of diamonds at the same time as Wakanda Forever came out, which I'm sure was the best-selling movie last year. And so we've got to work with people like that who consumers resonate with. Influencers are really important in our world, not only in our world, and you've got to get to work with people who trust you, who you trust, but also who consumers trust. So it's kind of a multi-faceted way you go about it. You do need to be flexible because the world changes so quickly, and you do need to be really in touch with the younger communities.

Simon Brewer

So we've got constrained supply, we've got strong demand. Economics 101 means rising prices. But as George Soros the great investor reminded us, discount the obvious and expect the unexpected. Now, back in 2018, you launched Lightbox, the synthetic diamond. I have heard it said you quoted one of the scariest things you've ever done. Talk us through the synthetic diamond story.

Bruce Cleaver

I should say there are of course other competitors to the diamond industry. Luxury travel is probably the biggest one. I'll come to synthetic in a minute. And so-called soft luxury, which is more travel against hard luxury has been a fluctuating thing. 2021 and '22 were fantastically good years for the diamond industry. And for De Beers, there was probably less luxury travel around in those two years because of the COVID hangover. '23 has been a reasonable year, but not as easy as '22 and '21. So there are lots of other competitors out there. And George Soros, of course, you might argue is 100% right. I worry about the competitors I know about and also the competitors I don't know about. So I think anyone who's complacent in any business, let alone our business, is likely in for a shock. So the synthetic diamond question is a fascinating one. People have been able to make gem-quality synthetics for years. It's not a new thing. And up until about 2016, the biggest risk to the natural diamond business was unscrupulous people making synthetic diamonds and slipping them into the natural diamond pipeline undisclosed, in other words, not telling people what they were. That has very significant risk for a consumer because if a consumer has paid a natural diamond price and it turns out what they bought was a synthetic, you could turn the consumer and all consumers completely off the category. So prior to 2015, we had done a lot of work. And of course, it's helpful that we have an industrial business because we understand how to make industrial diamonds for gems purposes and for industrial purposes. And we spent a lot of time and money building synthetic detection machines. We have basically rolled out machines around the world all bespoke to De Beers that can detect with effectively 100% accuracy a synthetic from a natural in no time at all. And some of these machines are extraordinary. There was a fear in 2014 about very small melee. Now, these are very, very small diamonds that might go around a principal piece or go around a luxury watch that were synthetic. Here I'm talking about diamonds that are so small if I put them on this page in front of me and I blew on them, they would disappear. They're so small. We built a machine that could test something like 25,000 of those in a day without getting one wrong and that luxury brands and particularly the watches wanted to know. So we have been in this business for a long time. We always thought that day would come when people would start to sell synthetic or lab-grown diamonds as a competitor to the natural. And of course, there's no problem with that as long as they disclose them. We have no issue with it at all. In about 2015 or so, about the third time that people had tried this, it became clear to us that the production end of this was getting good enough that people could make quality laboratory-grown diamonds on a sustainable basis and that they would start to sell them. And then what happened is some of them, not all of them, started to sell them as a direct competitor to the natural and tried to price them off the natural and would say, for example, it's exactly the same as a natural and I'm going to sell it to you for 20% less. If that is sustained, that's a real risk to the natural diamond business. Now, they're not exactly the same and the reason I told you that story about our detection machinery is we can detect them in under a second as to whether they're the same or not. They have the same chemical properties, but not quite. They're made in a machine they made in three weeks, they couldn't possibly have the value of a unique, real, rare diamond made a billion years ago. Each one is different and no more are being made. Whereas in the synthetic end, you can make as many as you like. You just put them in the reactor and tell the reactor what to do. We also did what we did with Lightbox, Simon, based on research. We went out and asked our consumers, would you like for an engagement, for example, to get a natural diamond, all these things I've told you about them, made by the miracle of nature over these years which will keep its value or something that was made in a machine last week? And the answer was obvious, they liked the natural. But it became clear to us that there were some businesses selling synthetics the same as the natural and it was causing, I should say it's still causing confusion in consumers' minds. So we launched a business in 2018 called Lightbox, and the name is deliberate. It's laboratory-grown diamonds. They're light, they're fine, they come in a box, they don't come out of the ground, where we sold those diamonds at what we think is appropriate fashion prices because consumers told us in this research they would regard laboratory-grown diamonds, especially not as luxury. And one of them I remember said to us, 'I'll go swimming in the sea in my lab-grown earrings because if I lose them, I'll just buy two more. I'd never do that with my natural earrings.' So we launched Lightbox, and the principal purpose of Lightbox is to show consumers that you can buy quality fashion, but not luxury, lab-grown diamonds, at fashion prices for $400 a half a carat, $800 a carat, and the pricing is linear because it takes you twice as long to make them. Whereas in the natural world, a one-carat diamond will cost 10 times what a half-carat diamond does because it's 10 times rarer. It's a legitimate business. We make a profit in this business and we don't run any businesses not to make a profit. But it has been very successful in educating consumers as to what a laboratory-grown diamond is, and some of the stats are quite interesting. At wholesale, at least, the average lab-grown diamond now is selling for about 90% below the cost of a natural and when we launched Lightbox, that number was closer to 20%. There's more work to do in the retail space where prices in some areas are still holding up. But I think with the increase in supply, and there's lots more lab-grown supply now. And back to your supply-demand question, the more supply as prices start to fall, the more you would expect lab-grown prices to continue to fall towards fashion prices. I heard one of your guests from Bremont the other day and making this point. When Apple Watch or when digital watches came out, they had no impact really on the luxury watch market because they're not the same thing, and that is our central hypothesis on the difference between lab-grown and natural. I think the evidence would suggest so far, we've been right. There is still work to be done here but I think the trends are with increasing supply and increasing quality of these lab-grown diamonds being made at less and less prices that those prices will continue to fall and they will settle into two perfectly legitimate markets, a fashion market and a luxury market. I'll give you a couple of examples on that. Fifty years ago, people treated and made synthetic emeralds, sapphires and rubies and they sold for roughly the same price as the natural because there was no way of differentiating them. Today, they sell for 90% below the cost of the natural emerald, ruby and sapphire, and consumers don't regard them as the same thing. They regard them as fashion as opposed to luxury, and that I think is where lab-grown will get to. When I say it's the scariest thing I ever did, I genuinely mean it because as De Beers entering into a market that's never been into before, if we launch too soon, do we legitimize a category that might not have had traction? If we launch too late, are we irrelevant? I think the evidence would say we probably launched at roughly the right time. But I would confess to a few sleepless nights before we launched it.

Simon Brewer

You touched on earlier on andI just want to come back to the whole environmental and ESG issues. We had an exchange with Charles Stanley who ran your American business and he's a friend of the show and a friend of Will

Campion. He said that it would be really helpful, and we've had this conversation with Evy Hambro who runs the BlackRock gold mining fund, for us to just talk about how diamonds are more of a benefit than they are a curse because people think about dirty machinery and impoverished communities. You've hinted at it, but just give us some data.

Bruce Cleaver

So here's one of the great benefits of being part of a group like Anglo American is that we have a very large organisation behind us who we are working with in this space. We undeniably dig a hole in the ground when we mine diamonds so we can't pretend we don't. We have to do a whole lot more than that in terms of benefit for the communities, not just the environment, but the communities and so on in order to earn our place at the table. We have a very ambitious project at De Beers to be carbon neutral by 2030, and I'm sure we'll get there partly benefiting from Anglo American's really strong push into running mines off renewables. Now, Anglo American has already built the world's first hydrogen fuel cell mining truck. And these are, Simon, not trivial trucks. These are 360-ton trucks that run off diesel now and could never run off electricity because the power requirements are too high. Anglo American is leading the world in this and we will benefit from having our fleets run off hydrogen fuel by 2030. And of course, the places we mine, mostly in Africa, there's lots of sun you can create green energy. So that's one part of the equation. Diamond mining is not particularly invasive. They're not particularly deep mines and so on. So that's one thing that's helpful. But we think about this in all kinds of areas. Every single mine we have is surrounded by a nature reserve and we have a policy that for every one hectare of land we disturb when we mine, we have at least five hectares of undisturbed, pristine land around us. Just to tell you one great story, at Venetia mine, our flagship mine in South Africa, we have a game reserve around it and you'd expect diamonds to be safe and the security is very good and the animals are safe. In fact, they're so safe that the elephant population has got so big that it's too big for the reserve. And over the last few years, we've been involved in a fabulous project we call 'Moving Giants' to move 200 elephants across 1800 kilometers to a reserve in Mozambique that has no elephants, stock the reserve, train the rangers, train them in anti-poaching, etc., and we've been doing this, and the first calves have been born from these elephants that we relocated. So we try and do those kinds of things as well. That's, again, good for us and good for the consumer. And then there lots of other things that we do. Another great story is we operate along the west coast of Namibia in another joint venture there. And it turns out that kelp captures carbon something like 50 times more effectively than trees. And we are involved and have invested in a startup there that is growing kelp under the sea and the initial results are very, very positive. So not only does this kelp operate as a carbon sink, you can also use the kelp to stimulate local employment because arts and crafts can get made using the kelp that comes to the surface. So we try and think as innovatively as we can around not just doing the obvious in extracting carbon out of our business. And of course, we are very focused on that. So all these stories I tell you are really around protecting the natural world. The story about the Okavango is obviously a story that's important to the world. If we can keep protecting areas like that, I think we've more than done our job in return for the holes that we dig in the ground, which are, as I say, in Diamond terms, not particularly large.

Simon Brewer

Well, I was at the Skeleton Coast last summer in Namibia and swam in that very cold water and there was a lot of kelp around. I can testify to that. I’d like just to go up to Anglo, and I must confess, I've been a personal shareholder of Anglo American for over a decade so I'm intrigued with the business. But what kind of parent are they?

Bruce Cleaver

I'm often asked that question. People forget that Anglo American has been the biggest shareholder in De Beers since 1928. Even though the Oppenheimer family managed De Beers for all the years past that, Anglo was the biggest single shareholder. So when Anglo bought the Oppenheimer stake in 2011 and became the controlling shareholder, it wasn't as if they were acquiring a business they didn't know. And I was lucky enough to work with Cynthia Carroll and with Mark Cutifani, and more recently, with Duncan Wanblad. Anglo has been and remains a very supportive shareholder. Anytime I've had to make an economic decision about things like spending more money on marketing because the market is a little bit down or purchasing more goods to help our producer countries, I've never had anything other than support from Anglo American. So I think they totally get the De Beers strategy and support it. You've heard them talk quite a lot about the need to turn Anglo into more of a consumer-facing business and material solutions-type business. And the fact that De Beers does quite a lot of this, we can learn from each other. So we get a lot of technical help out of Anglo. I told you those stories about the carbon-neutral tracks, and we work with them as well on some of the ESG stuff I've spoken about, marketing, etc. So I can seriously say that in all my time here, I've not had one moment when my strategy has not been supported by Anglo American.

Simon Brewer

So I'm going to ask you a geopolitical question, not an easy one. It came actually from someone who I used to work with, a brilliant South African fund manager and thinker. He said, what contingencies are you making for a China-West conflict which results in trade embargoes with China?

Bruce Cleaver

That is a question we think about. That would clearly not be good for us and it would not be good for anyone, I would say. China is and will hopefully always be a particularly big market for us. So the first thing to say is that would be a very bad outcome for us. We are capable of developing markets in emerging markets elsewhere. Places like Indonesia I haven't even touched on are potentially enormous places to grow. And I would not want you to think this is a strategy of ours. But if there are more sanctions on Russian diamonds in America, it may be we have to divert more diamonds to America if we can't sell them into China. That might end up not being a bad outcome. That's not our preferred strategy, to be clear, but I think there are options for us should this happen. I can't pretend it's going to be easy, though, if that happens.

Simon Brewer

I'm going to ask you some general closing questions. You may not be able to answer all of them quickly but so we'll put you on the spot. What's the most valuable diamond ever purchased?

Bruce Cleaver

We sold a 15-carat vivid blue last year for $57 million. That's the second-highest price ever paid per carat for a diamond ever sold. So you've got to kind of look at this as per carat in and around. Diamonds being sold for that number are very unusual. That's very, very close to the top end of any price ever paid for a diamond.

Simon Brewer

So when we looked at this, and you hinted at it, this notion of preservation of capital, particularly in an inflationary world, it's easy with gold, it's fungible, it's verifiable, it can be stored easily. You've got this absolute opposite lack of homogeneity in the diamond market and yet you've got these synthetic detection machines. Now, when I looked at some data, and I think this data maybe needs to be treated with a pinch of salt, from 1960 to 2018, diamond prices appear to have gone up over fit 15% per annum. Now, I'm always wary of that data. But with the ability to sort fake synthetic from the real, how might people think about using diamonds as a store of value in a more institutional way?

Bruce Cleaver

I'm glad you took that data with a pinch of salt. Oftentimes, it depends on the exact starting point you take when you get this data. Our data would suggest that in that period, diamond prices have grown on average by more than inflation, that's for sure, but I wouldn't say quite as much as that. And this question of diamonds as an investment class is an intriguing one, and certainly at the high end. So that $60 million diamond I told you about, people buy diamonds, individual diamonds like that unquestionably as a financial asset. And so at the higher end, call that $1 million, $5 million above per diamond, unquestionably, people are buying them as a financial store of value. Although people regard the purchases of lesser values that is financially important and that they will keep their value, they're not buying them for now as an investment class. Lots of people have come to talk to us about this and we've looked at it often and haven't been able to make this work yet. I do wonder if technology will change the game and allow us to do this. But there are two issues, and you've touched on one. The principle one is no two diamonds are alike. So in our portfolio, we have 16,000 different price points for our diamonds because each diamond has a different cut, colour, clarity, and caratage. There are categories of diamonds from D colour to let's call it M colour and in various different categories of clarity. So there is no price that is available to anybody instantaneously for diamonds and it's not really possible to do that because you're going to actually have to look at these diamonds individually in order to price them. So it's not like a gold ETF or a platinum ETF where you can just look on a ticker and see a price that people will make and know that's the price. So the first issue to overcome is how are you going to find a credible person to value what could at some point, if this takes off, be a significant number of diamonds at any point in time. I don't think that's possible without technology. It's certainly not a place that we would like to spend most of our time. I mean, we could do it, but I'm not sure we can do it in real time and I'm not sure it'd be the best use of our time. So that's been one of the biggest challenges is how do you get proper valuations. And then of course, it's got to be, Simon, a valuation that people trust. People obviously trust the valuation of gold. They can just look it up on their phone. A secondary issue, but I think this will be solved if the primary issue is solved is who's going to make a market for them. So lots of people have come to us and said, well, why don't we be the market maker? And we say, well, we're really into primary diamond production and we spend a great deal of money in exploring foreign mining for diamonds and I don't think that's the place we would like to apply our capital. So assuming those two problems can be solved, and I think the first one is a bigger problem than the second one, I do think it's quite possible to do this because I think for the reasons we've discussed, there should be little doubt that these values should appreciate over time. It's not a trivial exercise for the reason I mentioned but it is an intriguing one.

Simon Brewer

Switching tack, De Beers and Anglo, we have lots of young people who listen to our show thinking about financial services. What would you say to young people thinking about going into your industry?

Bruce Cleaver

I don't think there's another business in the world where the product that you mine is with someone for every single moment of their lives. I think any other industry would die to be in that position. It doesn't follow for fashion, it certainly doesn't follow for apparel in retail. And so I would say the combination of that, the combination with how fast the world is evolving, the combination of the work we do on the future in this business, with technology, with things like blockchain, etc., this is not a traditional mining business. This is a consumer-facing business, mining and selling an absolutely unique product where we have the ability given our market share to shape a future. I think very few businesses could say that.

Simon Brewer

Two final questions. I have read and I have seen that you travel and you have been traveling, some might say insanely. You're on the road a huge amount. There are lots of people listening who are executives around the world in various who do that, some more willingly than others. How did you get through that? How did you manage?

Bruce Cleaver

These global jobs are not simple. I was on the road three weeks in four, probably long haul at least two weeks in four. And I guess each of us has to handle this differently. In my case, I've been careful about ensuring I keep exercising and ensuring that I eat appropriately and so on. I don't think there's a magic solution. I think everybody's going to find what they do. Like everybody, I try and get on the time zone I'm going to before I leave, I try very hard not to eat on airplanes and rather eat on the ground. I think that's got to be better for you. But I don't think anybody who has these jobs who travels as much finds them easy. I think you’ve just got to find your own way of managing it.

Simon Brewer

I'm told that you read voraciously so I need from you, I haven't been told that you drink voraciously, but I would like your book or book recommendations. And also, if you're not on a plane and you're going to open a bottle of wine, what's the bottle of wine you want to drink and where's it from?

Bruce Cleaver

On the book, actually right now, I'm reading a great book by one of your prior guests, Simon Sebag Montefiore, his unbelievable biography of Jerusalem. I was lucky enough to be in Jerusalem three weeks ago and his book is just extraordinary. It's not a book you finish overnight, Simon. But it's just an incredible story of an incredible city, so that's really fascinating. For me, I guess, given that I come from South Africa, I'll need to default to South African wine. In the Anglo American portfolio, we are privileged to own one of the great wineries of South Africa, which is Vergelegen, which is a wine farm that does more for sustainability, I would say, than any other wine farm I know of, and I'm luckily on the board of that so it would have to be a great bottle of Vergelegen red.

Simon Brewer

You probably said that so I can now practice my Afrikaans, and repeat for listeners. It's Vergelegen. Finally, because we do love advice from people who have had fascinating journeys, the question is named after that book, if you could tell us just one thing.

Bruce Cleaver

Trust yourself. You are always more capable than you think. Do not let other people put you off. Go after what you want to do and do it. You're perfectly capable of doing it.

Simon Brewer

Wow, fantastic. Well, on that note, we are going to close. I always sum up. I've written quite a few things down here. I didn't know National Geographic was the most recognized social media brand, so there you go. But I'm really intrigued and I think listeners will be really intrigued because, not to mix metaphors but the diamond world is an opaque one and I think you have definitely illuminated us, everything from these synthetic-detection machines that can do it instantly and with absolute reliability to the fact that yours is perhaps the only brand in the world with connection right to the source. So it's been incredibly interesting, educational, enlightening. Thank you so much for being here today and I think listeners will love listening to the story.

Bruce Cleaver

Thanks, Simon. It's been great being with you and I look forward to catching up with you soon.

Simon Brewer

Fantastic.

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