

**Check against delivery**

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**Mining Indaba 2011  
Cynthia Carroll**

**Partnership for Success**

Good morning Ladies and Gentlemen. It is a great pleasure to be with you at this year's Mining Indaba. I'd like to thank Minister Shabangu for her welcome remarks, as well as her very positive announcement yesterday. Thank you also to Professor Ferguson for his extremely interesting speech, which had thought-provoking insights for all of us.

My theme this morning is partnership. I would like to share with you Anglo American's belief in the crucial importance of partnership between all stakeholders in the mining sector – a belief reflected in our ambition to be The Partner of Choice. I am extremely optimistic about the future of our industry. After the severe distress of the financial crisis and a painful recession, the global economy has rebounded, thanks to particularly strong growth in the emerging economies. Even in the turbulent markets of 2010, China delivered GDP growth of 10.3%. And the IMF's latest forecasts for the years ahead suggest continued recovery in the mature economies and further robust growth in emerging markets, ranging from 9.5% in China to 8% in India to around 5% in Brazil.

Yes there are short-term risks, as governments seek to navigate safely between the opposing forces of inflation and stagnation. And, for nations like South Africa, there are concerns about the impact of global capital flows on exchange rates. This will pose challenges for policymakers in many commodity-producing countries.

But we should not lose sight of the longer-term trends. Over the next 20 years, we will see the continuing economic transformation of China and India, as well as many countries in Latin American and Africa. As their living standards converge with those in the developed economies, it will dramatically change the structure of the world economy and will inevitably support strong demand for commodities. A noted economist in China, in David Li, consistently predicts that commodity demand there will peak only beyond 2030.

In this room, we all know that mining is the lifeblood of the 21st century economy. A strongly positive outlook for the global economy therefore translates directly into an enormously exciting future for our industry.

And there is nowhere with a more exciting future than Africa. This continent holds 30% of the world's mineral resources, has a population of one billion, and is forecast to deliver steady GDP growth – in fact, Standard Chartered have recently revised their estimates of GDP growth from 5% per year up to 7%, right through to 2030.

When seeking to make this exciting future a reality, a key question for emerging economies rich in mineral resources is how best to harness those resources for the benefit of their people. How do we ensure that mineral wealth remains the blessing that nature endowed, rather than becoming the curse that people fear?



The answer lies in partnership between all stakeholders: government, business, trade unions, suppliers and, above all, local communities.

And partnership is a philosophy to which Anglo American is wholeheartedly committed. True partnership based on honesty, trust and transparency.

In deciding how best to build true partnership in our sector, the crucial starting point for all partners is to acknowledge the long-term nature of the mining industry. The investment decisions we make today will build the mines that will serve not just our children, but also their children and their children's children.

Long-term businesses call for long-term thinking, both from mining companies themselves and from the governments and other stakeholders that seek to attract mining investment. We must not squander the gift of nature through the pursuit of illusory short-term gain at the expense of enduring long-term benefit.

And as in any partnership, in the mining sector each partner has a unique role to play.

I would like to illustrate this by focusing on the role of government, which is so critical. The first and most fundamental role of government is to ensure the rule of law. A strong regulatory framework that is clear, that is fairly applied to all parties and that is upheld by a strong, independent judiciary is vital. Integrity and transparency are the cornerstones of sound government and sound business. Wherever corruption is allowed to flourish, the economy and civil society as a whole will ultimately wither.

This is a lesson that has been learned time and time again across the world. It is being learned again, painfully, even as we speak, elsewhere on the African continent. We can all agree that it would be a tragedy if the lesson ever needed to be learned here in South Africa.

The rule of law goes hand in hand with the protection of individual liberty and the protection of property rights.

For individual citizens, the freedom to express their views and to live their lives in peace, free from the threat of conflict and crime.

For both individuals and companies, the knowledge that their property rights will be respected and protected. In mining, lead times are long and companies need to be able to plan with confidence twenty, thirty, even fifty years ahead. And the amounts involved are significant, with investments requiring billions of dollars. Mining companies simply will not invest if they cannot be assured that the assets they create will be secure. In ignoring this truth, the false prophets who argue for nationalisation are advocating the road to ruin – a path we must not follow.

If the fundamentals of the rule of law are in place, the other key building block is economic policy. Governments who promote enterprise and who follow fiscal policies that are stable over time create an environment that fosters growth. It is critical that taxation and royalty regimes enable mining companies to earn a fair return on their investment and are not subject to arbitrary and unpredictable change. Across the world, it is also important that governments resist the temptation to retreat into protectionism in difficult times. The experience of the past shows that onerous restrictions on the free movement of goods and capital – for example, barriers to



imports and exports or restrictions on foreign investment – ultimately damage economies by reducing competitiveness and hampering growth.

With the right legal and economic foundations in place, it remains critical for governments to take steps to ensure that their nations have the capacity to generate and benefit from growth:

- a health system to ensure that the benefits of modern healthcare are available to everyone in the population and that the scourge of disease is banished;
- an educational system that enables people to develop the skills vital to modern life and business, from the fundamentals of primary education to the university-level skills critical to innovation;
- a sound system of government, not just nationally, but also at regional and local level, to ensure efficient administration;
- and finally, and crucially for the mining sector, adequate physical infrastructure in terms of energy, water supply, railroads and ports, to enable efficient production and distribution.

The responsibilities of government are heavy indeed. Some of them are duties that only government can carry out. But others are responsibilities that can and should be shared. In emerging economies, business has a responsibility to work in partnership with government to help to build the future.

Let me illustrate my theme of partnership by talking about the role Anglo American plays, and is committed to play in the future, here in South Africa. We are a global organisation, but South Africa is the country of our birth and the home of the largest part of our operation. The approach we take here is mirrored across our global business.

The priorities for South Africa's economic development were set out very clearly by the Government in November in The New Growth Path Framework. At Anglo American, we will stand shoulder to shoulder with government in supporting the drive for growth, job creation, equity and poverty alleviation.

As with any business, the contribution we make towards these imperatives starts, of course, with the role we play in generating economic activity. Anglo American's businesses generate between 2 to 2.5% of South Africa's GDP.

110,000 employees and contractors are directly engaged in our businesses in South Africa, making us the largest private sector employer in the country. And the multiplier effect from the jobs that are indirectly created is massive.

In 2009 the Anglo American Group paid over R 10 billion in direct and indirect taxes in South Africa, making us the largest tax payer in the mining industry.

But these benefits flowing directly from doing business are just the start of the contribution we make and the responsibility that we eagerly embrace.

It is a fundamental moral value for us as a company, and for me personally, that we make a leading contribution to the improvement of safety in our industry. Every



fatality is a tragedy; every injury a cause for regret and I will not rest until we have achieved our goal of zero harm.

We have a long road still ahead of us, but I am encouraged by the progress we are making – a reduction of more than 70% in fatalities since 2007 and a more than 20 per cent reduction in our lost-time injury frequency rate in the last year alone.

And this progress has itself been achieved through true partnership. The Anglo American Tripartite Safety Initiative, launched in 2008 in South Africa, a ground-breaking approach bringing us together with our partners in government and the trade unions, has made a major contribution, not only to safety in our own company, but also by leading the drive for safety in our industry as a whole.

The Tripartite Initiative is now extending its reach into the crucial field of health, in which Anglo American has been very active for many years.

Started here in South Africa, our world-leading HIV/AIDS programme, which provides free testing and treatment for all our employees and their dependants, was recognised in 2009 by the Global Business Coalition on HIV/AIDS, TB and Malaria as the best workplace programme in the world.

In addition, we support wider health programmes through our businesses and through our funds, as part of our total social investment in South Africa of more than 500 million rand a year, making us the leader in corporate social investment in the country.

And we are building on these vital initiatives with the commitment I announced at the G20 Summit in Seoul in November of last year – a commitment of \$3 million to support the critical work of the Global Fund on HIV/AIDS, TB and Malaria.

Our commitment to safety and health goes together with our commitment to environmental responsibility. This extends beyond ensuring that we minimise mining's footprint to generating positive environmental benefits from our operations. For example, the Witbank water recycling and treatment project provides safe drinking water for 80,000 people every day and is an outstanding example of co-operation between industry partners and local communities.

And in Limpopo, our Eastern Limb project is delivering fresh running water to almost two million people who were without this vital resource. In Southern Africa, we are partnering with others to look at groundbreaking opportunities to generate clean power such as solar for our operations and the surrounding communities.

We are re-doubling our efforts on environmental issues, focusing on new technologies to address the twin challenges of water scarcity and climate change – global priorities in relation to which South Africa will be the centre of world attention as we prepare for the COP 17 conference in Durban later this year.

Safety, health and the environment are key priorities for us, but they are not our only areas of focus.

To take education as an example, we have contributed 88 million rand to the development of mathematics and science teaching in South Africa. And in Limpopo we have been working since 2003 in partnership with the regional Education Department, contributing 54 million rand to the improvement of rural schools. Every



one of our South African businesses has an Adult Basic Education and Training Programme in place, with more than 5,700 employees, contractors and community members enrolled in programmes.

In addition, in the area of tradesmen, we have the largest population of trainees of any mining company in South Africa.

Beyond training and education as a means of creating capacity, we are also strongly committed to enterprise development. Anglo American Zimele was founded in 1989 in Johannesburg. Zimele is a Zulu word that means “to be independent”, “to stand on one’s own two feet” and Anglo American Zimele was founded with the objective of helping black South Africans to take their rightful place in the economy of a free South Africa.

Through four different funds, Zimele provides both funding and support to entrepreneurs through a holistic approach that I have not seen anywhere else in industry. The emphasis is on building profitable and commercially viable businesses. To date Zimele has invested 434 million rand in 840 businesses, which in total employ 14,400 people and generate an annual turnover of almost 900 million rand. We have committed that by 2015 we will have created 25,000 sustainable jobs. We are the only mining company to have a commitment in support of the Millennium Development Goals recognised by the Business Call to Action.

In a country in which creating sustainable employment and fostering entrepreneurship are key priorities, Zimele is quite simply a model that works. The recovery rate with loan repayments is some 90%. The cost of creating and sustaining a job via Zimele is less than one fourteenth of the average cost of creating a job in South Africa.

Through Zimele, South Africa is leading the world. We ourselves have used the Zimele model to develop successful programmes in Brazil and Chile, with new initiatives starting in Peru and Venezuela. And the International Finance Corporation has cited Zimele as representing best practice in enterprise development.

Our drive on procurement complements Zimele’s work. Our BEE procurement has grown from 1.1 billion rand in 2001 to more than 23.5 billion rand in 2009, representing close to 40% of our total available expenditure. And that is just the beginning.

If we are to maximise the benefit we can create, it is critical for us, just as it is for the nation as a whole, that the physical infrastructure challenges South Africa faces are successfully tackled.

At Anglo American, our business is mining. We are not an infrastructure company, and our investment priorities must reflect this when we look at where best we can utilise our capital to fulfil our customers’ and our shareholders’ needs.

However, as we have shown through our MOU with Eskom since 2007, we believe that there is a valuable role that we can play, not just as a major supplier and customer, but also through contributing our understanding of how to build partnerships with the private sector. This will be a key priority as South Africa embarks on the process of involving independent power producers in helping to address the nation’s energy challenges – a process in which flexible and innovative



solutions will be needed if we are to maximise efficiency and deliver value to the consumer, while also meeting the challenges of global climate change.

Likewise, our relationship with Transnet is critical as we work together to identify how the rail capacity and performance constraints on the growth of our iron ore and thermal coal businesses can best be addressed. The impact of these constraints is felt not just by Anglo American but also by the broader South African economy. Lastly, and most importantly, in South Africa, with its unique history, it is right that everything we do should be viewed through the lens of transformation.

We are proud of what we have achieved so far. The Anglo American of 2011 represents South Africa in a way that the Anglo American of the past could not. We embraced with enthusiasm the requirements of the original Mining Charter and we are doing exactly the same with the requirements of the revised Charter. Historically disadvantaged South Africans now make up almost half of our management team in South Africa and the momentum behind this vital change is unstoppable.

Women now make up 13% of our South African employees, and those in management have increased to 19%. An increasing number are in core mining jobs including 2,700 in our Platinum business.

We are spending more than two billion rand to construct over 20,000 family houses for our Platinum employees, to be completed by 2014.

Since 1994 we have concluded BEE transactions with a value of 60 billion rand, transforming the landscape of our industry by supporting the creation of major competitive companies. As a result, we have already achieved the Mining Charter 2014 target of 26% ownership by historically disadvantaged South Africans in all our operations.

But, for Anglo American, transformation has never been about compliance. Real transformation comes from the heart and is about building a company that truly reflects South Africa's future.

As the next step on this journey, I was delighted to announce yesterday a new and innovative multi-billion rand broad-based economic empowerment transaction.

Our objective is to promote long-term sustainable development in host communities and labour sending areas that are not already participating in our extensive BEE programme. We will do this through a truly ground-breaking initiative.

Qualifying communities around our Twickenham, Mogalakwena, Rustenburg and Amandelbult Platinum operations, together with our major labour sending areas, will derive long-term ownership benefits through the initiative, the final form of which will be determined after extensive community consultation.

Together with our previous BEE transactions and the commitments I have described today – our commitments to infrastructure development, to procurement, to enterprise development, to education and to safety, health and the environment, as well as to the creation of jobs in our own businesses, this new initiative demonstrates our enduring commitment to South Africa.



Anglo American believes in South Africa. Our commitment to South Africa stretches back 94 years and will reach far, far into the future, as witnessed by our South African project pipeline of over 100 billion rand.

Like any other developing nation, South Africa has many challenges. There is a mountain that cannot be climbed in a day. But I know in my heart that if we work together in partnership we can reach the summit.

As on any journey, there will be setbacks to overcome and unexpected new challenges that arise. But through strong partnership, whether around the world or here in South Africa, we will prevail, as long as we demonstrate:

- the humility to recognise that alone we do not have all the answers;
- the wisdom to listen to others and to welcome their contribution;
- And, above all, the confidence that together, in partnership, we can succeed in building the bright future that South Africa and her amazing people so richly deserve.

Thank you very much.