

UNIVERSITY OF BOTSWANA FOUNDATION GALA DINNER

9 SEPTEMBER 2016

THE BUILDING BLOCKS FOR THE NEXT 50 YEARS

Acknowledgements

- Dear xyz, and honourable guests, all protocols observed.
- I'm humbled to have been invited to share some of my thoughts during what is such a momentous year for Botswana.
- I would like to thank the Chancellor of the University, His Excellency Sir Ketumile Masire (*second President of Botswana*) for the invitation to speak and be with you tonight.
- I would like to acknowledge the Government of the Republic of Botswana, Debswana and the distinguished guests from business, academia and civil society for the ongoing trust they place in partnering with De Beers to responsibly develop Botswana's diamond resources.
- I would also like to thank Mr Satar Dada (*Chairman*) of the University of Botswana Foundation, its Trustees and the alumni and students in the audience today for the opportunity to share my thoughts with you. I passionately believe in the value of education as a foundation for personal development and one of society's key building blocks in tapping the full potential of its people.

Opening remarks

- After leaving school in 1976, I went straight into work as a trainee engineer at the Coal Cliff colliery in New South Wales. However, at the same time I enrolled in the

University of Wollongong to complete a part-time degree in Mining Engineering, graduating in 1982. My education helped me to build a career across six continents and 25 countries, working with more than 20 commodities. These foundations provided me the opportunity and the privilege to be appointed as the Chairman of De Beers and Chief Executive of Anglo American – the reason I am here today.

- In relation to our business - some of you might not be aware that Anglo American's association with diamonds, and with De Beers, goes back almost a century. Diamonds are part of Anglo American's DNA in the same way that they are for De Beers and for Botswana.
- And when speaking of standing the test of time, my mind always turns to Botswana's remarkable partnership with De Beers, which is undoubtedly one of the most successful and enduring Public Private Partnerships in recent world history, having celebrated its 45th anniversary in 2014.
- I firmly believe that the Partnership has endured because it has linked the success of one partner with the success of the other. What is good for Botswana is good for De Beers, and vice versa.
- To extend the analogy further, through Botswana's shareholding in De Beers, Anglo American, De Beers and Botswana are part of the same family. It is therefore within our collective self-interest to continue to invest in *our shared future*, with education and skills development a front-piece in this endeavour.
- Now, for those who recognise my Italian roots, let me quote Cicero, a contemporary of Julius Caesar, who famously opined on the subject of education in around 40BC: *"A mind without instruction can no more bear fruit than can a field, however fertile, without cultivation."*

Introduction

- Anglo American has its own major milestone next year – our centenary, and, as a company, we have been thinking deeply about what will constitute success for us in the future.
- In 21 days' time, Botswana will be celebrating 50 years since independence. Over this period, Botswana has been one of the fastest growing economies in the world,

with diamonds a key enabler in Botswana's remarkable growth. Diamonds will no doubt continue to be a springboard for future development and diversity in the Botswana economy.

- While what has been achieved since independence deserves global applaud, we should acknowledge that education has been a principal enabler in delivering Botswana's achievements since independence.
- I would like to acknowledge, in particular, the role the University of Botswana has played in recognising and developing leaders, past and present, and it will no doubt continue to play this critical role in the future.
- Building on success, Botswana is now looking forward through Vision 2036. Adapting, and embracing change will no doubt help to position Botswana for continued success in the future.
- I would like to share, if I may, some thoughts on three topics:
 - To consider Botswana's achievements of the last 50 years - and what will define success in the next 50 years;
 - To share some insights into how Anglo American and De Beers are reshaping the business to face the realities of our environment, and provide a few examples of how we are positioning ourselves to thrive over the next 50 years and beyond;
 - To acknowledge the role of education in the success of Botswana, and encourage the alumni and benefactors of the University of Botswana Foundation to continue their active support of education and skills development across all its manifestations in society.

Theme 1: Celebrating the achievements of the last 50 years and embracing the future

- When Botswana gained independence from Britain in 1966, it was one of the poorest countries in Africa with a gross domestic product (GDP) of around US\$70 per capita. A landlocked country and, at the time, arid, sparsely populated and heavily dependent

on foreign aid from Britain. National infrastructure was virtually non-existent, with no electricity generation capacity and only 12 kilometres of tarred roads.

- In 1966, there were approximately 40 university graduates and about 100 secondary school graduates in a population of almost 600,000.
- Putting this in contrast with today, Botswana is a mature democracy with free and fair elections and a poverty rate that has declined from 50% at independence, to less than 20% today. There are 7,000 km of paved roads; more than 300 secondary schools; 95% of the population live within 8 kilometres of a health facility; primary education is free and the enrolment rate has reached 90%. That's an impressive turnaround on any measure and something that all Botswana should be proud of.
- Supported by the discovery of diamonds, Botswana has been one of the fastest growing economies in the world. But importantly...Botswana has managed to avoid the worst effects of the resource curse by developing and managing its diamond resources with long-term development goals in mind.

Its intellectual capital...borne of inherent capability and nurtured and developed through education...is a key part of this success story:

- Botswana's education expenditure has been among the highest in the world, averaging 8% of GDP per annum over several decades and accounting for more than a quarter of total government spending. This includes the provision of nearly universal and free primary education. As the economy continues to diversify, the demand for quality education will continue to grow, supporting the creation of a virtuous learning and development cycle and economic growth.
- We must applaud the vision Sir Seretse Khama, the founding President of Botswana, who said: *"We must build a society in which all our citizens, irrespective of race, tribe or occupation, can fulfil themselves to the greatest possible extent, where we can live in peace and uphold the ideals enshrined in the Setswana concept Kagisano - unity, peace, harmony and a sense of community."*
- We must also commend His Excellency Sir Ketumile Masire, the second President of the Republic of Botswana and the current Chancellor of the University of Botswana (*for the second time*), who has been famously recorded as saying: *"When we asked for independence, people thought we were either very brave or very foolish."*

- And of course we must also acknowledge the generations of politicians from across the political spectrum, who have worked towards this vision.
- However, in positioning Botswana for success over the next 50 years, it is important to consider the realities of the changing environment:
 - How will Botswana adapt as it continues to grow and expand its economy?
 - How will it attract investment that is complementary to the needs of the country?
 - And what skills will be required by the youth of today to support the needs of the country so that tomorrow's success becomes a natural extension of what has been achieved since 1966?

Theme 2: Adapting to the realities of the environment

- Focusing on education, given why we are here today, I would like to share some of my own thoughts about how, as an institution, the University of Botswana is instrumental to achieving the developmental vision of Botswana.
- When thinking about how we – Anglo American and De Beers – are transforming our business, I am reminded of a famous Chinese proverb, which I will adapt slightly: “*If a diamond is not cut and polished, it can't be made into anything*”. In its original form this expression can easily be applied to our people – or the raw talent we seek to work with to create our new diamonds... ‘one cannot be useful without being trained or disciplined’ – exactly what Cicero said more than 2,000 years ago.
- Skills development and continued education are at the core of our approach to developing our workforce and supporting our local communities – just as education and targeted training will be fundamentally important in shaping an even more successful future for Botswana.
- We rely on a capable and engaged workforce, and we are investing in our future by training our people (*over US\$100 million on training in 2015 alone*). To foster a high performance culture, we are building an organisation with the best capability and empowering leadership to deliver lasting results at every level in the organisation.

- When I became Chief Executive of Anglo American in 2013, I began a process of reviewing the organisation and introducing a step change to how we approach and think about the essentials of mining. We call this the 'Operating Model'. Through a systematic approach to planning and implementing work at each asset, we are aiming to increase our productivity by at least 30%, and then deliver ongoing improvements of at least 5% a year. I am pleased to note that the Anglo American Group, including De Beers, has transformed its operational performance in recent years. Productivity across Anglo American has already improved by 38% since 2012. Our unit costs are more than one third lower than in 2012, and our volumes are up 12% over the same period.
- Also, in response to challenging commodity prices and economic upheaval in China, we have had to make some tough decisions on what we define as core or non-core to our future business. We conducted a comprehensive review of our asset portfolio, and as you will expect, diamonds remain absolutely core to our business, alongside copper and platinum. We have been disposing of the non-core assets to strengthen our balance sheet, in order to reinvest back into our core business. A good example of forward looking investment is Debswana's Cut 8 project at Jwaneng.
- Cut-8 is one of the biggest ever investments made by Debswana. When operational it will generate more than 1,000 direct jobs, and for each role, three more are supported elsewhere in the economy. Cut-8 will generate more than US\$28 billion for Botswana's economy and generate a further US\$3 billion in the supply chain and via employees. It is just one example of how we are investing in our future, and there are many others.
- There is also the question of vision, and how we ensure our **sustainability** and that of the environment and people we have contact with. I am in no doubt that as a Group of companies, as a mining industry, and even as business more widely, we need to deliver a step-change in terms of our level of trust and engagement with society.
- To remain competitive or to improve our position, the use of new technologies and applied innovation is considered to be critical to our future progress. Mining processes have been largely unchanged for many decades. Our operations may have increased in size, but the underlying technology remains the same or similar. Our mining world is changing far more rapidly than it has for decades – driven by a

10-year investment binge that fed off the remarkable developments in China. The industry has over-invested in resource developments and so cost competition is now our tough new reality. I believe that Anglo American is at the forefront of developing innovative technologies to support mining and associated processes to deliver step-changes in cost performance, and associated business sustainability.

- We call our innovation approach “FutureSmart™”. One such example of this work in De Beers is what we are doing to substantially reduce our water usage and environmental impact through the development of **dry tailings**.
- In addition to technology, an important part of our sustainability strategy will be the development of our EQ, as well as our IQ – an emotional understanding of what it means to share the space in which we operate. Innovation in the form of new partnerships is part of how we create a new framework for our businesses – being a partner in the success of local communities is about being a good corporate citizen. Clearly the partnership between De Beers and Botswana is a good example, but we also invite a wider partnership with civil society, including universities.
- These are just a few examples of areas in which Anglo American, and De Beers, are focusing our efforts as we plan for the future.

When contemplating how Botswana might plan for the future, here are two possible starting-points:

- First – looking 50 years into the future, the economy of Botswana will need to further diversify. While we all hope that diamond resources will last well into the future, we all know that it is prudent to avoid over-dependence on one finite natural resource.
- Second – I have no doubt that education needs to be one of the cornerstones of Botswana’s future success. When considering the *World Economic Forum’s Global Competitiveness Index (GCI)*, “higher education and training” is a key pillar of success within the countries which consistently feature at the top of these rankings.
 - For example, Singapore, which gained its independence at a similar time to Botswana, ranks top in the world for education and second in the overall GCI rankings for the fifth year in a row, with one of the most consistent performances of all economies. Singapore is in the top 10 in nine out of 12 pillars of development and has one of the most attractive and flexible labour

markets. Importantly, all these achievements are supported by outstanding higher education.

- It is a wider combination of skills, governance, innovation and the preparedness to reform that provides the foundation for sustainable growth. In the words of the World Bank: *“good quality institutions, diversified options, and relevant, equitable and efficient tertiary education and research are key to ending poverty and advancing economic growth”*.

So what might be some of the issues around education we need to address?

- I think the challenge for universities, such as this one, is to send out self-reliant graduates who realise that secure jobs-for-life, either in government or big business, are increasingly rare; that we live in an ever more challenging and fast-moving world and have to think ahead of the times, not just keep up with them.
- I understand unemployment is a concern, as it is everywhere to varying degrees. Worldwide we need a new inclusive approach to solving this problem, directed at nourishing entrepreneurship and the development of small and medium-sized enterprises.
- In Botswana, we are making a contribution by helping to introduce an enterprise development scheme, called ‘Tokafala’. It may be just a step on the way, but the important core idea behind Tokafala is that it is not a paternalistic charity, but an advisory service to entrepreneurs running small and medium-sized businesses. It reinforces the concept of self-reliance derived from possessing the necessary skills to succeed, which I believe is also at the core of this university’s ethos.

So what should education seek to achieve in practice?

- Good education needs to be inclusive – enabling greater sections of society to access education.
- It needs to be inspirational and aspirational – raising the quality of education and expectation, challenging our students to be independent and critical thinkers, and to enshrine the value of innovation and creativity, regardless of their chosen field of study.

- It needs to be practical – focusing on aligning skills and educational courses with labour market and industrial needs, so as to equip students to participate productively in the economy upon graduation, whether through formal employment or micro-enterprises.
- It needs to be meritocratic – the most capable students need to be placed in challenging and fulfilling roles post-graduation.
- None of us can afford to be complacent. I am chief executive of a company that has endured and evolved over almost 100 years. Like the partnership between De Beers and Government of Botswana, to grow and develop we must continue to invest in our future. We all recognise that past achievements do not automatically translate into future successes.

Theme 3: Rally the Leaders

- Many of Botswana's past and present leaders from commerce and industry, government and politics are alumni of the University of Botswana. I'm sure all will testify as to the value of higher education and the difference it has made in their lives.
- I encourage the University of Botswana and the Foundation and all of us present this evening, to continue to support education and skills development in Botswana and invest in our youth, because they are the future – the future of this great country and the future of the industries that will underpin its economy.
- All businesses, when making investment decisions, will look at the country in which they are considering an investment to assess whether they have the right people and the right skills to support their business to thrive. Continued investment in education makes Botswana an even more attractive investment destination. So, continue to promote Botswana as an investment destination - as was done so successfully in the United States in 2016.
- I would like to congratulate the University of Botswana Foundation in promoting opportunities for a broad range of students through its scholarships, and encourage the Foundation to keep up this good work.
 - *Since the Endowment Fund was established in 2000, more than 2,000 additional students have had access to the University via its charitable support.*

- I would also like to congratulate the Foundation in supporting the University in its role in pursuing Botswana's objective of building an educated and informed nation.
- And I'd just like to highlight a key point to remember when thinking about the value of giving time to the creation of the future Botswana. In my 40 years in mining, the most consistent feedback I receive from local communities is as follows – 10% of your personal time is worth 100 times more than the value of your equivalent financial contribution.
- Your experience and your ability to see and help us solve intractable problems provides us with something that money simply can't buy. It provides us with an expedited pathway to new performance opportunities that we simply couldn't see.
- When Alexander cut the Gordian knot he didn't do anything no else could do – he saw the problem very differently to those that had been looking and working at it for years.

Summary of the key points

- Botswana has been a shining light of success in the 50 years since independence, set upon the cornerstones of integrity & respect, good governance, and prudent management of resources, and enabled by educated leaders.
- Education will play an even bigger role in defining Botswana's success in the next 50 years.
- I encourage the University of Botswana and the Foundation and all of us present this evening, to continue to support education and skills development in Botswana.

Final words to remember

- In closing, I would like to leave you with some famous words by Kofi Annan, who recognised the importance of education as the catalyst for a better future: "*Knowledge is power. Information is liberating. Education is the premise of progress, in every society, in every family*".
- In my view he could have been reflecting on what he was seeing Botswana – you are leading the continent and the example you are setting could very well be used as the

model that will help Africa achieve its potential...as we all need each other if we are going to compete with the rest of the world.

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