

JOBURG INDABA 2020

**Keynote address by Mark Cutifani, Chief
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Wednesday, 7 October 2020

South Africa's decade of promise

Mining's role in helping South Africa build back better

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Acknowledgements

Thank you for that warm introduction, Bernard. Let me start by congratulating Paula, for gathering all of us over the next two days. The Joburg Indaba, now in its eighth year, is such an invaluable platform for promoting and celebrating South African mining.

It feels odd to be talking to you virtually. One of the things I enjoy the most about this Indaba usually, is the conversations we have – often over a cup of coffee or a glass of wine – at the Inanda Club. But I take comfort in the fact that we can gather online to share our views on how we can best move South Africa's mining industry forward.

Introductory comments

The past few months have been undoubtedly trying for all of us. No one could have imagined just how severe the effect of Covid-19 would be on almost every aspect of our lives and on economies.

The mining industry stands out in its continued response to the pandemic. We can all be proud of the enormous effort we've made as an industry to safeguard the lives and livelihoods of our people, and nowhere more so than in South Africa.

But we're not out of the woods yet. We know that the pandemic and its effects are going to be with us for a long time. In South Africa's case, the country has had to battle the longstanding challenges of poverty, inequality and unemployment, which have all been further exacerbated by the pandemic.

Outside of the unparalleled goodwill and collaboration that we've seen over the past while in South Africa, we have also seen other headlines that tell a different story about the "own goals" South Africa continues to score against itself.

It has become standard for us as the mining industry – and business more broadly – to make a case for urgent reforms for South Africa’s present, and future. Sometimes, it feels like we’re repeating the same script, over and over again, anxiously waiting for the change we desperately need.

But there is something about this moment that is different. We are at a crossroads. We can continue on this unsustainable path, or we can seize the day to turn the corner.

When it comes to South Africa, and its mining industry more particularly, I am ever the optimist. I am aware that there is much chatter at the moment on whether the past decade should be classified as South Africa’s “*wasted years*”.

And while the past ten years have been less than ideal, we need to set our eyes firmly on the future. This is why, today, I would like to talk about South Africa’s next decade of promise – how we can turn that into real delivery and how I see the mining industry helping to secure the future of this great nation – for the next decade and beyond – to help South Africa build and grow its way out of this crisis.

Our starting point – The importance of the “Long View”

As miners, we are used to thinking about the long term. Our way of doing business is built on sustaining ourselves not only for today, but tomorrow and for the long term.

I think we should apply the same thinking when it comes to the future of South Africa. Developing an appreciation for the “long view” might help us. If we look at the past ten years, we have had more missed opportunities than successes.

For instance:

- We have spent the past ten years desperately trying to navigate our way out of an uncertain and unworkable policy environment for mining – through much legal activity and debates;
- During this time:
 - i. **Mining production has been stuck in levels last seen in the early 2000s** due to logistical constraints, such as inadequate rail capacity and poor energy supply;
 - ii. **Large-scale investment in the South African mining sector has stagnated**, even though there are flashes of recovery; and
 - iii. **South Africa’s mining investment attractiveness has remained in the bottom half** of mining jurisdictions ranked globally

But not all was lost. We also have some encouraging green shoots, and these can serve as a catalyst for the next decade. Three things stand out for me in this regard:

- ✓ **In February this year, the Minister of Finance announced measures to facilitate cross-border financial transactions** to provide multinational companies in South Africa with increased flexibility to manage cash resources optimally. This development levels the playing field with other OECD nations and is a significant further positive step towards building South Africa's attractiveness as a globally competitive investment destination.

- ✓ Just two months ago, **Minister Mantashe withdrew the government's appeal on "the continuing consequences of previous empowerment transactions"** under the new Mining Charter. This is a major development and one which should fill us with optimism as an industry – or at least for those that can bring new capital and growth to the industry.

While there is still a lot that can be done to bring more regulatory certainty, this move paves the way to legal certainty over the current Mining Charter, which further strengthens our collective commitment to transformation as an industry.

- ✓ Over the past year, **Eskom and Transnet, the two most critical state-owned enterprises that are vital for our success as an industry**, have undergone **massive changes under new and committed leadership**. Getting our crucial infrastructure, in the form of reliable energy supply and adequate rail and port facilities, will take time, but the building blocks are being laid.

So, if we take a step back and discount the noise, we have more reason to believe in the future and success of the mining industry. I believe that the next decade is going to be crucial for the mining industry and South Africa. We have a unique opportunity to build a **modern, inclusive** and **equitable** mining industry: this is South African mining's great promise. And all of it can be achieved within the next ten years. But we cannot postpone it any longer. Together, we can **"build back better"**.

Which brings me to my first point: **we need to build a modern mining industry if we're going to succeed in the future**

Everywhere around us, industries such as mining are on the cusp of a significant change. Technology is fundamentally changing how we operate and must progress in tandem with the need for sustainable business models that create value for all stakeholders. At Anglo American, you will have heard me and others talk about our FutureSmart Mining™ programme, our innovation-led approach to sustainable mining. The lessons from this work have been invaluable.

Changing how we operate is more than just technology. It's about how we embed innovation and sustainable practices across our value chain. With technologies that are available today and others that we are developing, we can now imagine mines with smaller physical footprints, using more precise extraction techniques that enable us to mine only the most valuable ore. This will remove people from harm's way, reduce waste, use a fraction of the energy we use today, and draw almost no fresh water.

In a world of diminishing ore grades, constraints on water and energy, and the resulting increased costs, the changes are not just an opportunity, they are a necessity if mining is to be truly sustainable – in every sense. A FutureSmart™ mining industry is vital for a mineral-rich country like South Africa. There are countless examples of how this is already being done throughout our industry – from the introduction of remotely operated machinery, and in our case as Anglo American, we have a range of exciting projects, such as our current trial of bulk-ore sorting at Mogalakwena, which leverages new sensor technology in real-time to process a greater proportion of ore, and less waste rock.

So, it is simpler, less expensive and has a much smaller footprint than the current individual particle sorting technologies available. Progress in this space will be of huge value to us, especially in some of today's low-grade mining operations. It is clear that the nature of work is changing, the type of employment may change, and the relationship between mines, their host communities, and governments is likely to change. We must all be ready and repositioned for a future that embraces and manages this change responsibly. Together we must build our 'social licence to innovate'.

Simply put: if we do not accelerate the modernisation of our industry – so that it embraces new technology and skills – we will not have a competitive mining industry ten years from now.

South Africa also has one unique advantage over many other mining jurisdictions. This country is home to the largest PGMs deposits in the world. As the world's largest marketers of PGMs, Anglo American is investing in South Africa's "hydrogen economy", including through a joint investment with the PIC.

This will develop the market for PGMs by providing start-up capital to businesses that use PGM-based technologies in their products and processes. This substantial investment is geared to stimulate and sustain the demand for South Africa's PGMs in the long term, while preserving the mineral wealth of all South Africans.

Another project that signals our commitment to this area is our hydrogen truck, which is being developed in partnership with ENGIE. ENGIE is providing the hydrogen generation solutions, and Anglo American is developing the truck. This collaboration marks the first time a truck of this size and load capacity has been converted to run on hydrogen.

'First motion' of the hydrogen-powered truck is expected in 2021. This will be followed by a testing and validation programme at our Mogalakwena PGMs mine, here in South Africa, after which the trucks are expected to be deployed at our other operations. The haul truck use case is compelling from an economic, environmental and technical perspective. Using solar energy to produce the hydrogen – in other words "*green hydrogen*" – it will also allow us to more easily expand the use of hydrogen into other parts of our operations once established. Embracing these opportunities is critical for the industry in South Africa to continue to thrive and create job opportunities for many South Africans.

And this brings me to my second point: **South Africa's mining industry will have a prosperous future by being inclusive.**

In Anglo American's case, we've made great strides in ensuring that our company reflects the make-up of South African society, with all of its rich diversity. But we are not oblivious to the challenge that is in front of us, particularly as it relates to gender diversity. We are far from perfect and have a lot of work to do on this front. The reality is that no industry can survive, let alone thrive, if it only uses the talents of a portion of the population. It is hard to imagine that there was a time when women were explicitly prohibited from working in the mining industry by law¹.

We have come a long way since then, but we are nowhere near to where we need to be. Currently, women make up only 12% of the mining industry in South Africa.

In Anglo American's case, we have been able to achieve 22% representation of women in all roles.

¹ The *South African Minerals Act of 1991* legally prohibited women from working underground. However, there were no laws that prevented them from working in mines above ground, so a few women chose to do so.

The proportion of women at senior management levels across the company has increased from 15% in 2016 to 24% in 2019. Our target is to exceed 25% by the end of 2020 and aim to reach 33% by 2023. In fact, as of today, we are already up to 27%.

What has become clear to me, and many of my colleagues, is that this issue does not end with the lack of adequate representation. There are systemic issues at play that discourage many of our female colleagues from entering or staying in the mining industry, such as the prevailing gender biases that exist. Various initiatives are in process to address these outdated perspectives, and these are spurring all of us to look in the mirror and commit ourselves to urgent change.

This also includes our *Living with Dignity* programme where we are taking a stand against gender based violence both inside and outside our operations. Through this programme, we will work collaboratively with our partners in government and civil society to roll-out interventions to eliminate sexual and gender-based violence. We are under no illusions. The journey is going to be long and difficult. But it can be done, and it starts with us.

At Anglo American we are stepping up our efforts to walk the talk when it comes to gender equality. The new and evolving technologies that we are adopting are enabling greater participation by women in mining roles traditionally dominated by men. For example, “old school” exploration drilling typically involves a lot of manual labour. But through new technology and automation, there is no longer a need for this. We have been able to automate the handling of the drill rods, with the drills themselves, operated in an air-conditioned cabin – making the job a lot safer and more efficient for everyone.

One of our exploration drilling teams at Kumba is made up solely of women, making this the first-ever all-women drilling team on the African continent. In the words of one of my colleagues at Kumba, Mabusha Nyelisani – a young exploration geologist who is part of the all-women drilling team – “women are just as capable of taking space in the mining industry and leaving their mark. But they need to be supported fairly and adequately.”

A renewed focus on building equitable relationships with our communities is non-negotiable if we are going to thrive in the future.

At the same time, are acutely aware of the deep and lasting effects of our history as an industry. I would even go as far as arguing that we are one of the very few industries that has had to reckon with the legacies of our past in a real and progressive way. While our progress is encouraging, we are still not where we need to be.

It has become commonplace for us as an industry to wake up to news about a mining operation that has been blockaded by a community, often over legitimate concerns – such as jobs, procurement opportunities or the disruption that our operations sometimes bring to host communities.

But there's a new paradigm of community engagement that is unfolding in front of our eyes. Our host communities frequently tell us that they want to be heard; that they want to determine their destinies. At Anglo American, we approach our relationships with our communities by asking this simple but important question: *How might we help our communities achieve their aspirations?*

This is a crucial shift: it is one that places the aspirations and agency of the communities at the heart of everything we do. And we are guided by them; they lead the process.

Several years ago, we, as leaders in the mining industry initiated a ground-breaking dialogue with the Vatican – under the leadership of His Eminence Cardinal Peter Turkson. What we wanted to do was listen to Cardinal Turkson's view and what we were missing in our relationship with communities, NGOs and society at large, as mining companies.

I remember saying to Cardinal Turkson that “The Catholic Church, along with a number of other religious formations, is heavily involved with several NGOs that are engaged with the mining industry. And the reality is that we do not always get engagement with communities and NGOs right; can you help us understand where we might start the conversation?”

I know some people still wonder why we turned to faith leaders for help as an industry. The reasoning is pretty simple: because they are literally in every community around the world, churches and other religious institutions are sometimes the only ones speaking for the neediest in society. Their voice matters and their moral standing is an important shaping force.

It is by making these connections with what may seem like unlikely partners and having a hard look at the tools and policies we have to foster effective community engagement that we will truly *be at one* with our host communities.

Earlier this year, we launched the refreshed version of our framework for effective community engagement – we call it the **Social Way**. We were the first mining company to develop and adopt this kind of thinking 17 years ago, and since then, it has helped us to gain a reputation as a leader in social performance in our industry.

Through the **Social Way**, we can ensure effective engagement with host communities, and avoid or minimise adverse social impacts, while maximising development opportunities.

We've made the entire model open-source for the rest of the industry to adapt and use in their context. I would encourage you all to visit our website to learn more about this important tool.

Over a month ago, we announced that Alchemy, our multi-billion-rand, broad-based community ownership trust for our PGMs business, would transfer two billion rand to host and labour sending communities.

This covers our host communities in the North West and Limpopo, and even stretches to our labour sending communities, as far as the Eastern Cape, and neighbouring countries such as Lesotho and Mozambique. Through the Alchemy process, we are ensuring that our host communities develop into self-sustainable entities far beyond the life of our operations. What is most powerful about this is that the communities – through their elected trustees – are in charge of determining how these funds should be invested.

It is only by building an equal path, on which we can walk side-by-side with our communities, that we can navigate the increasingly complex dynamics that exist in our host communities. South Africa shows great promise. In some ways, this pandemic has given us an opportunity to press the great “reset” button.

We can play a leading role in shaping the next 10 years by building a modern mining industry that embraces innovation and sustainability, while making the industry more inclusive, and developing equitable relationships with our host communities.

Amid the despair, there is hope.

With each passing decade, South Africa's mining industry is changing for the better. Let us continue on this path of change and progress. Let us all help South Africa *build back better*.

Thank you.

ENDS