

# **MINING INDABA 2020**

**Keynote address by Mark Cutifani  
Chief Executive of Anglo American**

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## Connecting the future of mining with next-generation values

*Mark Cutifani, Chief Executive of Anglo American*

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### Acknowledgements

Your excellencies, President Julius Maada Bio of Sierra Leone, and the Prime Minister of the Democratic Republic of Congo, Sylvestre Ilunga Ilunkamba.

The Honourable Minister of Mineral Resources and Energy in South Africa, Gwede Mantashe, and other mining ministers present from the African continent;

Industry colleagues, ladies and gentlemen;

Thank you for the opportunity to speak this morning.

### Introduction

There is no doubt that the world is an undoubtedly different place from what it was ten years ago. We have seen enormous advances in technology, and we have made significant strides in infrastructure, health and education.

On this journey, mining continues to play an essential role in enabling human progress. Despite mining's clear contribution to almost every aspect of modern life – from food production to the materials that build our homes, transport, clean energy and communication, improving the lives of billions of people, mining continues to face a crisis of reputation.

We are still seen as an industry that *takes more than it gives*, even though we drive 45% of the world's economic activity, whether directly or indirectly – while disturbing a small fraction of the earth's surface. None of us here today is oblivious to the criticism that is levelled at us. Daily, we have to manage the perception that mining is not worth the disruption it brings to a community.

Our challenge is clear: we need to do things differently to find new, safer, more sustainable and cost-effective ways to supply the essential raw materials to meet the needs of a rapidly growing and urbanising global population for decades to come.

This is a population that is estimated to reach 9.5 billion by 2050, with an even faster-growing consumer class in the developing world.

If we are going to continue to play an instrumental role in powering human progress into the future, we need to ask ourselves some tough, but necessary questions about our values as an industry.

Simply put: we need to **connect the future of mining with emerging and next-generation societal values**. These are the values of **increased transparency, responsible technological innovation, sustainability and shared prosperity**, all of which are emergent in our world and are shaping a very different future society. And I intend to touch on four themes that best characterise our vision for the future of mining.

**Let me start innovation, and why we need to innovate...and so do responsibly...**

Mining in 2020 is an entirely different ball game to when I started my career over 40 years ago. Take productivity, for example:

- ✓ To produce 40kg of copper in 1900, we only had to extract 2 tonnes of rock;
- ✓ Today, because of declining grades, to produce the same 40kg of copper, the amount of rock required has increased by a factor of 16;
- ✓ Likewise, the amount of energy needed has risen by a factor of 16, and water consumption per unit of copper has doubled.

Beyond these obvious physical and technical challenges, mining's social licence to operate is under significant strain – particularly if we consider the persistent challenges we face in managing mining's impact on communities and the environment. And it is also an exciting time for mining. Across the world, our industry is on the cusp of a significant change led by the accelerating pace of technological innovation. Digitalisation, automation and artificial intelligence are all opening up opportunities for the industry to be safer, as well as more productive and environmentally and socially sustainable.

At the same time, the industry is also tackling the challenge of becoming better connected to the needs of our host communities and society in its broader sense. At Anglo American, we believe that mining has a safer, smarter and more sustainable future – and that is the future we are working towards. This is a future where we eliminate workplace fatalities once and for all, a future where we radically improve our productivity and the way we use land, energy and water, and a future where our communities thrive – with better health, education and increased levels of employment – long beyond the life of any mine.

This is at the heart of our innovation-led approach to sustainable mining, which we call FutureSmart Mining™.

This approach brings together step-change innovations in technology, digitalisation and sustainability that are transforming how we source, mine, process, move and market our products. At its core, FutureSmartMining™ is about transforming our physical and social footprint.

Think of a landscape, with little expression of what's going on in terms of mining, with mainly underground operations that use less water and energy. We see FutureSmart Mining™ delivering on this future: minimising our physical footprint while enabling us to supply metals and minerals in a reliable and predictable manner – while creating enduring value for our shareholders, communities and society as a whole.

To achieve all these objectives requires a commitment to the value of **responsible innovation**. The reality is that no one knows exactly what the broader impacts of technological disruption and innovation will be. But we do know there will be material changes in our work across all industries. These global changes will disrupt people's lives, and we know that change is unsettling.

However, we do also know that this evolution will create a new social contract between mining companies and communities, and a continent like Africa, with its youthful population, has the potential to benefit from these opportunities. We are committed to ensuring that the introduction of new technologies is managed responsibly. We call it our Social License to Innovate.

This means we are listening, recognising that we don't have all the answers. We are collaborating across industries to build partnerships to prepare for this transition. For our people, we are investing in developing the skills of the future. It is also crucial that we are honest and transparent throughout our journey and consider the impact beyond the mine gate.

**Another important topic – and one that is central to the future of mining and our planet – is climate change and mining's place in the energy transition...**

Climate change is one of the defining challenges of our time. We cannot ignore or underestimate its global impact, and implications for every sector of the economy and human life as we know it today.

I am encouraged by the progress we've made as an industry in not only reducing emissions but in also taking a more proactive stance in how we remodel our operations for a carbon-neutral future through, for example, displacing diesel power with stable, zero-carbon electricity or green hydrogen.

Beyond the "mine gate", the industry is thinking about the influence we can have to reduce emissions along the entire value chain - working with our suppliers, our peers and our customers where practical, to reduce global emissions. Through our Sustainable Mining Plan, which forms part of our FutureSmart Mining™ approach, we believe that mines can, and will be, carbon-neutral will use significantly less water as well deliver positive biodiversity outcomes.

We have set very ambitious targets for ourselves to reduce Greenhouse Gas emissions and improve energy efficiency by 30% by 2030. This year is an essential first step in achieving these targets, as 2020 is our first milestone year. There is, however, one point that gets lost in the debate, and that is the fact that **the transition to a low carbon economy cannot happen without the products of mining.**

The metals and minerals that we produce are the essential raw materials for all our modern lives – from the platinum group metals that clean vehicle emissions or enable hydrogen energy, to the copper essential for renewable energy and all our phones and other devices.

**Mining is the *cornerstone*** of the energy transition, and we are already seeing this change. On PGMs alone, the Hydrogen Council predicts that 18% of energy demand by 2050 will be met by hydrogen. This shift has the potential of creating at least four million new jobs globally and contributing significantly to new and clean energy supply across the world. In South Africa's case, there is an immense opportunity to lead the global drive for the development of the hydrogen economy. Last year, we announced our plan to develop and fuel the **world's largest hydrogen-powered mine haul truck**.

This initiative will mark the first time a truck of this size and load capacity has been converted to run on hydrogen. The 'first motion' of the hydrogen-powered truck is expected this year, followed by a testing and validation programme at our Mogalakwena PGMs mine here in South Africa.

South Africa has an unparalleled opportunity to lead the hydrogen economy through its abundant endowment of PGMs – and this has innumerable benefits for the development of sustainable and clean energy. The picture is equally favourable for copper, which is a critical metal for a new era of clean, green, renewable energy. Copper is at the heart of every wind turbine, electric vehicle and solar panel, while also helping efficient energy storage.

I could go on extolling the virtues of other mined products, but I think the point is clear and has been made by others, including the World Bank through their Minerals for Carbon Action report. Simply put: we know that **mining has a long-term role in shaping the energy transition**, but going into this transition, we **need to ensure that mining is "climate-smart"** with ideally no or little negative climate impact.

In Anglo American's case, our portfolio of world-class assets producing the right metals and minerals of the right quality to power a cleaner future, coupled with our approach to both technology and sustainability in its full sense, set us apart.

As we reckon with climate change, we must all play our part to reduce our reliance on carbon, and get emissions down, while also acknowledging that **mining is an enabler of the transition and not a critical one at that**.

This brings me to another critical point, and that is the need for us to work collaboratively with governments on ensuring that the mining industry has an adequate supply of **sustainable, cost-effective and reliable energy, particularly here in South Africa.**

None of us can doubt the impact that rolling power blackouts have on the viability and competitiveness of South Africa's economy, including our mining industry. Load shedding hinders productivity, impacts the functioning of critical equipment and creates a safety risk for our people, especially in underground operations. We are very supportive of the South African government's efforts to deal with the structural problems at Eskom. But **more needs to be done.**

And there is no better place to start than by **drastically streamlining regulatory processes to enable the establishment of self-generated power that can supplement Eskom's constrained capacity.** I was encouraged yesterday morning – at the Ministerial Symposium – to hear Minister Mantashe acknowledge that self-generated power in South Africa will be supported by his Department. This is a positive step in solving South Africa's energy crisis.

We believe that the mining sector can play an instrumental role here. There are several pilot projects in the pipeline already, including our **large-scale solar PV project for the Mogalakwena PGMs Mine**, and our role in helping develop the 100MW Kathu Solar Park in the Northern Cape.

Creating a supportive environment for projects such as these can immediately add additional power to the national grid, ease the burden on Eskom and proactively help develop sustainable energy that industrial users that power the South African economy can rely upon. We must act decisively to solve South Africa's energy crisis to prevent any further loss of momentum for the country's economy.

**As we consider the impact that mining has on society, it is important to recognise that few industries in the world touch as many people as mining. Mining matters...**

- ✓ *It matters* to the young entrepreneur, who can use localised procurement opportunities to grow their business;
- ✓ *It matters* to the mineworker who can earn a good living for their family -- in an industry with generally well-paid jobs, compared to most other industries;
- ✓ *It matters* to members of our host communities who benefit from the soft and hard infrastructure – like roads, bridges, schools and clinics – that tend to come with our operations.

Even with this real and lasting difference we bring to many communities across the world, it is also clear that we can no longer think of our socio-economic contribution in isolation.

Fragmented interventions by mining companies in communities do not always deliver the desired impact. Collaboration between mining companies, governments, community organisations and businesses in other industries is the only option to bring about meaningful and sustainable change.

Added to this is the realisation that mining as we know it today is a finite business. The orebodies we tap into gradually deplete to the last point of mine closure, and we need to ensure that our contribution to our host communities is real and lasting.

This is why we, at Anglo American, have begun work on an innovative and collaborative approach that identifies socio-economic development opportunities with the most significant potential in a region, beyond mining. We call it ***collaborative regional development***, and it is an integral part of our Sustainable Mining Plan.

By seeking out cross-sectoral partnerships from the outset, we believe we are better able to deliver on our commitment to igniting long-term, sustainable development in our host regions, far beyond the life of the mine.



We began this approach in 2016 in South Africa's Limpopo province, and last year, we launched the *Impact Catalyst*, the first platform under this initiative with cross-sectoral stakeholders, including Exxaro, World Vision, the CSIR, and the Office of the Premier in Limpopo Province. Since its launch, we are hugely excited by the number of other organisations that have approached the partnership to collaborate.

It is early days, but I believe through collaboration, we all have a better chance to achieve meaningful long-term, socio-economic development outcomes. We have already begun pilots in supplier development, agro-processing, the biodiversity economy and access to information technology and are exploring other opportunities.

The upside is clear. Such a strategy could create substantial economic and social benefits and employment across Limpopo province – beyond mining.

For a country like South Africa, the evolution of innovative partnerships such as this provides an opportunity to bring about development benefits for a much larger number of people, and its impact goes beyond the communities surrounding our operations.

**This brings me to another value, which is increasingly taking centre stage for the mining industry, and that is transparency...**

Mining companies are custodians of the world's precious mineral resources. This places a responsibility on us to act in the best interests of society – locally and globally. To do this effectively, we need to earn society's trust. I cannot think of a better way to earn trust than by demonstrating open and transparent stewardship of mineral resources.

Mining, like many other industries, is susceptible to a handful of those who want to cut corners – through illicit activities, unethically sourced minerals and a host of other corruption-related activities ranging from mining rights to permits. We cannot fold our arms and allow this to continue.

We must act. This is how we will earn the trust that we need to continue extracting the minerals and metals that enable human progress. Take diamond mining, for example.

Two years ago, we asked ourselves this question: *what if we could provide consumers and other stakeholders with a step-change in assurance regarding a diamond's authenticity and responsible sourcing through to the point of sale in a jewellery store in Shanghai or New York?*

This led us to develop Tracr, a blockchain-enabled technology platform that helps create trust among the various industry actors in the diamond sector.

Blockchain is a particularly powerful technology when used alongside other technologies such as artificial intelligence, the internet of things and security technology, as it helps to create trust and transparency by validating items as varied and complex as diamonds, whose physical characteristics can be changed and subdivided numerous times between mine and finger.

While our diamond business, De Beers, provides roughly one-third of the global supply of diamonds by value, we were clear when we developed Tracr that this wouldn't be a De Beers-only platform. Instead, we worked on building a platform that the entire diamond industry could use in the quest to be more open and transparent.

Since its launch, Tracr has attracted a broader base of diamond producers, midstream businesses, and retailers. This collaboration has helped build significant momentum, and we believe that Tracr's data-backed authentication capabilities hold tremendous promise.

Assuring our stakeholders and wider society that the diamonds we produce are natural, ethically sourced and legitimate, carries significant value for them and the entire diamond value chain. The participation of several diamond producers, midstream businesses and retailers means that we, as a collective, can now build greater trust and efficiency, thereby improving cost and revenue performance for the trading of diamonds.

Our efforts to build trust along the diamond value chain also extends to artisanal and small-scale miners.

These are important players who make an important contribution to the global diamond industry through their artisanal mining on parts of the African continent. Many parts of this sector are informal and unregulated. Its participants often lack access to established international markets and formal sales channels.

To help enhance prospects and improve livelihoods of those working in the sector, De Beers is piloting a ground-breaking programme, which we started in Sierra Leone two years ago, called **GemFair™**. This programme seeks to create a secure and transparent route to market for ethically-sourced artisanal and small-scale diamonds.

The Government of Sierra Leone has made great strides in formalising the artisanal and small-scale mining sector, and we believe that **GemFair™** can offer an unprecedented opportunity to take this process to the next level.

GemFair™ uses dedicated technology to record artisanal and small-scale diamond production at mine sites that meet operating standards agreed with industry stakeholders – with the ultimate aim of purchasing rough diamonds for a fair price from accredited sites.

By providing accredited artisanal and small-scale miners with the opportunity to sell to De Beers, GemFair™ has the potential to help transform the sector by providing a new and secure route to market and to open up a new source of supply for De Beers.

And by using technology to provide artisanal and small-scale miners access to the global market and offering fair prices, GemFair™ hopes to improve artisanal and small-scale miners' livelihoods. We are excited about the possibilities GemFair™ will bring. We plan to integrate GemFair's™ technology with the Tracr platform, thereby providing an added layer of assurance that the artisanal and small-scale diamond production registered on the platform has been sourced responsibly.

Technology is helping us find new and exciting ways to build trust and openness with society and our customers, and I'm excited about what we will be able to do in years ahead.

**In thinking about the next decade and what it holds, it is important to reflect on the power of being purposeful in how we envisage the future of mining.**

Almost two years ago, we finalised long discussions across our entire company and drawing on the views of many stakeholders about our reason for being – our *Purpose*: to re-imagine mining to improve people’s lives.

I cannot easily express in words how the process of defining this *Purpose* has fundamentally changed us as a business.

Our *Purpose* is our North Star. It is an expression of the very best of who we are as a company. It sets out a bold call to action for us to re-imagine mining, not for the mere sake of doing so, but to fundamentally improve people’s lives.

In the end, this is all that matters: people. Our success as an industry is not only measured by the ounces, carats or tonnes we mine, but it is also measured whether we improve people’s lives. As our global population grows, we expect to see even higher demand for the minerals and metals that are essential to the products and services that power human progress.

And while we may get the fundamentals right – of maintaining cost and capital discipline, mining more safely, sustainably and innovatively – we will not move the dial if we don’t connect these fundamentals of mining to the next generation values of increased **transparency, responsible innovation, sustainability** and **shared prosperity**.

Exactly a year ago, **President Cyril Ramaphosa** set out a challenge for us as, as leaders of the mining industry. The President outlined ten value-creating principles which he believes will help build a more modern, successful and productive mining industry.

Among these were: *fostering inclusive growth, partnering with government to advance development in mining regions, responsibly managing technological innovation*, and its implications for the future of work – and many more.



As Anglo American, we are committed to helping South Africa build a safe, more competitive, sustainable, modern and productive mining industry. And we know that we will only succeed if we do this with the right values and principles in mind.

I believe that mining has the opportunity to not only continue positively powering human progress, including through technology, towards a cleaner, greener, more sustainable world, but to do so in a way that is more closely aligned to what society expects of us. That is how we will deliver enduring value – locally and globally.

This is a world that is inclusive, humane, one that seeks to enable society's aspirations, and one that makes life better for the billions of people that depend on our products – whether they know it or not.

We owe it to the next generation to pave a new and sustainable path for mining. We dare not fail.

Thank you.

**ENDS**