

Speech by Tony Trahar , CEO Anglo American plc, to the World Summit.

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Operating in Southern Africa - Challenges and Opportunities

Introduction

Good afternoon Ladies and Gentlemen, distinguished guests.

Johannesburg is a mining town. In 1886 prior to gold being discovered in a massive reef stretching to the East and West of Johannesburg this was a small farming community with a couple of tin shacks, nothing more than a village. With the discovery of gold, Johannesburg mushroomed into what is now one of the largest cities, not based on a river, in the world with a population exceeding 5 million people. As an example of sustainable development you have only to look around you. Today Johannesburg is the financial and business hub of South Africa and has spawned massive investment in associated industries, initially supporting the mines, and now self standing, and world class, covering almost every facet of industrial production. The mines and related businesses became the biggest employer in South Africa and for over 120 years have led significant economic development in the region. This process will continue for decades to come, with new mine expansions and new technology accessing previously inaccessible mineral deposits.

For 85 years Anglo American has had a long association with this mining town, being formed in 1917 by Sir Earnest Oppenheimer who rapidly transformed Anglo American and its associate company De Beers into the biggest producers of gold and diamonds in the world.

Today Anglo American is a truly global natural resources Group whose operations are ranked amongst the leaders in their fields and we draw great strength from the diversity of our operations and associates which produce a

wide variety of commodities in many countries, including gold, diamonds, coal, platinum, base metals, industrial minerals and forest products.

Sir Ernest Oppenheimer was not only an astute businessman but also a visionary who set Anglo American on the path of sustainable development very early on in its history and in 1954 he wrote "The aim of this Group is, and will remain, to make profits for our shareholders, but to do it in such a way as to make a real and lasting contribution to the communities in which we operate." Anglo American remains committed to, and has expanded upon, these ideals in the values we apply to the conduct of our businesses today

While we are evolving a more balanced geographical spread of operations through acquisitions and investment in new projects, we retain a strong commitment to the southern African region where we still have very significant natural resource businesses with expansion programmes presently underway totaling \$2.5 billion.

When invited to give this presentation I was asked to address myself to the challenges of doing business in Southern Africa.

I will focus on:

- Building sustainable livelihoods
- Addressing the social development dimension and the power of partnerships
- HIV/AIDS
- Our commitments to the Global Mining Initiative
- Governance and
- Foreign Direct Investment

Commitment to Sustainable Development

As we have grown our company into a global leader we have also committed ourselves to sustainable development and annually increased our commitments in the environmental, safety and health arenas while building on our proud history of social responsibility.

Economic development and empowerment

One of the most significant challenges in the Southern African region is that of growing jobs and ensuring the active participation of historically disadvantaged South Africans.

Having done such a remarkable job on the political transformation to democracy, one in which business played an important role, South Africans know that sustaining our achievements requires an equal economic transition. In this, business must take an even bigger lead.

One of our focus areas has therefore been a structured procurement and business development programme that is run by business development officers, who provide training, support and mentorship. We do not pay premiums to support these companies as the objective is to build them into effective, competitive and sustainable companies. We have recorded in excess of R3.5 billion in procurement of goods and services from black-owned SME's (small and medium enterprises). This model of empowerment has been recognized, both internationally and domestically, as world-class.

In 1989 Anglo American and De Beers also established Zimele to promote black small and medium enterprises with an overriding focus on commercial viability, sustainability and independence through enterprise. Zimele is presently invested in 21 business ventures that collectively employ 1, 234 people with a turnover of R145 million in 2001. These small business activities complement the major economic empowerment deals we have concluded, *inter alia*, with African Rainbow Minerals, Mvelaphanda Platinum, Eyesizwe and those with Kumba and Anglo Platinum which are in progress. These transactions are significant by any measure, with transfers of value and the creation of new value from projects likely to exceed R15 billion.

Social development

Our operations are more likely to prosper when the communities surrounding them are stable and benefit from their presence. Hence our emphasis on community social investments, small business development and addressing the needs of historically disadvantaged South Africans in a variety of ways.

Corporate social investment makes a vital contribution towards the well being of society as a whole. We are committed to supporting development initiatives that are directed towards education, the alleviation of poverty and the upliftment of the general community but with a special three decade long emphasis on education as the fundamental building block for a successful market-based democracy. The Chairman's Funds of Anglo American, AngloGold and De Beers have channeled more than R103 million in support of well over a 1,000 different projects in 2001. Over the past four years, *inter alia*, one project enabled more than 69,000 black teachers to be trained and 4.6 million black children to receive a better education.

The significance of this investment is also illustrated by the fact that we are currently funding the graduate education of 40% of South Africa's black, hi-level, technical manpower.

Partnerships

The Business Trust is a ground breaking partnership between business and the South African government which creates employment through the stimulation of tourism and builds capacity through the improvement of basic education. The Anglo group as well as De Beers continue to be the most significant donors, having contributed R250 million over the past 5 years, out of the R1 billion targeted as a whole.

With Sustainable development in mind we can find business opportunities that work in all three dimensions of Sustainable Development (economic, environmental and social development). Our sustainable forestry initiative,

SiyaQhubeka, is an example, in which we have managed to work in partnership with local communities to provide real economic empowerment for them, and provide gains for biodiversity conservation, and maintain our tradition of sustainably-managed and financially viable plantation forests which contribute to the creation of jobs for poorly skilled workers and long-term economic empowerment of local communities, create downstream value addition and earn foreign exchange.

HIV/AIDS

Perhaps the biggest challenge we face when operating in Southern Africa is the HIV/AIDS epidemic. No one can afford to be complacent about the devastating social consequences of AIDS in sub-Saharan Africa. We believe that businesses, governments and society need to urgently join forces in a massively scaled up effort to turn the tide of the epidemic.

Although Anglo American has had an extensive AIDS management programme for the last 15 years, the challenge continues to increase. We estimate that about a quarter of our 130,000 employees in Southern Africa are now infected with the virus. The thrust of our HIV/AIDS response today is based on linking our extensive prevention programmes to improved care and support for those who are infected or affected by HIV/AIDS.

As the epidemic evolves, the demand for treatment is naturally increasing. We have recently announced that we will encourage all our operating companies to enhance their care and support for employees progressing to AIDS by offering antiretroviral drug treatment at company expense. We believe that this is a critical component of a comprehensive response to AIDS, which will ultimately feed back into our prevention efforts by directly tackling denial, stigma and discrimination. With the hope of treatment, we expect that many more employees will come forward for voluntary counseling and testing for HIV and that this will be the key to changing behavior and turning the tide of the epidemic.

Our programme is unique in that it is one of the first and by far the largest employer sponsored AIDS treatment intervention in the world. We have taken care to ensure that our treatment protocols conform with internationally accepted best practice. An important feature of the programme is that we will rigorously monitor and evaluate the treatment outcomes and we will share our experience for the benefit of all those involved in the struggle against AIDS.

The magnitude of the health challenge posed by HIV/AIDS, especially in southern Africa, is such that it cannot be adequately addressed by individual companies or even sectors acting in isolation but requires a partnership between all stakeholders. We will therefore seek to work with national, provincial and local governments, international donors such as the Global Fund and appropriate NGOs and communities in order that the public sector capacity is created to extend AIDS treatment beyond the workplace to the broader community.

Commitments

During the past three years the Mining industry has gone through a period of introspection and extensive consultation on the issue of Sustainable Development. This has led to the restructuring of the industry's external interactions under the International Council of Mining and Metals (ICMM), which is in the process of adopting a sustainable development charter and framework, and the extensive independent, international and regional research programme – the MMSD (Mining Metals and Sustainable Development).

This research has given us, the industry players, an extensive and useful insight into the thinking of a wide range of stakeholders on these issues. In the coming years we will have to explore its full meaning and address – through further consultation – its implications and implementation challenges.

At the Global Mining Initiative in Toronto earlier this year, in acknowledging that

path ahead, I committed Anglo American to a number of ambitious goals. Those commitments are summarized as follows:

1. Making social, environmental and political considerations part of our investment criteria.
2. Supporting the principles of the Universal Declaration of Human Rights.
3. Assessing and reporting on the contribution our operations make to local social and economic development.
4. Planning and managing constructive relationships with local communities that enhance their capacity, Engaging them and relevant NGOs on material issues. Reflecting the priorities of the local people, sustainability and cost effectiveness in our CSI projects.
5. We will continue our small and medium enterprise development programme and the economic empowerment of previously disadvantaged people.

Governance

Good governance is critical both within the company and at national and international level. It is ultimately far easier to operate in countries where there is good governance, administrative justice and regulatory certainty and we will promote and support these.

Those of us who operate in developing countries are acutely aware of the need to integrate fully social, environmental and economic evaluation into project feasibility. We are confronted on a daily basis with the desperate need for development, for jobs and for infrastructure. These needs pose challenges both to government and business in relation to existing operations and to the attraction of new investment. We need to encourage and work towards increasing new investment flows to the developing world and broadening the business base of their economies. NEPAD is a good example of a collectively developed world investment thrust.

Given that we operate in Zimbabwe we are often asked why we don't withdraw from that country because of their poor governance record.

One of the biggest conundrums for multinational companies is how and whether to operate in countries with bad governance records. It is one many companies have faced before. Those of us who have had experience in an African context hold the view that as long as we can run commercially viable and profitable operations we should continue to operate in a way that supports our employees and helps the society to engage with the challenges of poor government. We must take the long term perspective - one which accords with our business horizons, not those measured in quarters or single years - and live our values.

Attracting investment

The single caveat I have flagged for our operational managers is that we must deliver globally competitive returns. This is the challenge that I see as absolutely central to NEPAD in attracting long-term FDI. Governments and multi-lateral agencies will have to think creatively about this issue. Nothing based solely on charity and philanthropy can be sustainable.

The second challenge relating to governance that I should mention is the creation and sustaining of an investor-friendly policy environment. Everyone will be aware of the "bumps" we experienced in South Africa recently in terms of the policy formulation process for the mining sector. Perhaps we can derive 2 lessons from this:

- Business has to be far more proactive in helping government fashion policies that not only meet their legitimate political goals but which are also investor friendly
- We must ensure a coordinated policy formulation process which is consistent with stated macro-economic goals.

Conclusion

In conclusion we recognize that sustainable development is one of those challenges that none of us can leave to anyone else, but nor can we achieve it alone. It will require all of us to work together. It is a global challenge with local manifestations. We cannot turn ourselves into risk free zones. As industry we must also pursue new opportunities in the developing world if we are to achieve the overarching goal of this Summit – poverty eradication and material improvement in the lives of millions. Business can no longer see this as an optional extra.

However the world already has a multiplicity of existing international guidelines and codes of best practice we must resist the temptation to draft more of these and rather turn our attention to implementing those we already have. There are many possibilities for global corporations to work closely with national Governments who, if they develop the will, have the power to implement these sound and pragmatic policies for good business coupled with sustainable development.