



WELCOME ADDRESS AT MINING LEKGOTLA GALA DINNER

KHANYISILE KWEYAMA

TUESDAY, 13 AUGUST 2014

Venue: Gallagher Estate, Midrand

Event theme: Celebrating 20 Years of Democracy

Good evening Honourable Minister Jeff Radebe, Honourable Minister Ngoako Ramatlhodi, Deputy Minister Godfrey Oliphant, Mr Mike Teke, President of the Chamber of Mines, Mr Frans Baleni, General Secretary of NUM, Mr Bheki Sibiyi, Chief Executive of the Chamber of Mines, Prof Nick Binedell, the Dean of the Gordon Business Science, Graeme Briggs, Vice President of the Chamber of Mines, leaders of organised labour, senior government officials, fellow mining industry leaders, distinguished guests, ladies and gentlemen.

I am proud to welcome you to the 3rd Mining Lekgotla Gala Dinner. As we sit here this evening amongst colleagues, peers, stakeholders and industry partners, after a successful and long and gruelling day of reflection on the issues facing our industry, we are also privileged to be celebrating 20 years of our democracy.

It can be said that before the emergence of a new democracy, there is often a period of strife, hardship and persecution. Speaking as the convener of this year's mining Lekgotla and in my Anglo American capacity, let me be clear that on the one hand, we can be proud that our industry stands as one of the most important foundations of our country's economy; however, on the other hand, we must recognise, for example, that our industry continues to be challenged by the complex socio-economic problems associated with our industry..

As an industry we need to understand and acknowledge our history, however uncomfortable, if we are to properly address the challenges that continue today. Only if we do that, will we move forward as an industry and as a nation.

Right now, we cannot deny that our country and our industry are in a state of flux that can be attributed to some unresolved issues. We have recently experienced the clearest demonstration of that flux – in the form of the longest labour strike in our country's history, being the recent 5-month long platinum labour strike. Another important and tragic turning point was an event which we will commemorate with great sadness - that of the untimely death of more than 30 mine workers and police officers at Marikana 2 years ago.

We, at Anglo American, believe that it is important to acknowledge the industry's part in our country's complex history. Because it is only if we as an industry can acknowledge the past, can we help build a sustainable future.

Anglo American is a responsible, values-driven corporate citizen. We are working to help restore confidence in our industry and our country. As a company we want to play our part in building an industry that is free from violence, intimidation and other illegal actions. We were particularly saddened by the fact that during the platinum strike, some 60-70% of our employees wanted to return to work, but were unable to, due to them fearing for their lives.

As a company, it is our responsibility to help South Africa address the legacies of its past by helping to alleviate the triple challenges of poverty, inequality and unemployment. Just last week, we were on the outskirts of Kroonstad in the Free State, through our partnership with Ballard Power and the Department of Energy, launching a platinum fuel cell rural electrification project which will provide 34 homes in that community with reliable power. Why? Because our business, through innovation in platinum technology, has a part to play in bringing electricity to the 1 million people in rural South Africa who do not yet have it.

This partnership is just one of the ways we are addressing legacy issues which are impeding the success of our business and the success of South Africa. Other areas for attention of course include the migrant labour system, housing, employee indebtedness and health.

We cannot do it alone. In order for companies to contribute to the long term prosperity of South Africa and to support government in achieving its development goals, there must be greater dialogue and understanding between government, labour, communities and the industry.

While we recognise that these issues are complex and have a long history and legacy, we cannot ignore the significant progress in the 20 years since the advent of democracy, and the ten years since the Mining Charter came into effect.

At Anglo American:

- We are spending 6.1% of our payroll on education and training of what the Charter terms historically disadvantaged South Africans (HDSAs). That is why we have been able to increase significantly real minimum wages over the past 20 years. And we will be able to continue increasing real minimum wages through further improvements in skills levels in the lower job categories, and elsewhere
- In 1990, the proportion of HDSAs in management was close to zero. Today that number is 60%
- In 2013 we spent R671 million on socio-economic development initiatives
- And R32.4 billion in procurement spending, excluding purchases from state-owned enterprises went to HDSA-owned businesses. Many of these enterprises exist thanks to the work of Zimele, our highly regarded enterprise development unit
- Our employee accommodation conditions have transformed. Whilst we have met the charter requirement of single accommodation in hostels and are providing more and more family accommodation, we acknowledge that more needs to be done.
- We and other mining companies began comprehensive anti-retroviral programmes for employees some time before the state health service did

- Since 1994 we have concluded BEE ownership transactions to the value of about R67 billion, benefitting entrepreneurs, communities and employees

And the list goes on.

Yet we know we have not resolved all the challenges...far from it! And the enormity of the challenges the industry faces means that we cannot do it alone.

The industry, like the country, still experiences a shortage of skills. The employment equity numbers do not mirror our country's demography. And it remains the case that despite the immense progress made in employment equity numbers, the proportion of black HDSAs in top management remains relatively small. Notwithstanding the fast-tracking programmes that we all have in place, there remain shortages of skilled personnel. And, for those who are there, while we can telescope these processes to some extent, the years of experience required for advancement cannot be compromised if we want to continue mining safely and profitably.

The employment of women in mining remains a particular challenge. It is lonely for me up here, as you can see. It is lonely, too, for the small minority of women employed in mining operations.

And the inequality of wealth that the Charter's ownership provisions were designed to reduce has not yet been adequately addressed. We all face widespread accusations that the Charter provisions have built too narrow a group of ultra-wealthy beneficiaries. Even there, the wealth spread through BEE transactions; whether to individual entrepreneurs, communities, or beneficiaries of employee share ownership plans (ESOPS) has been stunted by the impact of the international economic slowdown since 2008 on most resources companies' share prices.

It is highly questionable whether intensifying these efforts will assist, given the adverse impacts there would be on investor confidence should the BEE ownership goal posts be moved.

Housing in mining towns is, as we all know, a historical challenge. There is a lot of work for the industry and government to do. The phenomenon of living out allowances, well-intended as it was to enhance individual choice, has contributed to the spread of informal settlements. There are many obstacles to housing development that need to be grappled with by all of us.

Yet it is not a simple matter of "dismantling" or "eliminating" the migrant labour system. There are vast swathes of towns and villages in South and southern Africa whose local economies are dependent on the remittances of mineworkers. It is estimated that the Eastern Cape alone, receives at least R1 billion of remittances from mines in other provinces. The livelihoods of a few hundred thousand migrant workers depend on our industry, as our industry depends on their experience and skills for safe and profitable mining. We, however, acknowledge as an industry that we have to make considerable strides in mitigating the adverse impacts of the system, whilst being sensitive about the potential outcomes of the actions we take.

There are other imperatives not directly related to the Charter but which are equally critical to the transformation project and to the advancement of the National Development Plan to which we are committed to contributing.

We look towards further infrastructure development partnerships with government that will not only enhance our own competitiveness but also improve the quality of life in mining communities.

In the workplace, we know we have to become better managers. And we need to eliminate, once and for all, the remaining elements of the old mine management cultures which lacked two-way dialogue, respect and co-operation.

Another big issue, which became more apparent after the tragedy of Marikana, and during recent wage negotiations, is the dire indebtedness of employees – a problem exacerbated by irresponsible lenders and debt collectors. I assure you that we and our peers are working intensively to identify ways to address the problem. In Anglo American, for instance, the appropriate administration of garnishee orders, financial wellbeing programmes and financial literacy training for our employees are becoming a standard. This is part of our ongoing effort to empower and support our employees to address levels of indebtedness. The extent of the problem should not be underestimated.

Despite our efforts, we have a huge amount to do if we are to bring South African mining into the new era that our economy, our employees, our communities and our shareholders need and deserve.

If we are intent on building an industry for the long term, we must improve productivity. Without productivity, wage increases will become increasingly difficult to realise. On a national level, productivity can help address the inequality that the country is grappling with. It is an aspect that we too are confronted with at all our operations in South Africa. We believe that major inroads can be made to our operating practices and the skills development of our people, if we have improvement in productivity levels in the mining industry and in South Africa. If we allow cost inflation to continue where it is going, without improving productivity, the growth in our industry will remain constrained.

Yet we should not be surprised that we have such a long way to go.

I began by acknowledging the enormity of the adverse impacts of our industry's legacy. We are only 20 years into repairing the legacy of our country's past. And we have had to cope with an unprecedented global financial crisis at the same time.

We were never going to be able to come anywhere close to completing the task by 2014. No doubt, we could have done better. But we have done a lot. Hopefully our experience and learnings will see us accelerating towards the country we all wish for in the years ahead.

We are committed to doing more. It is no coincidence that almost all these initiatives are in harmony with the priorities spelled out in the National Development Plan.

The NDP is the path our industry and our country must follow if we are to fulfil our potential and ensure better lives for all South Africans.

I thank you.