Embargoed till 14:00

Mark Cutifani

ED Conference speech

Title: South Africa's developmental potential: the role of mining in creating a sustainable future

[Check against delivery]

Introduction

This is a happy day! It gives me great pleasure to stand before you and speak about something I am very proud of.

And there cannot be a better venue for a conference on enterprise development than South Africa, and particularly Johannesburg. Firstly, because our roots as Anglo American are right here; and secondly because the history of the country's mining industry is an illustration of how enterprise development laid the foundations for Africa's largest and most diversified economy.

In my first six months as Chief Executive of Anglo American, I have been impressed by the people, their commitment to being a good corporate citizen and the overwhelming desire of its 150,000 strong workforce to make a positive difference to the countries and communities in which we operate.

I believe Anglo American embodies the spirit of South Africa. You see it in the diversity of our people and the care and respect with which we engage with each other and with the wider world. About 65% of our operating assets are owned directly or indirectly by average South Africans, through pension fund holdings. And through Anglo American you own businesses overseas.

In turn, our world renowned Zimele enterprise development progamme embodies the spirit of Anglo American, and our desire to be a force for good in South Africa and beyond. Zimele is about reshaping the role of mining in society by providing local people with the tools to help themselves and enable their communities to prosper. And our aim is to do even more. That's why I am here to also participate in the launch of the Sebenza Fund which I will go into more detail a little later.

Zimele is a good example of the mining industry's commitment to South Africa, and the great things that can be achieved through partnership between mining companies, government, local communities and other key stakeholders.

But the mining industry can only continue to invest in building this great nation if we have an investment friendly environment, stable, transparent and predictable policy settings, adherence to the rule of law in labour relations and safer communities for our employees.

Regrettably, over the past five years or so the South African mining industry has experienced a 40 per cent drop in value in real terms. We witnessed the tragedy of Marikana which is still very fresh in our hearts and minds, and we have policy uncertainty that would make our decisions of where to invest that much harder. That is why we are so active in our feedback on the proposed wording of the MPRDA.

The global economic downturn has had an impact on the demand for our commodities, but if the mining industry is to get back on its feet we need to get the other pieces of the puzzle right.

So, we support President Zuma's recent statement that South Africa is open for business and that we need to do more to sell our country abroad.

The challenge for the Government and for the industry as a whole is to work together and deliver on the President's intent, by working through each of these issues and putting mining on a stronger footing.

Put simply, if the mining industry does well, all South African's stand to benefit. It is only by growing the pie that greater progress can be made in delivering the jobs, housing, education heath and quality infrastructure millions of South Africans demand and deserve.

Mining today

When it comes to economic development and the mining industry, the South African story is a remarkable one. Not many average visitors to

South Africa and Johannesburg realise that the economic development and growth of the region owes much to the mining industry.

The Johannesburg Stock Exchange, where mining still accounts for a third of its market capitalisation, was established as a result of the growing mining industry with investment funds flowing in from North America and Europe. That also marked the beginnings of one of the world's most sophisticated private financial services sectors.

Over the past 15 years, our industry has made huge strides towards improving its performance on safety, health, the environment and community development, but we have not been very good at promoting these achievements. Your tireless work promoting enterprise development should be regarded as an important element of the nation building vision embodied in the National Development Plan.

The NDP, which has been embraced by almost all sectors of society, makes significant recommendations to grow the economy in a structured and integrated manner, with achievable targets of eliminating poverty and reducing inequality. The ultimate goal of the NDP is to reduce unemployment to 14% by 2020 and to 6% by 2030. This means 11 million jobs will need to be created and an economic growth rate of 5.4% per year needs to be achieved.

If mining had grown over the last seven years instead of contracting we would be heading the country towards the 5.4% growth target. Instead South Africa has lost significant revenues to fund much needed heath, education and other key services. A growing mining industry will be vital in creating an environment for sustainable employment growth and rising living standards, inclusive economic development and improving the country's competitiveness. Mining has been, and remains, the engine room of the South African economy.

The South African economy has diversified significantly over the past two decades, but the mining industry has remained its backbone. Recent research produced by the Chamber of Mines indicates that the industry employs some 525,000 people, with another 841,000 people employed indirectly in supplying goods and services to the mining sector.

Some simple arithmetic tells us that, based on the assumption that each person employed in the mining industry supports, on average, another nine people, that close to a quarter of our population depends on the mining industry in one way or another.

Inspiring local enterprise

It is with this in mind that we hope discussions today will identify the value that enterprise development can unlock for our country's economic growth. Globally, it has been proven that the best approach to sustainably alleviating poverty and reducing unemployment, is through building and stimulating entrepreneurship and small and medium businesses.

My firm belief is that if the communities in which we operate do well, our business also does well. It is a virtuous circle – a safe, prosperous and healthy local community means a skilled and healthy workforce for our operations. At the same time, efficient and profitable mines means better jobs, better pay and more spend in local businesses and services. It is a virtuous circle that helps this country escape the evil triplets of poverty, inequality and unemployment – and it is a virtuous circle we hope to provide a catalyst for today.

Let's not forget that mines have a finite life, so when we plan to develop a mine we also plan for its closure. That means helping communities diversify their local economies, develop infrastructure, grow their businesses beyond dependency on our mines, and build governance capability so they can stand on their own two feet long after the mines shut.

Zimele

That is why, 24 years ago, long before black economic empowerment was even contemplated, never mind legislated, we started Zimele. Through the foresight of my predecessors, the model was conceived in South Africa, and has since been a resounding success, widely regarded as best practice, and now being adopted in other parts of the world. The Zimele model is home-grown and proudly South African. So I am delighted to say that we are flying the South African flag in other parts of the world. In total, we have to date generated more than 60,000 non-mining jobs in South Africa, Brazil and Chile.

Since 2008, we have invested about 800 million Rand in South Africa supporting more than 1,400 small enterprises that employ more than

25,000 people and that collectively generate about 3.5 billion Rand in turnover each year.

Today is a great day for Anglo American and South Africa as we launch Zimele's Sebenza Fund. The 500 million Rand fund will establish 30 new walk-in 'hubs' throughout South Africa, in addition to the 32 already in place. The aim is to create an additional 8,000 meaningful and sustainable jobs over the next three years. This is a terrific example of what can be achieved when mining companies and government work in partnership.

Anglo American is contributing 250 million Rand with the government matching this amount. Sebenza demonstrates our ambition of becoming the partner of choice and serves as a model of collaboration which we can leverage in other areas. Our experience to date shows that small enterprises play an important role in maintaining and enhancing the social fabric of local communities. This is partly because half of these businesses are run by women – the glue that holds many mining communities together.

One such inspiring story is that of Vusi Seroka, owner of Vista Wa Seroka Mining Solutions in Middelburg, Mpumalanga. Before starting his business five years ago, Vusi had just 5 Rand in his bank account. Today, his business turnover is 5 million Rand per annum. With funding and support from Zimele, Vusi was able to grow his business, which now has 37 permanent and 15 temporary employees. His business now also supplies goods and services to Anglo American as part of our drive for enhanced local procurement.

Conclusion

We have come a long way, but there is much more to be done. Our success will be determined by the willingness of industry, government, local communities and NGOs to work together. Through the expansion of Zimele, Anglo American and its partners are demonstrating this can be done.

Together we are finding new ways of creating long-term development beyond the scope of our operations and beyond mining. Enterprise development is a critical part of the future of business in South Africa and vital in creating prosperous local communities and long-term economic sustainability.

The brand position of Anglo American is Real Mining. Real People. Real Difference – this is what today is all about!

Thank you.