



Speech by Themba Mkhwanazi at Mining Lekgotla panel on infrastructure development

Honourable Minister Patel
Honourable Minister Brown
Fellow Panellists
Ladies and Gentlemen

It is indeed an honour for me to participate in this discussion especially during this critical phase through which our country is going. Many of the issues relating to infrastructure development have been a matter of public discourse and as you heard – have been touch upon by my fellow panellists. In addressing this crucial issue, I would like to focus on key themes why I believe infrastructure development is a catalyst to general upliftment in a country particularly when we talk about mining. I will also make reference experiences having worked in different mining economies.

First and foremost, I believe that if we get this phase of infrastructure development right, we stand a good chance of building more Johannesburg(s.) It has been said during the past two days that Johannesburg was built on the back of mining. And today it remains the economic powerhouse of this continent. It is sometimes very easy to forget that mining is an integral part of the South African economy. Mining was instrumental in the development of key national infrastructure when gold and diamonds were first discovered in the 1800s. Much of the rail, ports, pipelines, essential services, and roads came as a result of the economic activity of mining and one of the best examples in this regard remains the city of Johannesburg which was literally built on the back of the mining industry. But do remember there was a conscious decision to support this mining boom, as it were at the time, with investment in infrastructure. It is my firm belief that with the resource base that this country has, together as country can prosper.

That brings me to a second point of discussion in my presentation – which is ***working together towards a common goal***. As a country we need to have a common vision of the kind of South Africa that we want our kids to live in. It is up to all the stakeholders represented here today, mining communities, labour, government, business, youth formations as well as various interest groups. Currently, the National Development Plan (NDP) makes provision for the mining industry's potential to help promote the development of South Africa. For mining - or any industry for that matter, be it manufacturing or tourism - to make a maximum impact on South Africa's development, we need growth and an enabling and stable operating environment, characterised by policy certainty, labour stability and infrastructure development.

But for that to be a reality **we need a long term plan**. I believe that the NDP will take us in the right direction, if we all come to a common understanding and structured implementation.

The next point I would like to touch on relates to the cost of doing business and remaining competitive. Mines are often situated in underdeveloped, rural or remote areas with very little infrastructure and mining companies have to facilitate the building of roads and rail infrastructure as well as provide water and electricity and other essential services. Closely linked to capital infrastructure projects and the wellbeing of employees, their families and other members of the local community, are additional services such as health and education facilities. Mining companies also contribute to the construction of these essential services.

It is important that as mining companies engage in these infrastructure projects, the attractiveness of such projects is not overshadowed by the burden of huge capital outlay. This is where partnerships between industry and government become crucial.

Ernst and Young's report on Business Risks Facing Mining and Metals 2014 -15 places the development of infrastructure (and the cost thereof), energy and water among the top ten risks facing mining companies. And this is not only in South Africa but many mining jurisdictions around the

world. In our country, the Waterberg coal reserves provides a good example of how a combination of these three elements can deter or slow down the rate of investment in an otherwise attractive area. As I mentioned earlier, we need to join hands and come up with innovative solutions to some of these complex challenges

The mining industry has a long way to go in terms of becoming the true developmental partner it can potentially be. It would however, be inappropriate to not acknowledge the progress made by the mining industry and the successes that have been achieved in this regard. The industry does not share these successes as much as they should.

Having reflected on my experiences during the previous mining boom, I do believe that in our country we are having the right conversations around addressing the challenges that we have. However, as we have seen with many infrastructure development plans, the difficult part always comes with implementation. At Anglo American we have noted some of the ingredients that may well take our country to another level and we are prepared to work with government to achieve these.

Alignment with National Development Plan (infrastructure)

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Energy

- Certainty of energy supply is critical to the development of industry in South Africa.
- Anglo American understands that Eskom and the South African government have made progress in several critical energy areas, including building capacity at Eskom and securing funding for Eskom projects.
- Anglo American is committed to continue working with government and Eskom to help meet the energy challenge.
- Eskom is a key partner as we are supply thermal coal to them for the generation of electricity which powers our country.
- We are also a significant user of electricity and the Group spent over R3.8 billion with Eskom in 2013.

Water

- Water is an increasingly scarce resource and access to it is a basic human right.
- The availability of a sustainable water supply is fundamental to our operations.
- Anglo American operations are often near communities without basic water services or in areas where water is scarce.
- About 72% of our operations and planned projects are in water-stressed basins.
- To maintain our licence to operate, we cannot degrade water quality or compromise the rights of other users.
- The Anglo American water strategy and policy was approved in 2010.
- It includes a commitment to make our operations water-resilient, invest in water treatment and relevant technology innovation, build water infrastructure that is mutually beneficial and proactively partner with key stakeholders.
- Implementation focuses on improving operational excellence, investing in technology, and engaging and partnering with stakeholders.
- Anglo American finalised and approved a new Group technical standard for water management and updated the Group water guideline in 2011.
- The standard includes detailed requirements on target setting, water monitoring, site management and water action plans (WAPs) that track new developments and risk areas, address the implications of climate change, provide for social needs and guide stakeholder engagement activities.
- Anglo American also sets operational water targets through the implementation of our water efficiency target tool (WETT).
- WETT forecasts the projected business-as-usual (BAU) water demand of individual operations and establishes a register of water-saving projects, linking the two in order to deliver future performance targets.

Rail and ports

- We have a 27% shareholding in the Richards Bay Coal Terminal, one of the largest export coal terminals in the world.
- Anglo American has a strong co-operative relationship with South Africa's national rail utility, Transnet Freight Rail, which laid the 560km railway line linking coal mines to the port, while the Transnet National Ports Authority coordinates the arrival and departure of more than 700 ships a year.
- At our Iron Ore business, the company has also benefitted from this with the creation of rail line from our Sishen and Kolomela operations to the Saldanha Bay port.
- Saldanha Bay Port is bigger than Durban, Cape Town's Table Bay, Richards Bay and Port Elizabeth's harbours combined.

Housing

- Anglo American, in partnership with local and provincial government, is helping to alleviate the shortage of affordable housing in South Africa.
- We develop properly serviced land to facilitate housing development in areas where services are inadequate or do not exist.
- Anglo American committed to building more than 23,000 houses and converting the remaining hostel accommodation to single-person occupancy for our employees in accordance with the Mining Charter.
- Kumba Iron Ore's Kolomela mine received the 2013 Govan Mbeki Award from the Department of Human Settlement for an integrated housing project in the non-subsidy category at provincial and national levels.

In concluding I would like to reflect on some of the case studies that are bearing fruits and we pride ourselves with.

Anglo American infrastructure case studies:

Platinum Rural Electrification Project (Fuel Cell)

Khanyisile spoke about this project last night. Anglo American Platinum, and Ballard Power Systems, recently launched the world's first fuel cell mini-grid electrification field trial. The system is being trialled as a provider of electricity to remote communities where the cost of electrification via an expansion of the national grid may be cost or technically prohibitive.

The 12-month trial will be conducted in the rural community of Naledi Trust which is part of the Mophaka Local Municipality in the southern part of the Fezile Dabi District of the Free State Province of South Africa. The 34 household community will be powered using a fuel cell prototype product developed for use in off-grid residential application and will be fuelled with methanol.

Platinum-based fuel cells provide significant economic and environmental development opportunities for South Africa by facilitating the provision of clean, reliable and cost-effective power.

Eastern Limb water project

The Eastern Limb water project, which included the building of the De Hoop dam is an example of one of Anglo American's infrastructure projects. Our platinum business has been working with key stakeholders for more than a decade to provide clean, safe and reliable drinking water to about 2 million people living in Limpopo.

Anglo American Platinum took the lead in the Eastern Limb water project by establishing a joint water forum with 21 mining houses. The forum collaborated with various levels of government and other key stakeholders to find a long term strategy that would address the economic, social and environmental issues related to bulk water delivery in the region.

The project also played a pivotal role in the South African government's Olifants River Water Resources Development Project, which included raising the Flag Boshilo dam wall and the construction of the De Hoop dam at a cost of R16 billion. Further to this, we are involved in the construction of 600 kilometres water supply pipeline that will be completed by 2020. This will include the establishment of pump stations, purification works and water reticulation infrastructure. This

infrastructure will outlive many of our mining operations and create lasting benefits for local stakeholders and communities.

Emalahleni Water Reclamation Plant

The Emalahleni water reclamation plant – situated in the Witbank coalfields of the Mpumalanga province – has turned a major liability into a valuable asset that has created far-reaching benefits for the environment, the local community, and its feeder collieries.

The award-winning project is a public-private-partnership that was jointly undertaken by Anglo American Coal, BHP Billiton Energy Coal South Africa (BECSA) and the Emalahleni Local Municipality, and has been described as a 'world class initiative and an exemplary model for development'.

Using the latest in water purification technology, it is currently desalinating record production volumes of 30 megalitres of water to potable quality per day, most of which is pumped directly into the municipality's reservoirs, meeting some 20% of its daily water requirements. The plant is currently undergoing an infrastructure upgrade which will see capacity rising to 50 megalitres per day.