



IS IT MINING'S RESPONSIBILITY TO CONTRIBUTE TO THE DEVELOPMENT OF LOCAL COMMUNITIES?

Jon Samuel, Head of Social Performance, 5 December 2012



Real Mining. Real People. Real Difference.

ABOUT ANGLO AMERICAN



TO WHOM MIGHT WE BE RESPONSIBLE?

Local
Communities?

Host
Governments?

Shareholders?

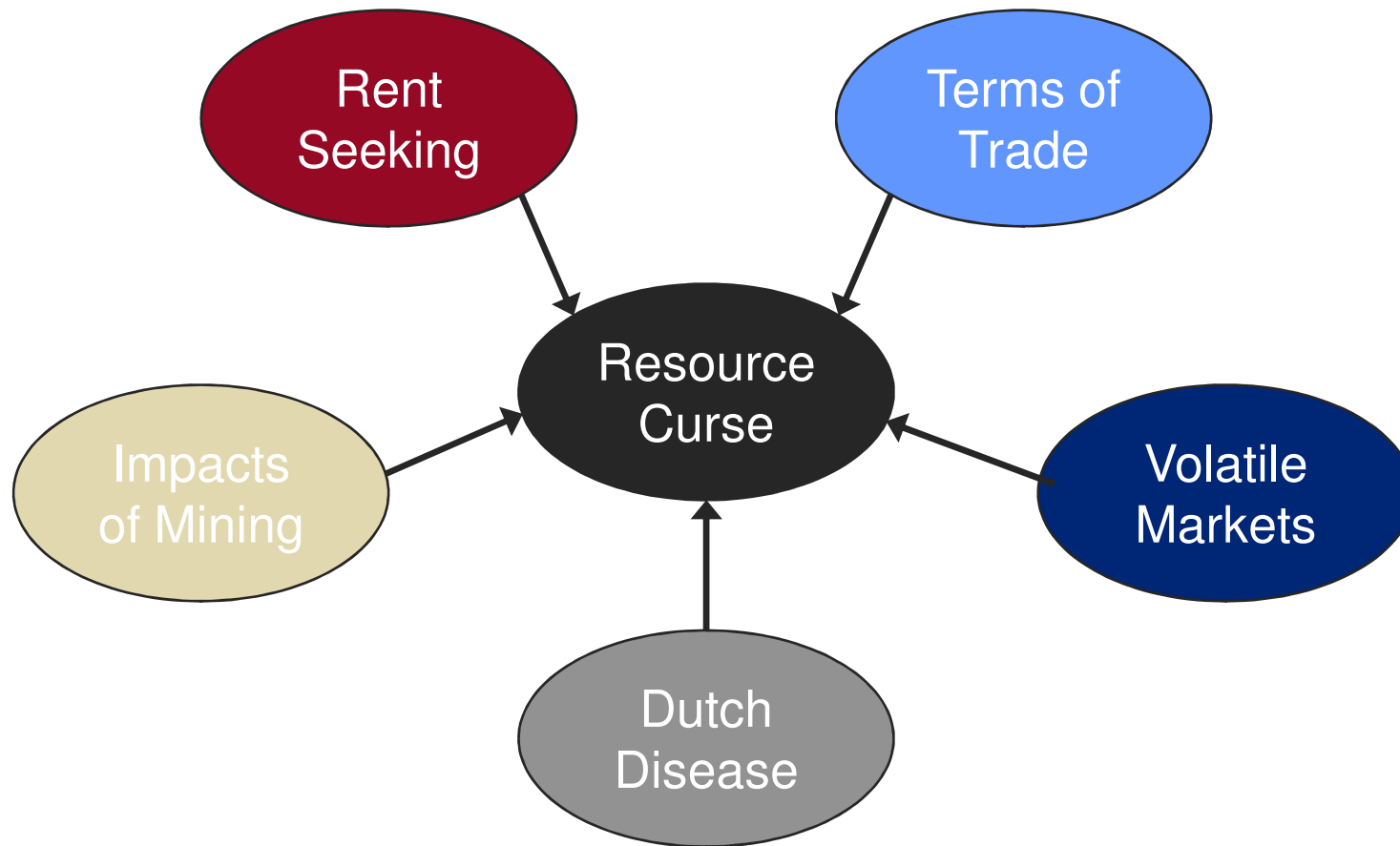
OUR RESPONSIBILITIES TO LOCAL COMMUNITIES

- Mining is a “place based” business. The majority of the impacts that we create – both positive and negative – occur around the mining operations themselves
- Moreover, while we are not a development agency, mining companies are significant development actors and we should recognise that we have a (shared) responsibility to manage socio-economic impacts
- Only proper therefore that we manage the impacts we have on communities, including impacts on community development
- We also need to recognise that whilst mineral resources are extensive and widely spread in global terms, at a specific location the mineral endowment constitutes a one-off opportunity for a community to realise a developmental dividend

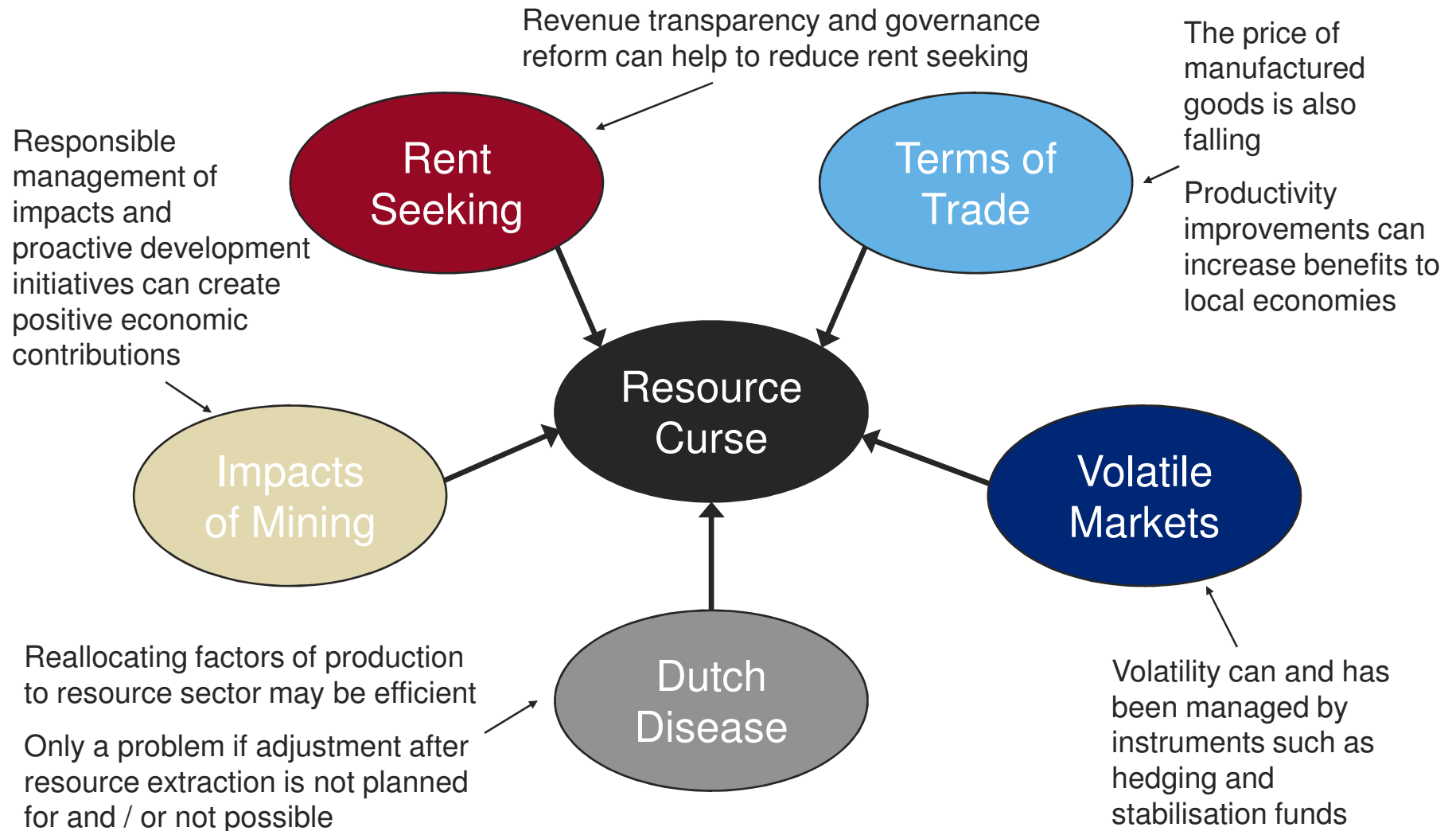
OUR RESPONSIBILITIES TO HOST GOVERNMENTS

- In most jurisdictions mining is, in effect, a tenant operating under licence from the state. However, unlike the oil sector, mining is overwhelmingly controlled by private companies:
 - This generates much debate about where the benefits should flow
- And, broadly speaking, governments seek or permit mining investment in order to secure developmental benefits
- However, there is an extensive academic literature on resource dependent economies, and the problems of dependency on extractives
- Conceptual / data issues with the resource curse theory:
 - Lumping oil and gas and mining together as “extractives”
 - Timeframes, over the economic cycle and longer-term
 - Definitions of mineral dependency
 - Mineral dependent economies may simply have failed to develop other industries
 - In South America and Africa the wealthiest (Chile, Botswana) and most powerful (Brazil, South Africa) economies are major mining countries

RESOURCE CURSE: POTENTIAL CAUSES



RESOURCE CURSE: RESPONSES



SECURING A POSITIVE NATIONAL DEVELOPMENT OUTCOME

- While the resource curse certainly has occurred in some countries, there are plenty of places where it has not and there should be nothing inevitable about it in the mining sector
- Companies have a vested interest in ensuring that their activities do not lead to a negative effect on development, and have a significant role to play by, for example:
 - Taking a strong stand against corruption
 - Supporting sensible use of mineral revenues, including through revenue transparency
 - Advocating and supporting sensible governance frameworks for the sector, at both international and national levels
 - Ensuring operations are run in a responsible manner, including with a professional approach to supporting local socio-economic development

OUR RESPONSIBILITY TO SHAREHOLDERS

- Access to land for new mining opportunities is critical to the future of our industry
- You cannot develop new mines without:
 - Broad support of host communities, in particular by answering the “what is in it for us?” question
 - Explicit permission of host governments
 - If you need project finance, meeting the social and environmental performance standards of lenders
- Stakeholders are looking for long-term benefits from mining. This is now expected to be much more than just jobs and taxes. For example:
 - Local procurement
 - Skills and broader capacity development
 - Small business development programmes
 - Infrastructure support

OUR RESPONSIBILITY TO SHAREHOLDERS

- And closely related to the developmental debate (and often overshadowing it at the international level) is a broader debate about the role and responsibilities of business, including:
 - Transparency and accountability
 - Business ethics and corruption
 - Conflict
 - Human rights
 - Sustainable development

OUR RESPONSIBILITY TO SHAREHOLDERS

If we don't manage these issues well we can expect a range of negative consequences, many of which can lead to bottom-line impacts:

- Reduced investor interest and restricted access to project finance (often driven by performance in SRI indices and Equator Principles requirements)
- Increased perception of risks by investors, leading to increased cost of capital
- Reputational damage:
 - NGO, media, social media, community attacks etc
- Reduced ability to develop new mines (ie lower growth)
- Difficulties in attracting and retaining staff
- Loss of existing mines due to stakeholder actions
- Instability in host communities or countries (particularly damaging for long-term investors like mining companies)

OUR RESPONSIBILITY TO SHAREHOLDERS

And if we don't deliver positive development benefits we can expect governments to try to secure them via other routes, including:

- Higher taxes
- Demands for “free carry” (unfunded equity stakes) in new projects
- Greater state ownership of the sector, and less space for private investors
- Local procurement targets
- Onerous (and possibly counter-productive) regulations on revenue, contract or even procurement transparency
- More complex and stringent permitting and regulatory requirements

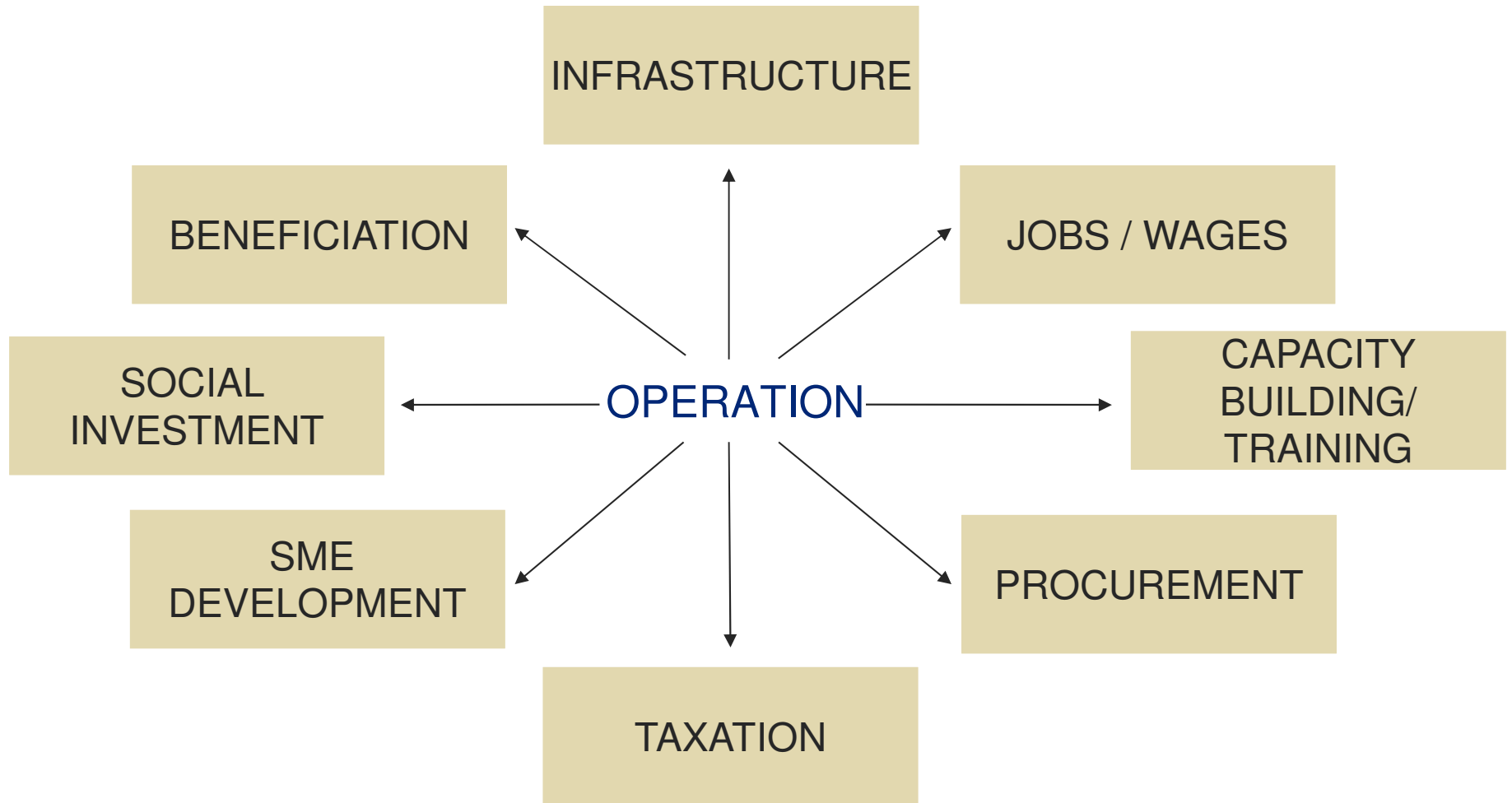
SUMMARY OF RESPONSIBILITIES

Local Communities:
Ensure that locals benefit and secure a dividend from “their” mineral endowment

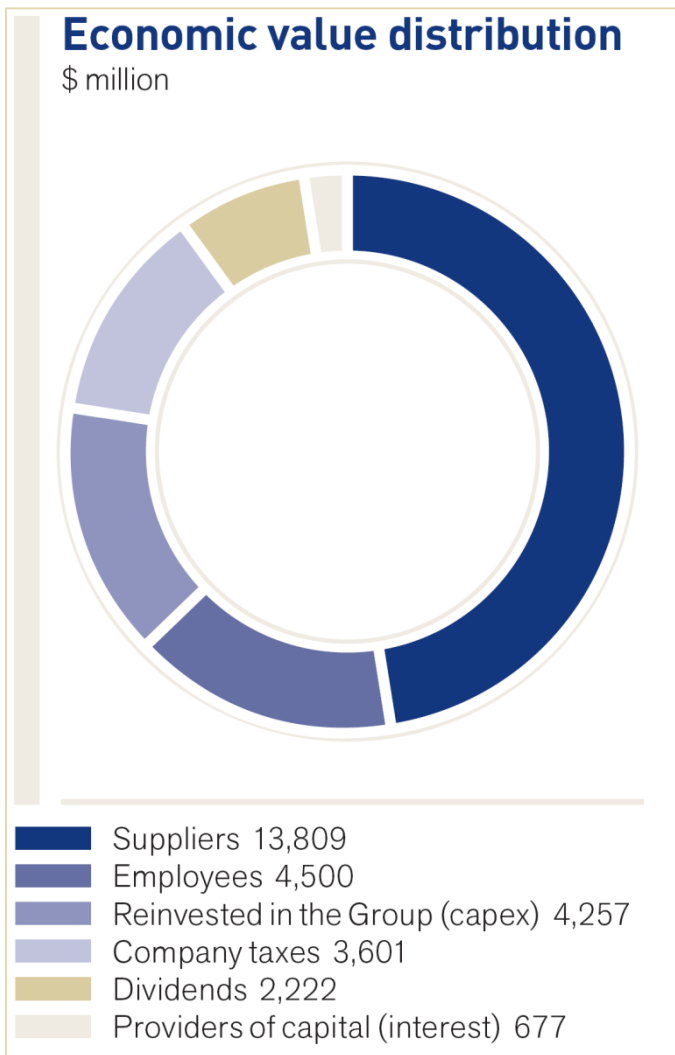
Host Governments:
Meet expectations to deliver on national development aspirations

Shareholders:
Become a preferred partner for resource owners and avoid socio-political costs / disruptions

WHAT ROUTES ARE THERE FOR DELIVERING DEVELOPMENTAL BENEFITS FROM MINING?



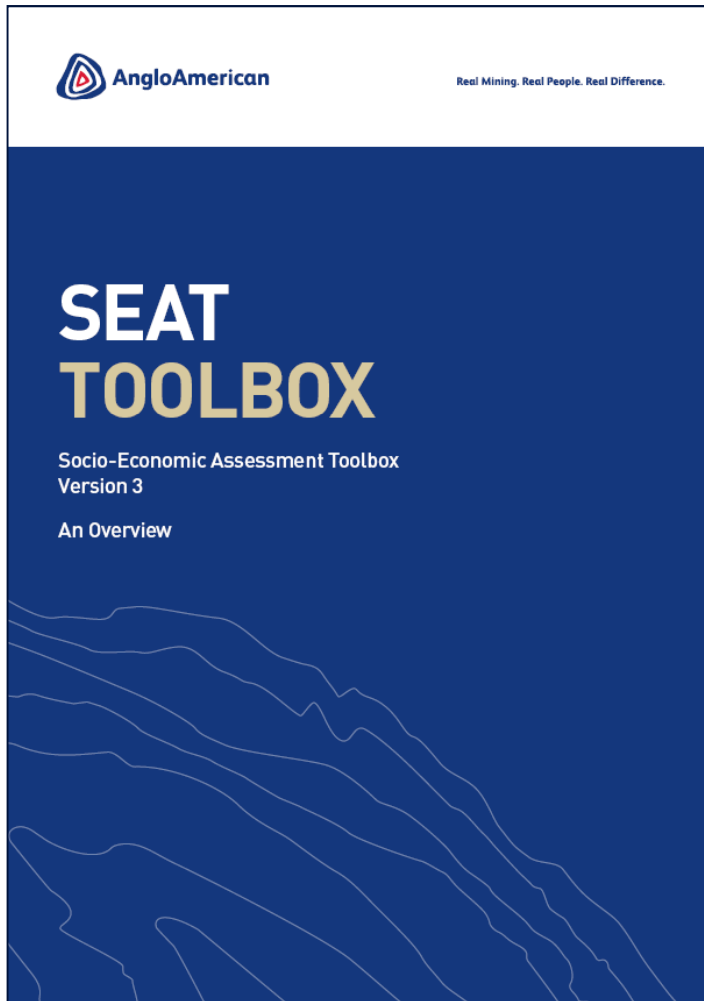
ANGLO AMERICAN'S APPROACH TO SUPPORTING LOCAL SOCIO-ECONOMIC DEVELOPMENT



Our approach to community development is based on understanding local contexts and leveraging our core business to create sustainable upliftment

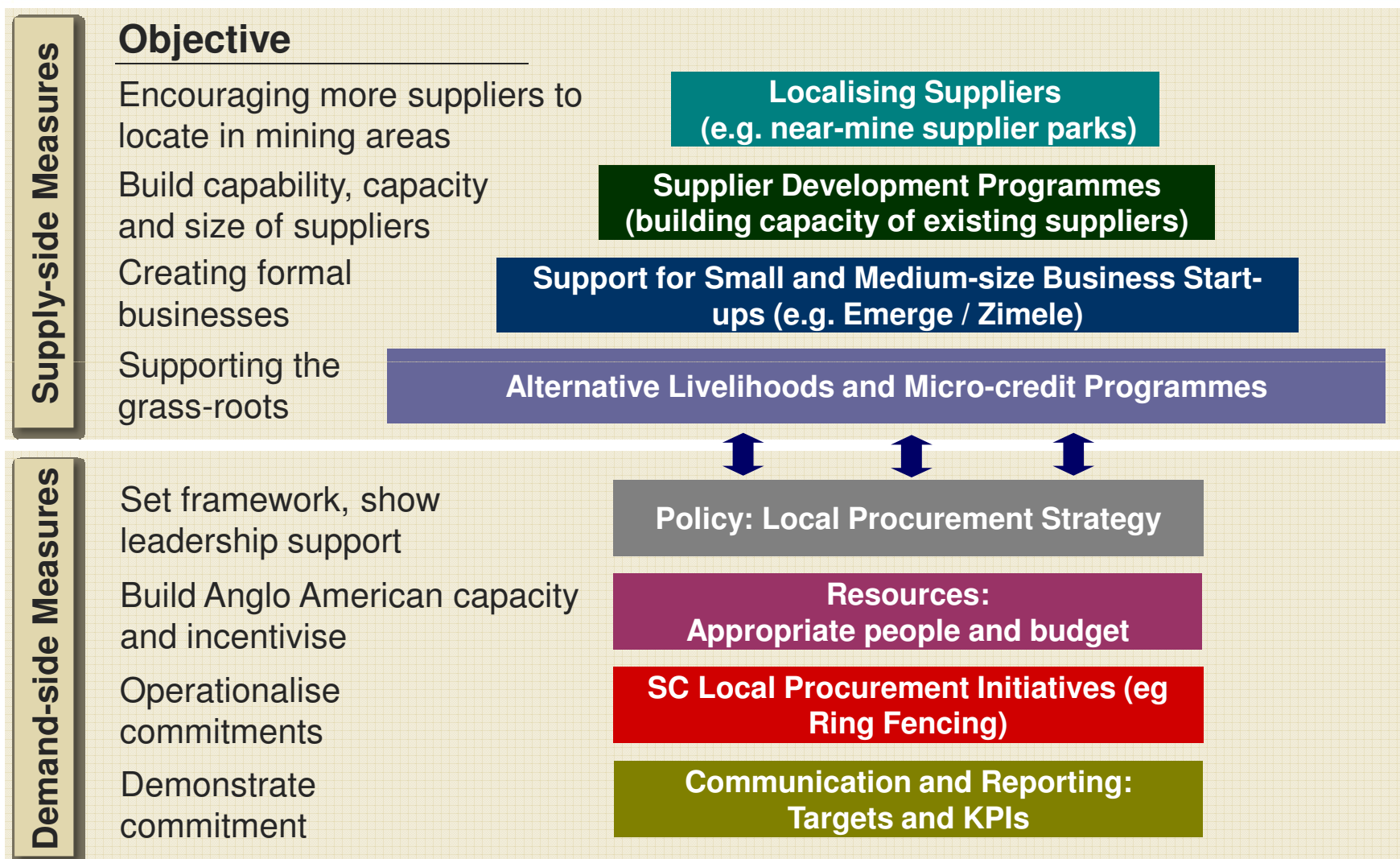


ENSURING WE UNDERSTAND THE LOCAL CONTEXT



- Our **Socio-Economic Assessment Toolbox (SEAT)** is at the heart of our management of social performance and developmental issues
- SEAT is an award-winning manual that provides extensive guidance on:
 - Profiling and engaging with host communities
 - Assessing positive and negative impacts
 - Managing relationships with host communities
 - Contributing to community development
- SEAT provides extensive guidance on understanding our local context, and how we should respond to that
- Freely available at www.angloamerican.com/seat

LOCAL PROCUREMENT



CAPACITY DEVELOPMENT

Taxes borne and collected, by country

\$ million

| | Borne | Collected | Total |
|--------------|--------------|--------------|--------------|
| South Africa | 1,716 | 780 | 2,496 |
| Chile | 810 | 132 | 943 |
| Australia | 597 | 151 | 748 |
| Brazil | 257 | 133 | 390 |
| UK | 162 | 212 | 374 |
| Venezuela | 34 | 0 | 34 |
| Zimbabwe | 7 | 1 | 8 |
| Peru | 2 | 6 | 7 |
| Canada | 2 | 4 | 6 |
| Other | 13 | 4 | 17 |
| Total | 3,601 | 1,422 | 5,023 |

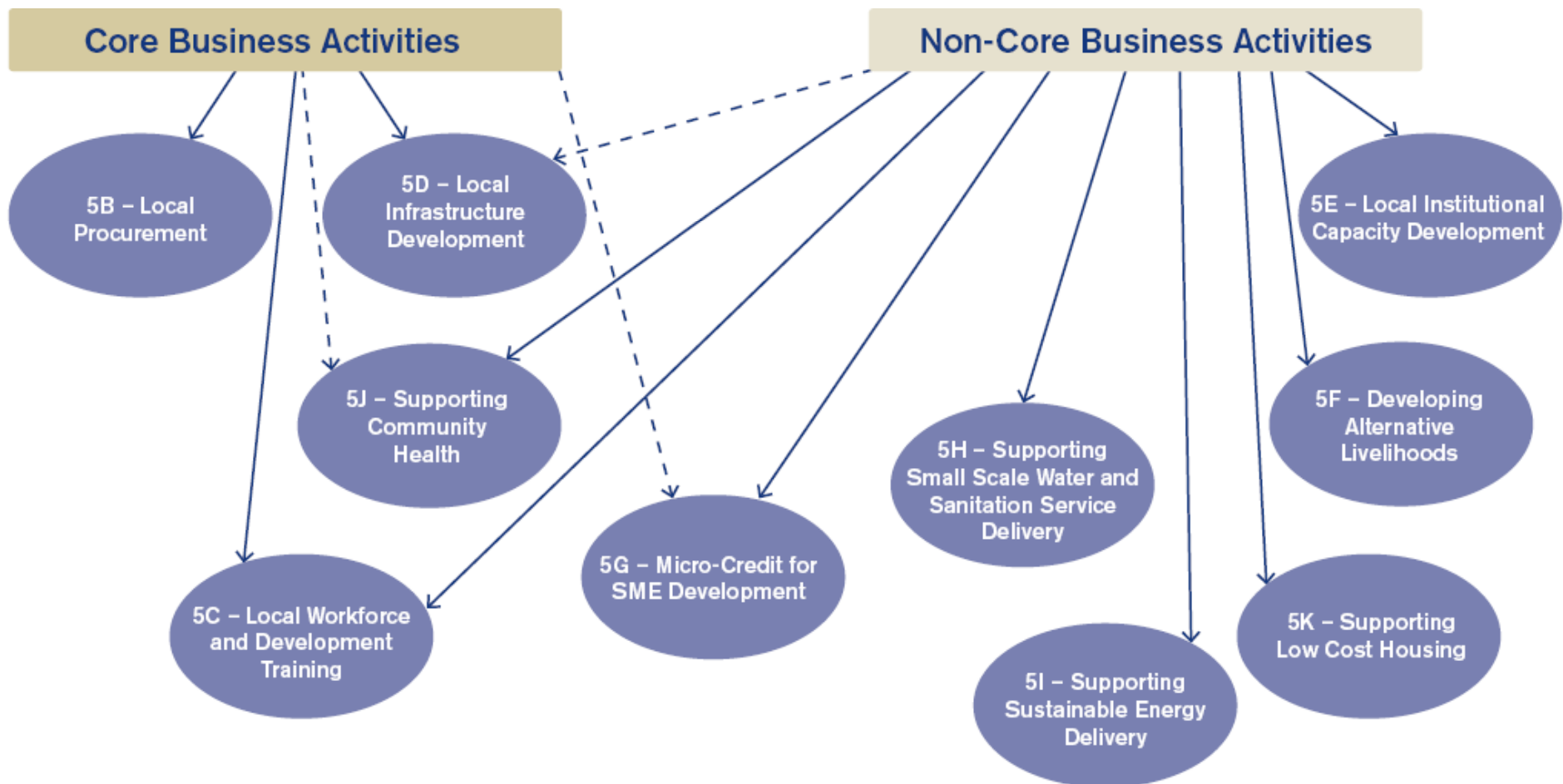
- As a business we pay very significant sums in taxes
- Clear that these revenues are not always well spent, typically due to a lack of capacity
- Meanwhile, we often suffer because of poor public service provision
- We are now engaging on a structured basis in South Africa and Brazil in initiatives to build the capacity of host municipalities and regions
- Working with partners, we have undertaken structured assessments and designed tailored implementation packages
- Focus is on revenue management, accountability mechanisms and basic service delivery

ENTERPRISE DEVELOPMENT

- Through our Zimele and Emerge schemes in South Africa and Chile we are now supporting over 47,000 jobs in small businesses
- We provide a mixture of equity, loans and technical assistance to businesses, and help them understand how our supply chain works
 - Our ongoing procurement needs create a very strong platform from which to support local entrepreneurs
- Currently expanding our ED initiatives to Botswana, Brazil and Peru
- Current focus areas include:
 - Reducing costs: substituting social investments (i.e. grants) with enterprise development activities (i.e. loans, equity participation and business training)
 - Increasing efficiencies: in existing schemes by outsourcing some of the activities to specialist delivery partners (e.g. Technoserve, CARE)
 - Partnering with development finance institutions to increase the capital available
 - Creating revenue: for example by generating captive, low-cost sources of carbon credits
 - Creating more stable host communities and a more robust and competitive supply chain

SOCIAL INVESTMENT

- \$128 million spent on social investment in 2011, about \$0.5 billion in the last 5 years
- Monitored using a Group-wide database and set of indicators to help ensure value for money



CONCLUDING REMARKS

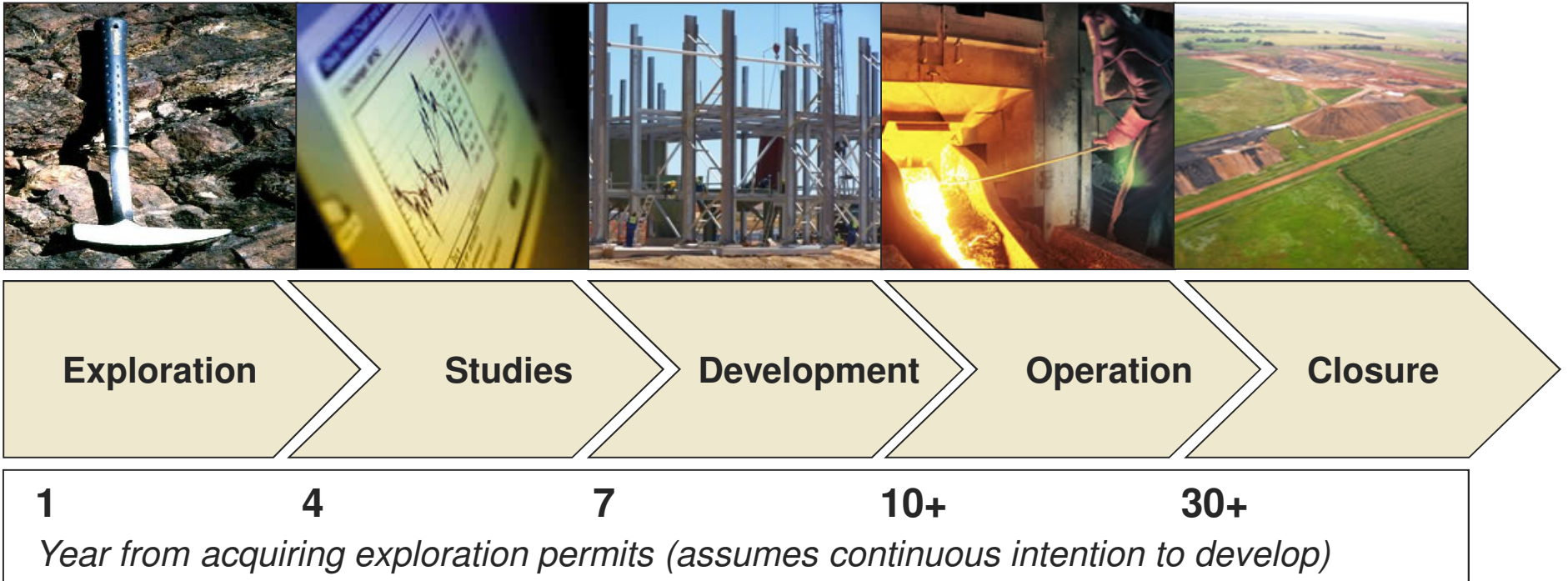
- In Anglo American we do see a very clear responsibility to contribute to community development:
 - Effectively meeting community and government expectations and aspirations reduces socio-political risk
 - We are a long-term investor, and socio-political stability is vital
 - We also see excellence in this area as a differentiator as we compete for ownership of the best resources and try to deliver projects on time and on budget
- Our approach to supporting community development is focused on leveraging the core business, through local procurement, local workforce development and enterprise development
- Social investment remains important, particularly for developmental initiatives that can't leverage off our value chains (eg education, community health, community infrastructure)



THANK YOU

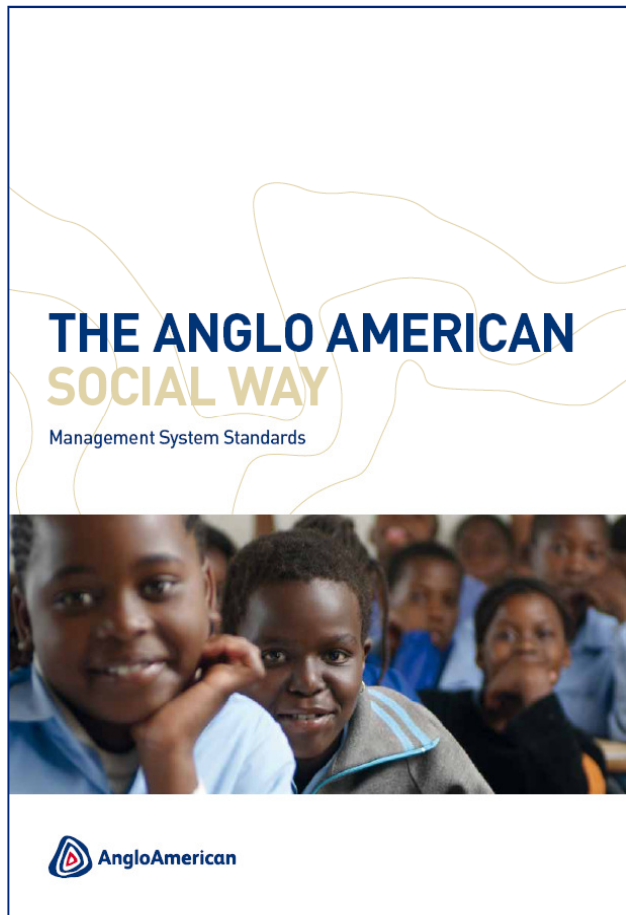
ANNEXES

TIMELINE OF A TYPICAL MINE



- Only approx 1% of exploration targets are ever developed into mines
- Capital Expenditure for “Tier 1” mine typically between \$1 and \$10 billion
- Some of World’s biggest deposits have been mined for over 100 years

MANAGING SOCIAL RISK



Respect human rights

Identify and manage social impacts

Engage employees and stakeholders

Deliver lasting, positive net benefit

Efficiently utilise resources

Obey all laws and regulations

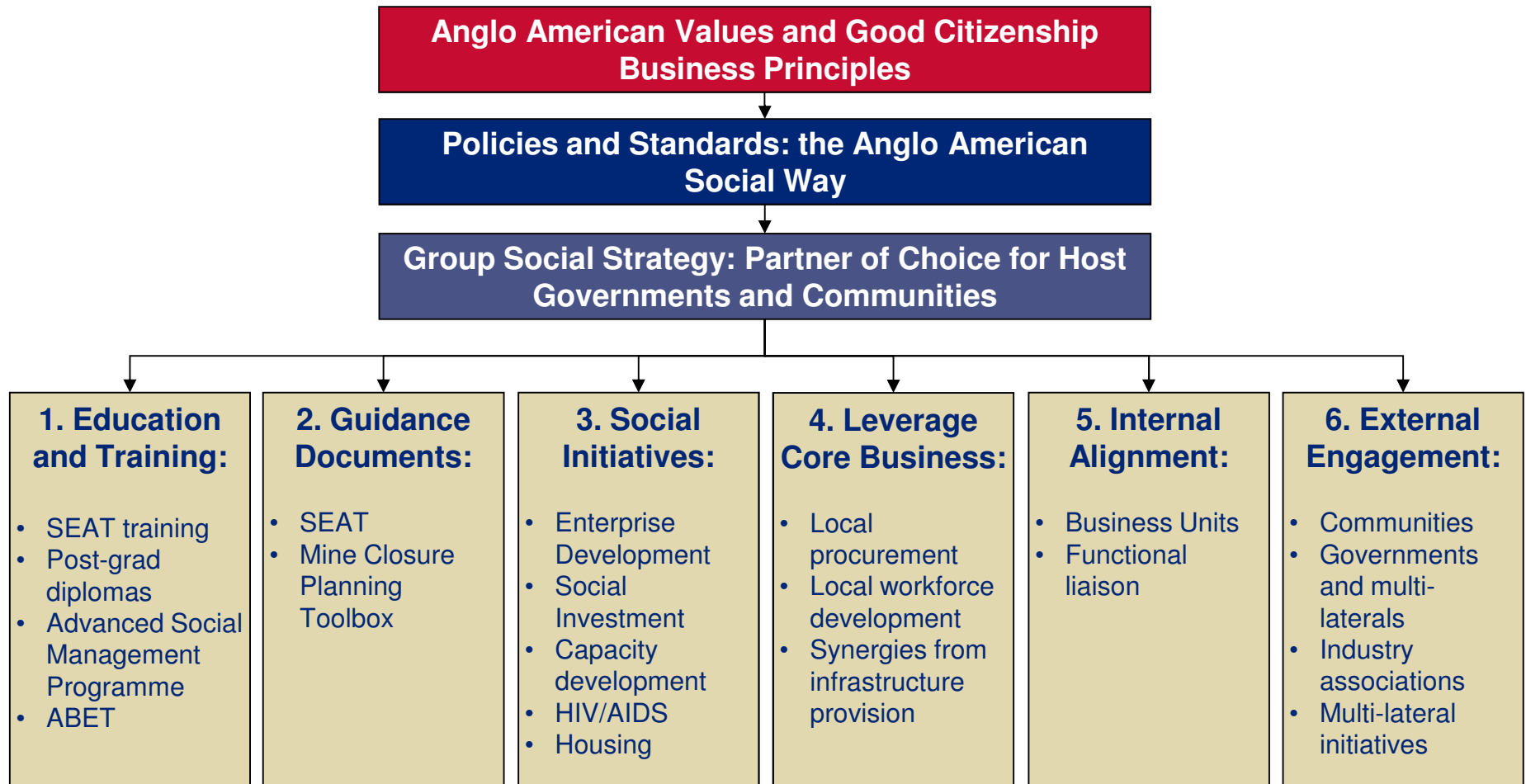
Ensure contractors follow our standards

Set targets, review performance

Develop staff competencies

Report and investigate incidents

SOCIAL PERFORMANCE WORK PROGRAMME



SEAT: STRUCTURE

Engagement throughout



RECURRING ISSUES THAT SEAT ADDRESSES

