



Anglo American South Africa

Economic Contribution to South Africa

Final report, 15 August 2013

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Background

Anglo American South Africa (AA), in consultation with stakeholders, has prepared an assessment of the economic contribution of AA's businesses in South Africa.

Context

In 2013, AA recognised the need to more accurately measure and articulate the company's economic and developmental impact in South Africa.

AA engaged with stakeholders to ensure that the process was inclusive and included indicators of economic impact of most relevance to stakeholders. AA's key stakeholder groups for this study were:

- Government
- Labour unions
- Chamber of Mines
- Mining communities
- Shareholders
- NGOs

Many useful suggestions were made by stakeholders and included in the report.

The study was prepared by Genesis Analytics and PwC.

Scope and limitations

The study focuses on AA's economic contributions at the level of the *national* economy. It does not include analysis at the level of mining *communities*. Nor does it include an assessment of *environmental impacts*. Both of these will be the subject of future studies.

The study also presents available AA data on inputs and outputs rather than the outcomes – for instance what AA has spent and not what the results of that spending are – this is a noted limitation.

The research study has not been assured.

Purpose of the study

- To provide AA and stakeholders with a clear indication, quantitatively where possible, of AA's economic contribution to South Africa.
- To identify how and where AA plays a positive role in the South African economy and society at a national level.
- To identify areas where impact and measurement of impact can be improved.
- To identify the concerns of stakeholders.
- To serve as an internal risk mitigation tool.

Approach



Indicators included in the EIA

- Production value of economic output (direct, indirect and induced)
- Employment created (direct, indirect and induced)
- Taxes paid and collected
- Wage payments made
- Cost of training provided
- Procurement spending
- Investment in enterprise development
- Spending on community investment
- Spending on housing expenditure
- Spending on HIV/Aids treatment and care

Consultation list

Government

- Department of Mineral Resources

Sector

- Chamber of Mines

Shareholders

- Industrial Development Corporation
- Public Investment Corporation

Community representatives

- Benchmark Foundation
- Impala Bafokeng Trust

NGOs

- World Wildlife Fund

There were two responses to stakeholder suggestions:

- Relevant and achievable suggestions were incorporated in the report.
- Suggestions which were relevant but beyond the scope of this report or not achievable due to lack of data, were noted to improve AA data collection and for inclusion in design of future reports.

Consultations were also requested with:

- National Treasury
- Economic Development Department
- NUMSA
- NUM
- AMCU
- CareSA

Definitions used in this report

Economic impact (GVA)

Economic Impact is defined throughout the report as the contribution of an organisation or industry to South Africa's GDP or employment. This contribution to the GDP is known as Gross Value Added (GVA) which consists of gross operating surplus (pre-tax profits), employee costs (household income), depreciation and amortisation. The employment impacts are the number of jobs generated or enabled in the wider economy. The economic impacts have a direct, indirect and induced elements.

Direct economic impact

Direct economic impact is the economic impact generated by AA's business operations in South Africa.

Indirect economic impact

Indirect economic impact is the knock-on effects of economic impact generated by AA's expenditure on suppliers, and the expenditure of those suppliers' down their supply chains in South Africa.

Induced economic impact

Induced economic impact is the knock-on effects of economic impact generated by AA's employees and AA's suppliers' employees spending their wages and benefits in the wider South African economy.

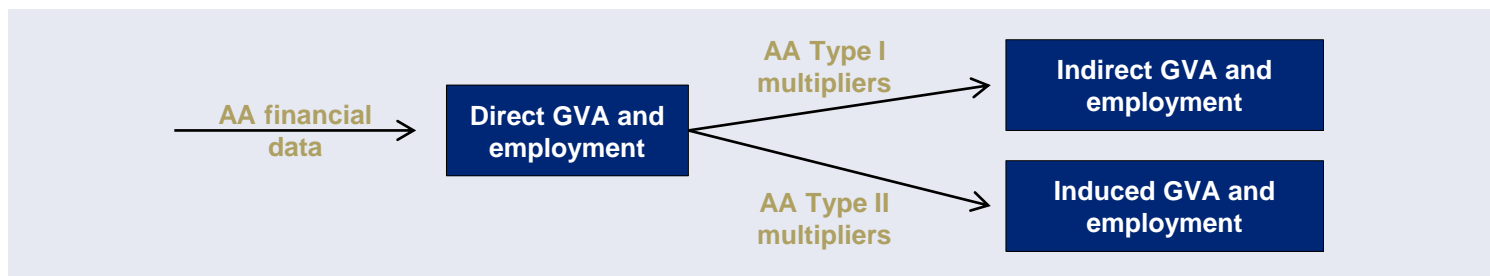
Capital expenditure (Capex)

Is payment by a business for assets such as property, fixtures, or machinery - typically large investments in assets - that can be used to produce something. It excludes expenditure on day-to-day operations such as payroll, inventory, maintenance and advertising. Replacement capex is investment to maintain the economic output level of a capital asset. Expansionary capex is investment to increase the economic output of an asset.

Economic impact assessment methodology

An economic impact assessment estimates the impact of a company on key economic indicators, such as its Gross Value Added (GVA) and employment. It does this by estimating the economic impact of the company's day-to-day business operations (**direct impact**) as well as the knock-on impacts of expenditure down the supply chain (**indirect impact**), and the expenditure of the company's employees and its suppliers' employees (**induced impact**).

AA's direct impact was calculated using real data from its financial accounts, and its indirect and induced impacts were modelled using economic multipliers for South Africa. Economic multipliers estimate the indirect and induced impacts that are generated by companies in different sectors of the economy (Type I multipliers for indirect impacts and Type II for induced impacts). Multipliers are calculated using input-output tables, which is a record of transactions between sectors of the economy, published by Stats SA. AA covers a number of sectors in the economy (coal mining, metal mining, other mining) so a bespoke weighted multiplier was applied based on the fraction of AA's operations in each sector.



The input data used for the economic analysis included the entities identified in the table below, apportioned at their equity share. The tax numbers do not apportion by equity share as they are based on real cash payments.

Included	<i>Kumba Iron Ore (70%)</i>	<i>Anglo Coal (100%)</i>	<i>Anglo American Inyosi Coal (73%)</i>	<i>Mafube Coal Mining (50%)</i>	<i>Anglo American Platinum (80%)</i>	<i>De Beers (85%)*</i>
Excluded	<i>Richards Bay Coal (24%)</i>	<i>Samancor (40%)</i>				

This study covers the primary AA operations in South Africa – business units in which AA has a majority share

* Refer to the following slide seven for full explanation on how De Beers has been incorporated into this report

Economic impact assessment methodology

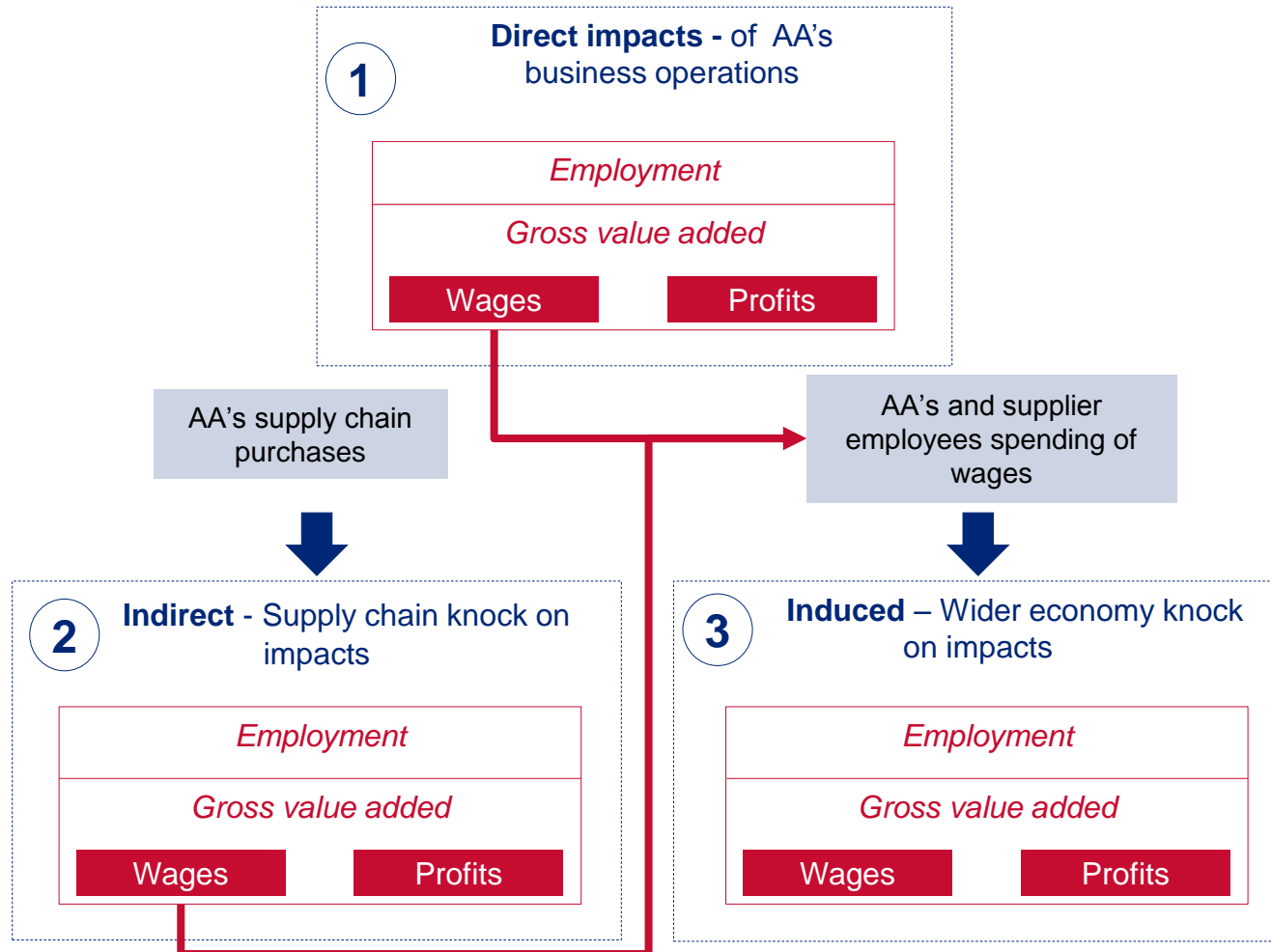
Included	<i>Kumba Iron Ore (70%)</i>	<i>Anglo Coal (100%)</i>	<i>Anglo American Inyosi Coal (73%)</i>	<i>Mafube Coal Mining (50%)</i>	<i>Anglo American Platinum (80%)</i>	De Beers (85%)
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Given that De Beers is a relatively new addition to AA's data reporting processes, not all data is available in a consistent format per KPI area. The following table indicates how De Beers has been incorporated into each of the slides that follow in this report:

Slide	Title	Method for including DeBeers
14	Headline: direct, indirect & induced impact	De Beers share is proportionate to AA ownership
16	Capital expenditure	De Beers is not included as it was only in 2011 that AA increased its De Beers share
18	Suppliers	Procurement data is for total spend in SA, not including De Beers
20	Jobs	Employment figures include De Beers at 100%
21	Wages & benefits	De Beers wages are included at 100% for an entry level miner
22	Housing	De Beers is not included in the housing expenditure forecasts
23	Training	Data is reported as a total for AA. De Beers' contribution is not distinguishable in the current data format
24	HIV/AIDS support	Data reported as a total for AA. De Beers' contribution is not distinguishable in the current data format
26	Production	De Beers is included at 85% share in production values as per AA's annual report
27	Economic linkages	De Beers share is proportionate to AA ownership
28	Sales	De Beers share is proportionate to AA ownership
30	Enterprise Development	Anglo Zimele is a group initiative and is not made up of individual business unit contributions
31	CSI	De Beers is not included as De Beers data has not yet been captured in the AA reporting system
33	Tax	100% approximation of De Beers share

Economic impact assessment methodology

The following diagram illustrates the impacts that are captured by the economic impact assessment methodology:

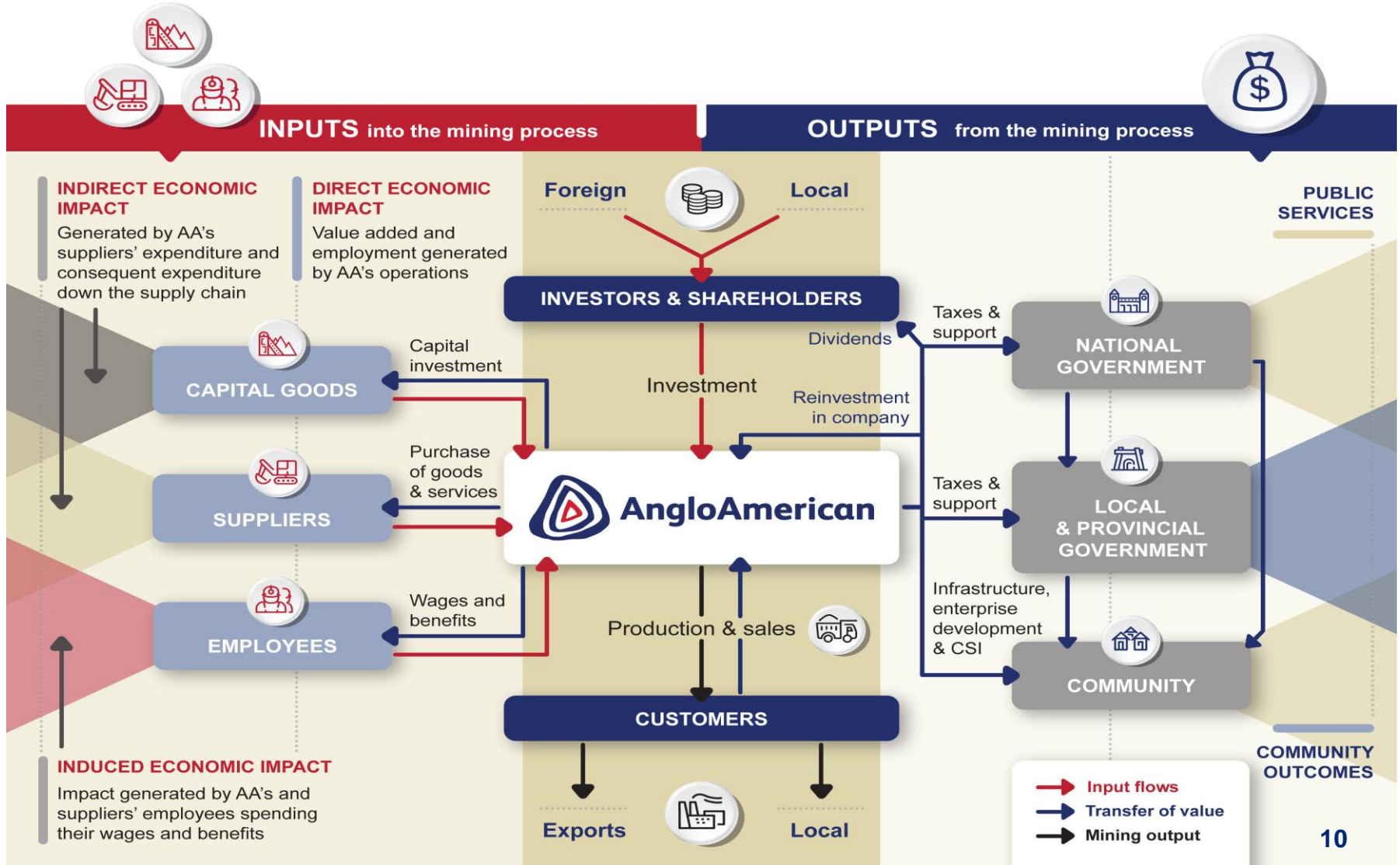


Understanding the mining process: An overview of stakeholders

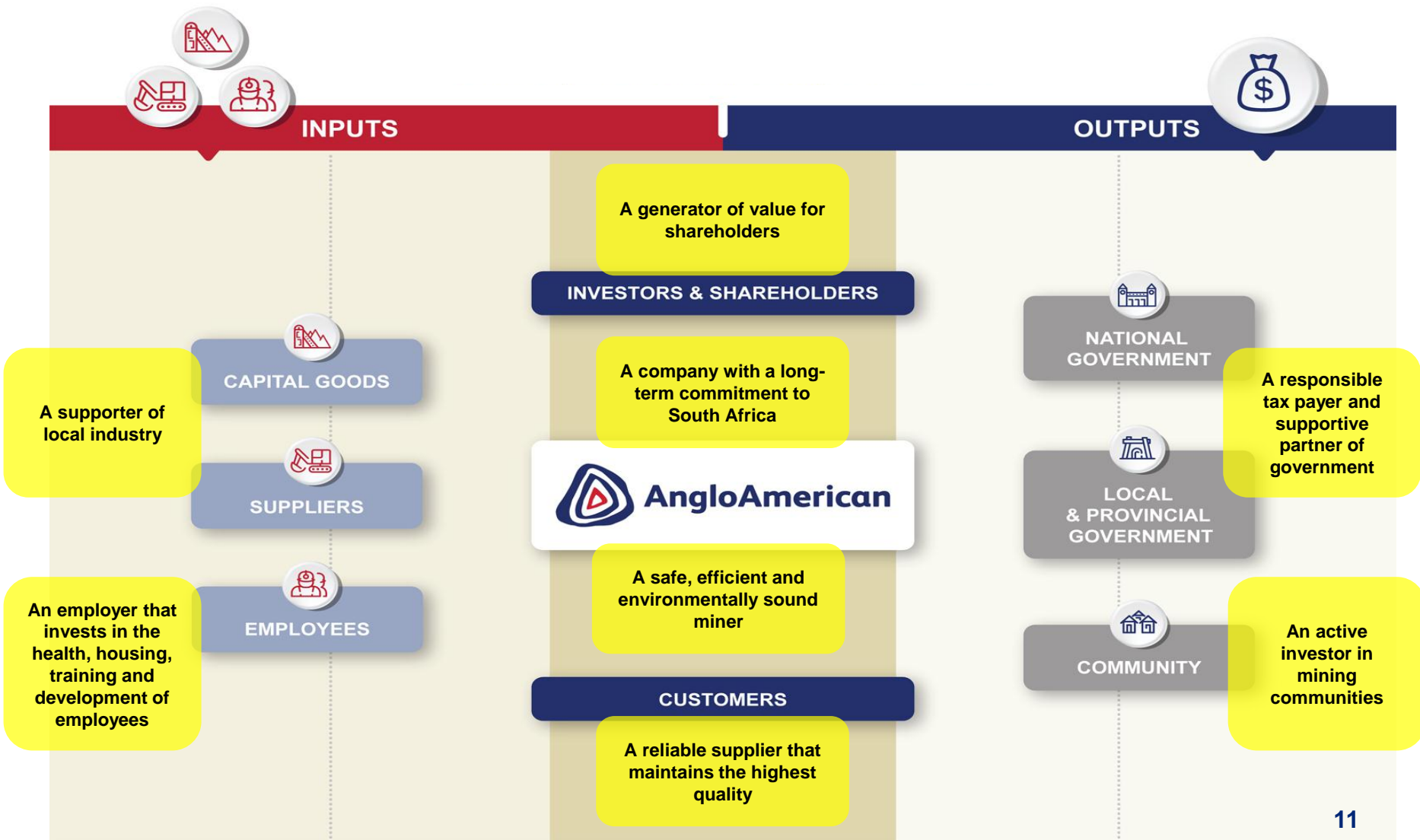
The first step in refining the methodology of the Economic Impact Assessment, is to understand the mining process – who the main stakeholders are, the activities they are associated with, and where in the mining process they fit.



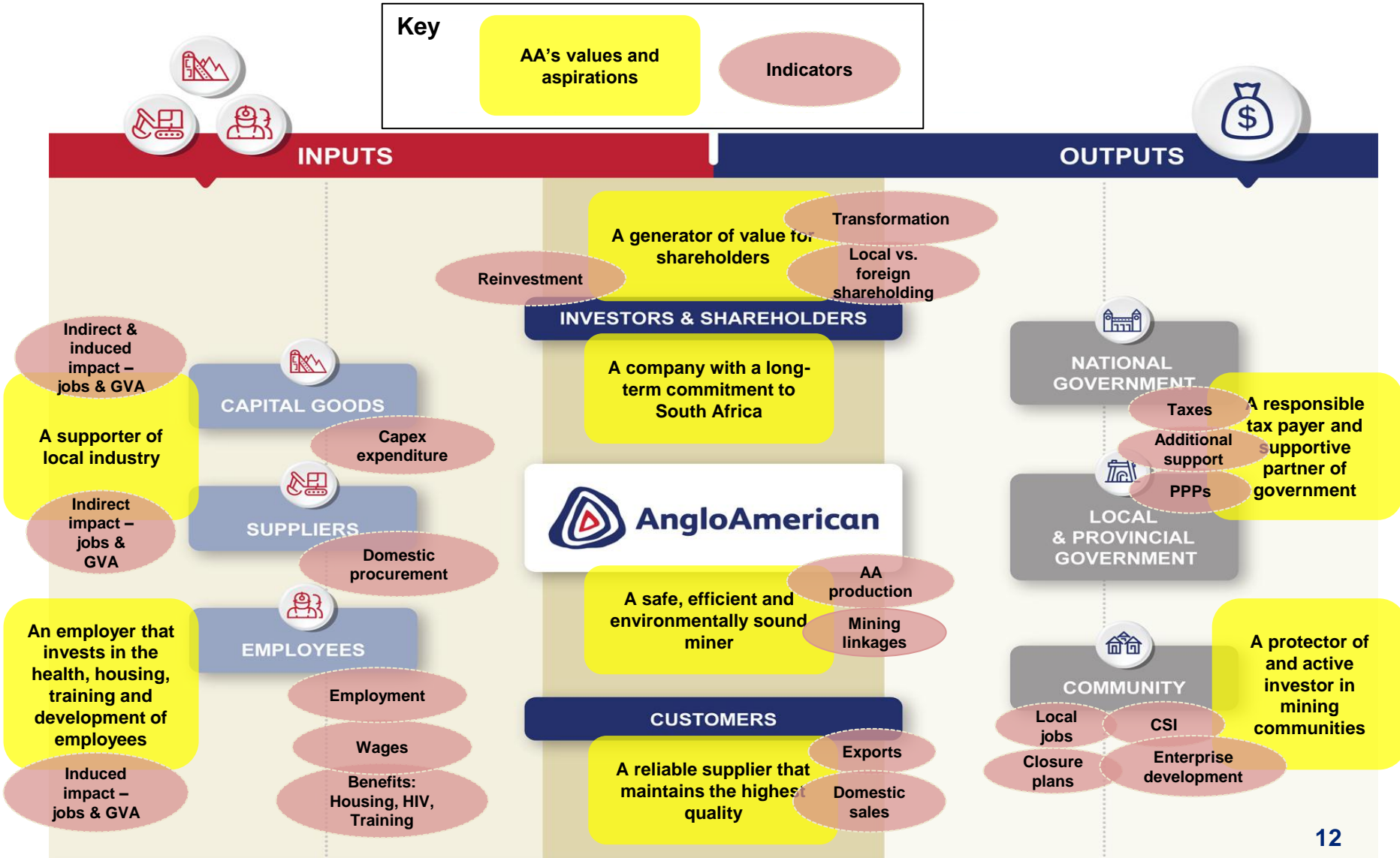
Understanding the mining process: Key activities and definitions



AA's key values throughout the mining process: AA aspires to be...



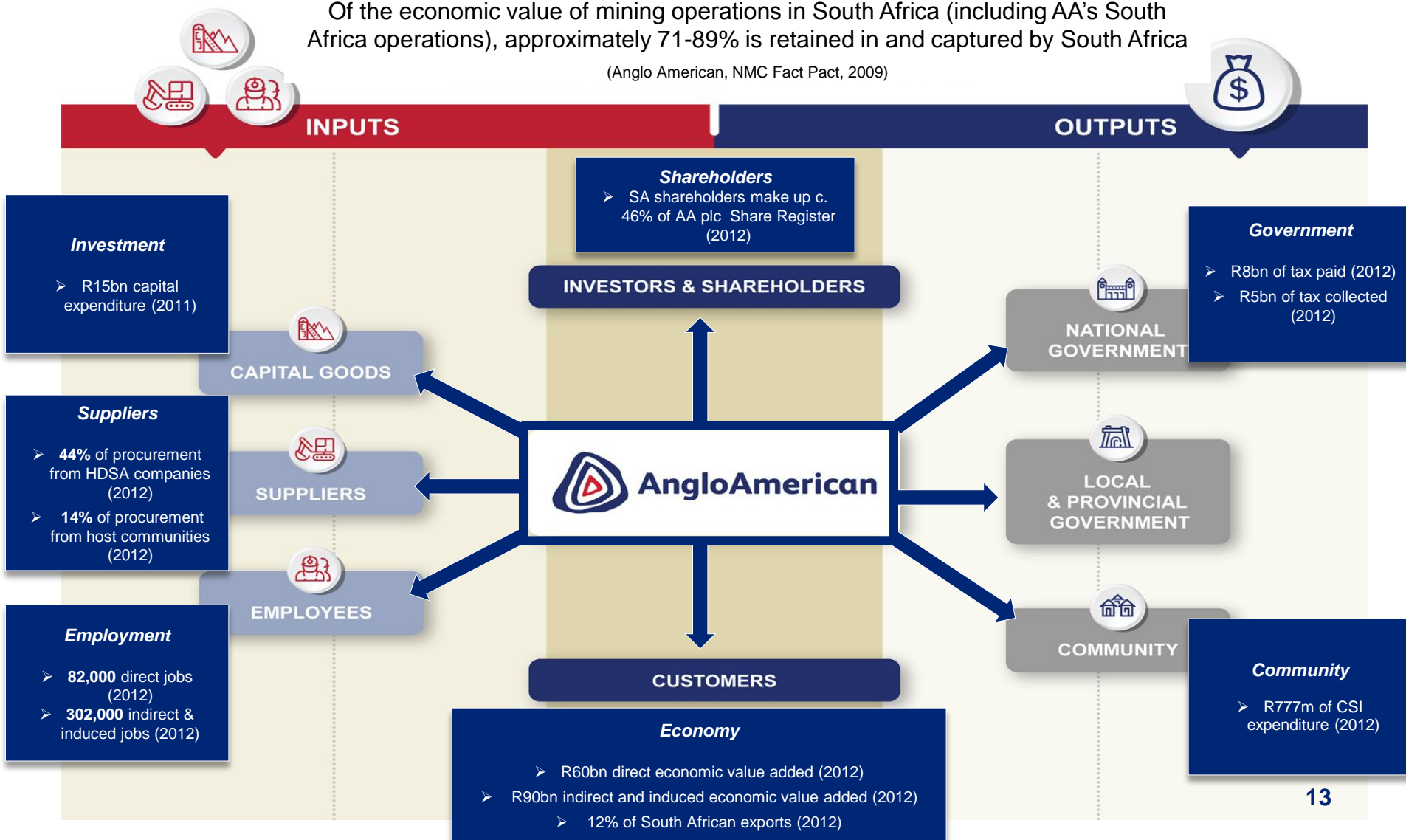
Indicators selected to monitor and assess AA's impact in accordance with AA's values and aspirations:



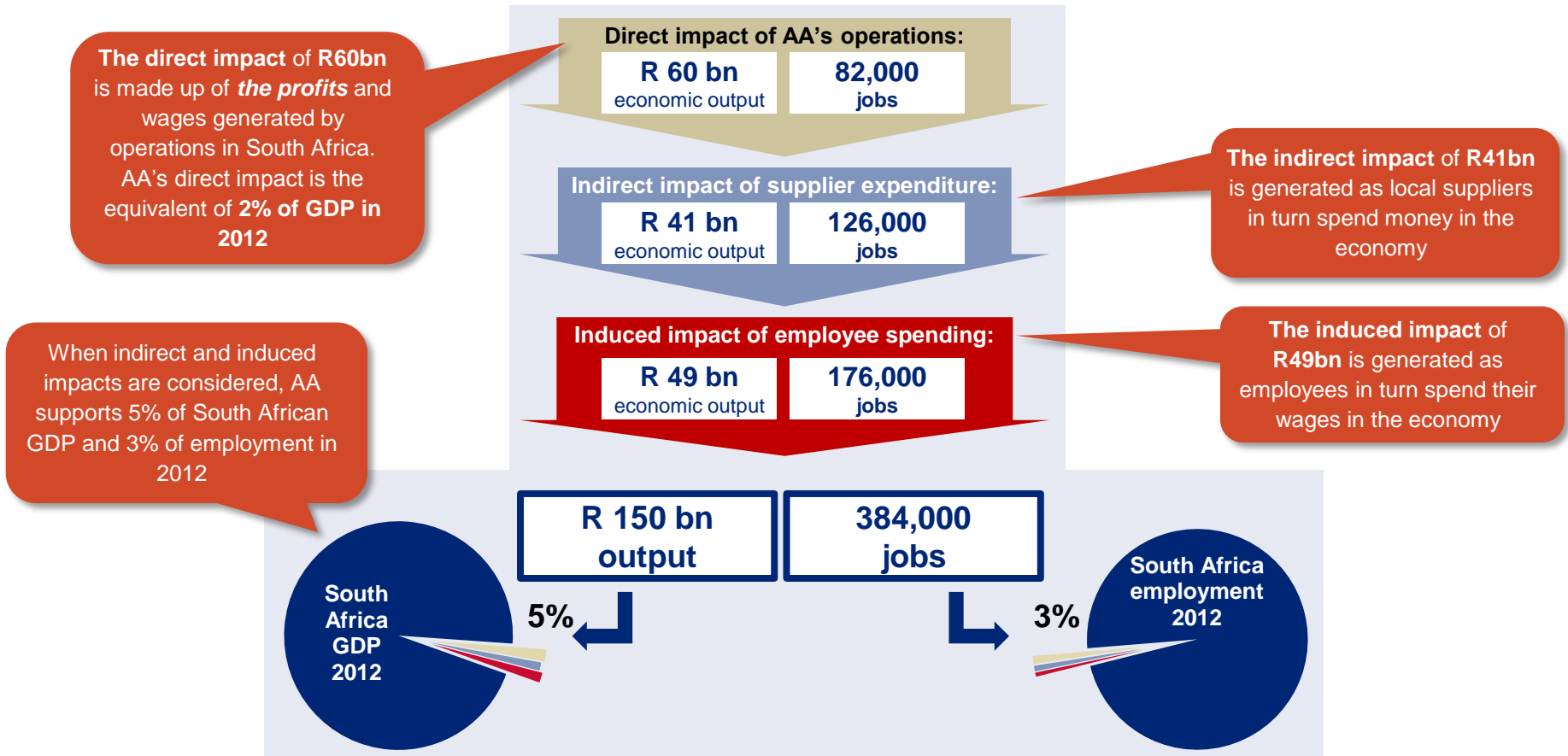
Headline view: AA's economic contribution to South Africa (2011/2012)

Of the economic value of mining operations in South Africa (including AA's South Africa operations), approximately 71-89% is retained in and captured by South Africa

(Anglo American, NMC Fact Pact, 2009)

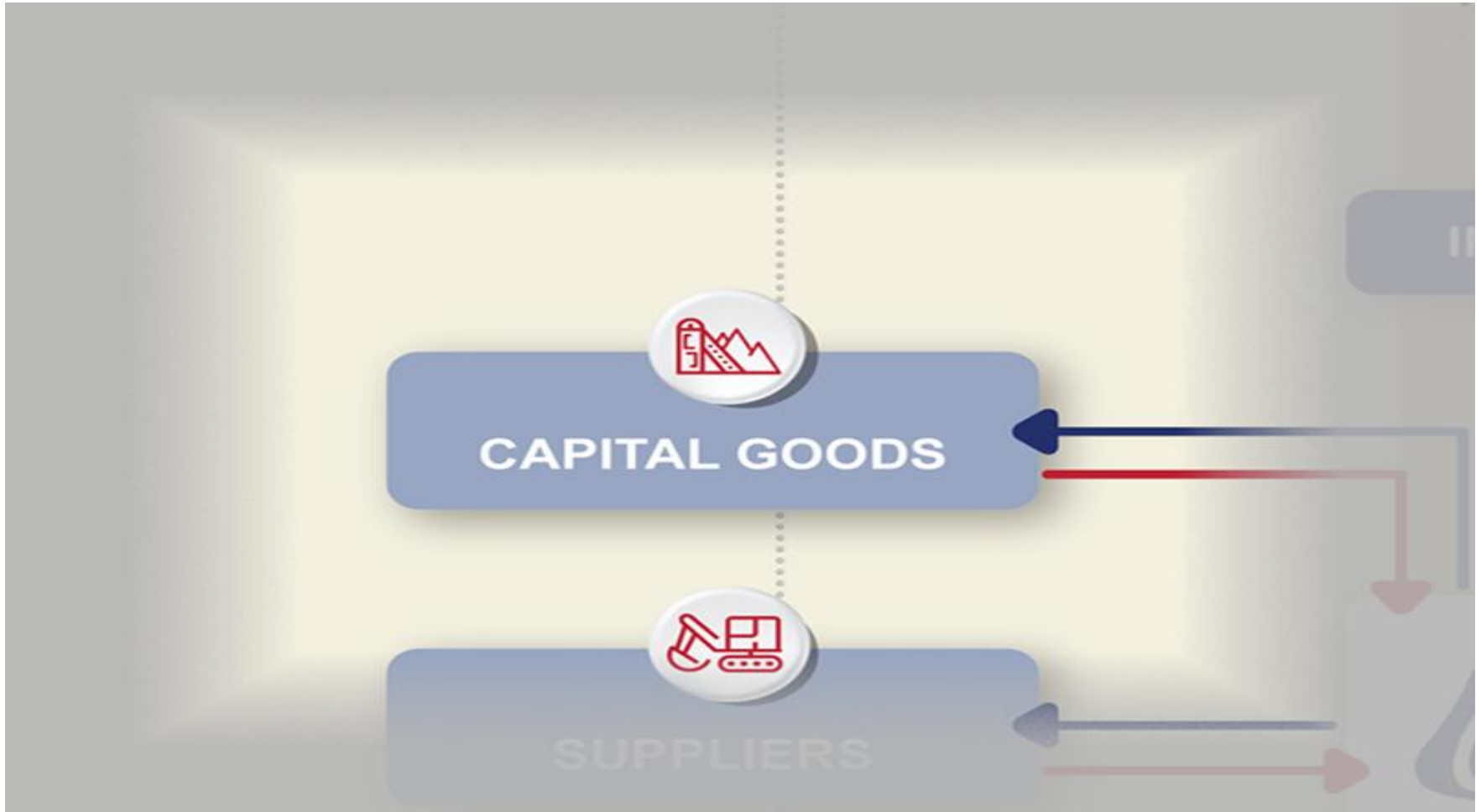


Headline view: AA's economic contribution to South Africa (2012) – jobs and output



In the rest of this report, the economic contribution is broken down at each stage of the mining process

Capital expenditure; indirect and induced impact

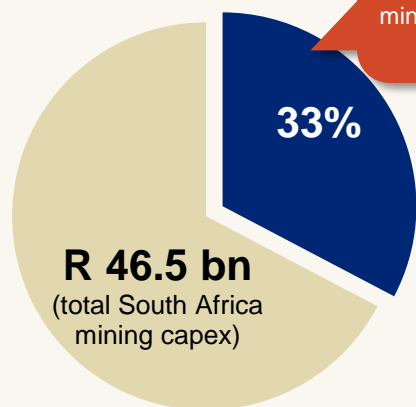


Capital Expenditure:

AA made R15bn of capital expenditure in 2011

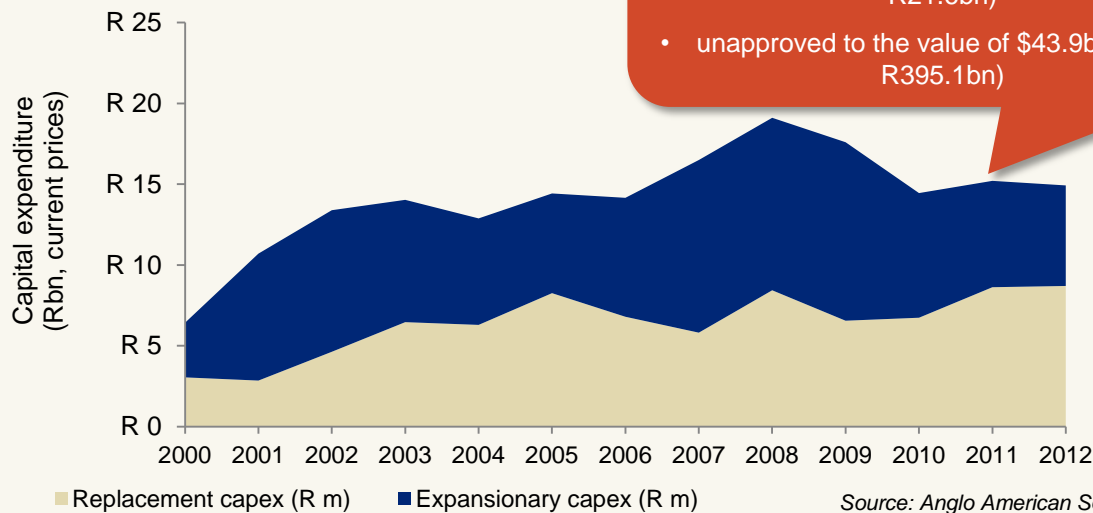
AA's share of total mining capex, 2011

33% was AA's share of total SA mining capex (2011)



Source: Chamber of Mines Facts & Figures 2012

AA's capital expenditure over time, 2000-2012*



Source: Anglo American South Africa

Capex has been increasing. In addition, AA has significant investments in the pipeline after 2012:

- approved to the value of \$2.4bn (approx. R21.6bn)
- unapproved to the value of \$43.9bn (approx. R395.1bn)

AA's capital expenditure is estimated to support additional job creation*:

R 1m
AA capex

=

5
Indirect jobs

+

3
Induced jobs

=

8
Total jobs supported

AA capex in 2011 was predicted to support **76,500 jobs from indirect impacts** and **47,500 jobs from induced impacts**

Source: PwC multiplier analysis based on SA Stats input-output table data

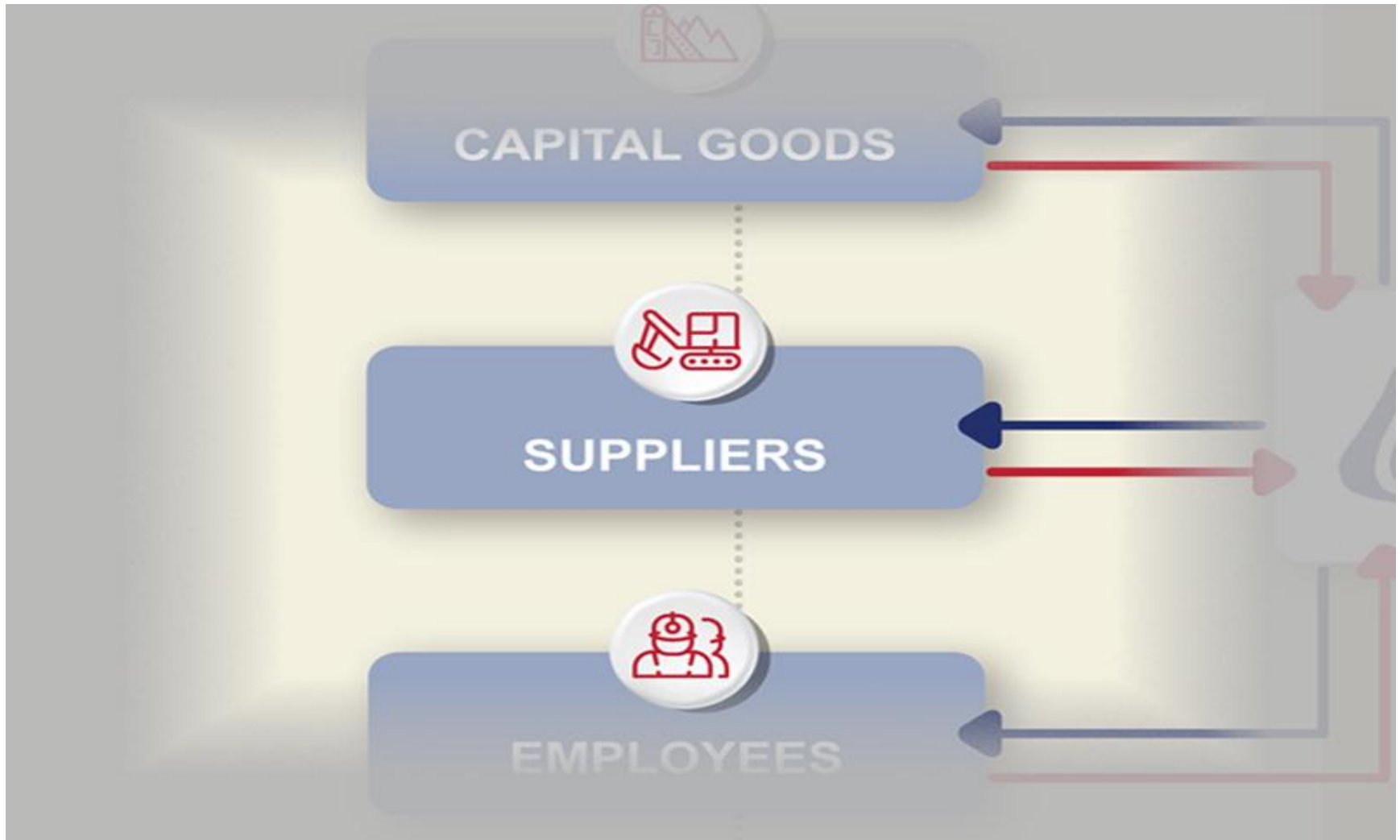
*In the context of capital expenditure, jobs are measured in person years so one job is the equivalent to one person employed for one full year. There are no direct impacts of capital expenditure because the analysis considers the benefits accruing through suppliers rather than AA itself.

Relevance to the National Development Plan

The NDP recognises the need for higher levels of capital spending in order for South Africa to grow faster and in a more inclusive manner [p44].

The plan also cites an urgent need to stimulate mining investment and production, given SA's unrealised opportunity and dominance in mineral deposits [p146].

Domestic procurement; indirect impact

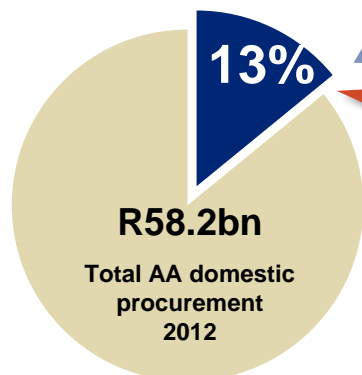


Suppliers:

In 2012 AA's domestic procurement was **R58.2bn**

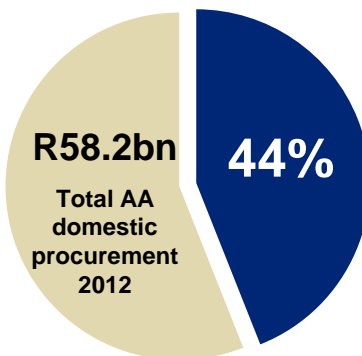
This supports local communities and HDSA businesses:

Local procurement



Of total domestic procurement in 2012 just over **13%** or **R7.4bn** came from host communities and local suppliers at the location of production facilities

HDSA procurement



Of total domestic procurement in 2012 44% or **R25.8bn** was sourced from historically disadvantaged South African (HDSA) businesses

Domestic procurement in context:

Domestic procurement figures do not always indicate the actual local content of supplies, however members of BLSA have committed to analyse and review their procurement strategies. Each company will set a baseline and targets to determine the proportion of imports to locally sourced inputs, and the local content of each.

Source: Local Procurement Accord, 2011

South African mines have traditionally made use of local procurement; in 2009:

- the South African mining industry spent 68% of its GDP on local goods, versus 67% in the USA, 46% in Brazil, and 21% in India.

Source: Anglo American, NMC fact pact, 2009

In 2012, AA domestic procurement of R58.2bn was equivalent to 90% of the Northern Cape's GDP.

Source: Anglo American South Africa, PwC analysis

Indirect impact of AA supplier expenditure:

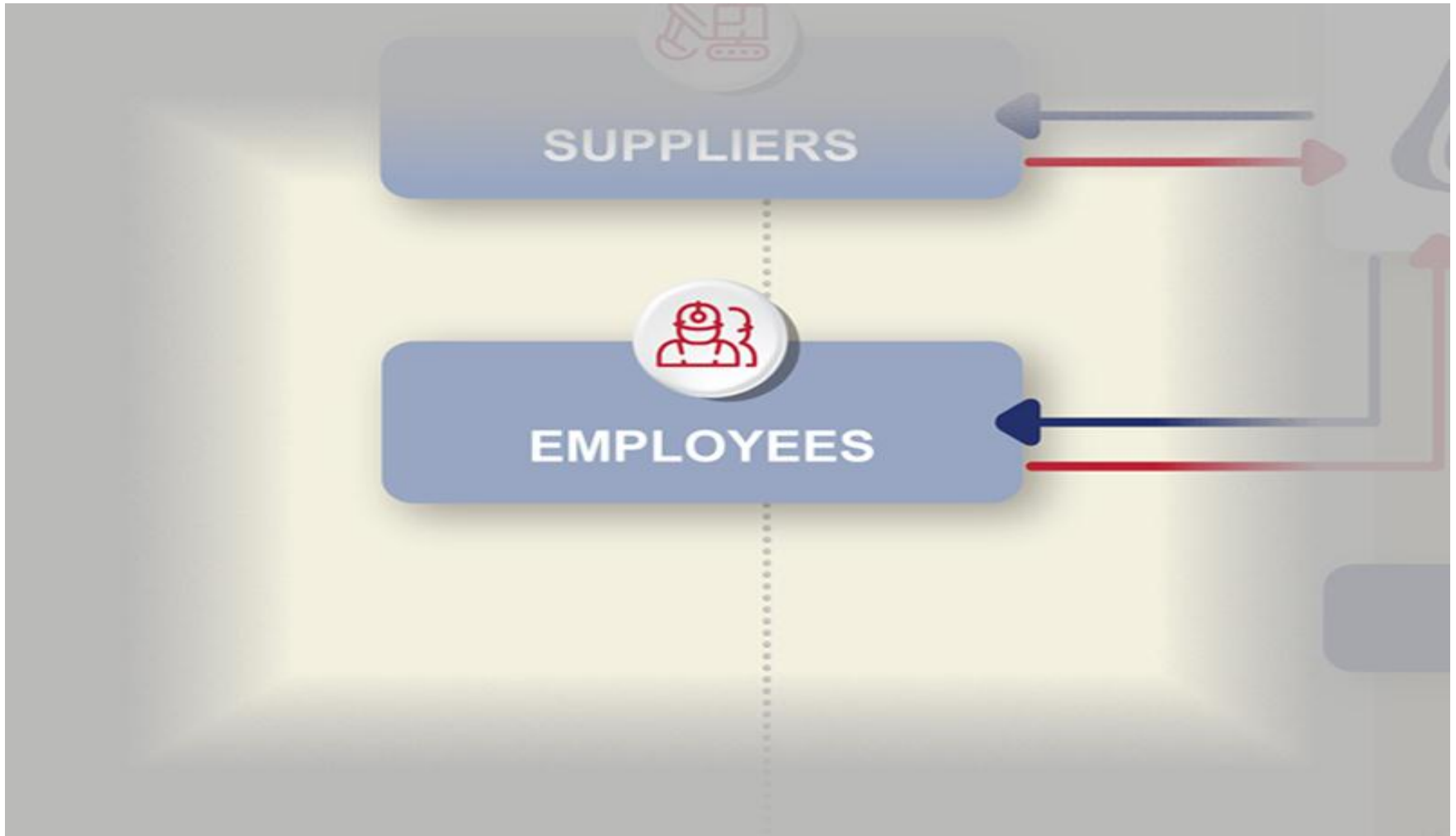
The indirect impact of supplier expenditure from all AA operations are estimated to have supported the creation of **126,000 jobs** and **R41bn in indirect output**.

Source: Anglo American, Statistics South Africa, PwC analysis

Relevance to the National Development Plan

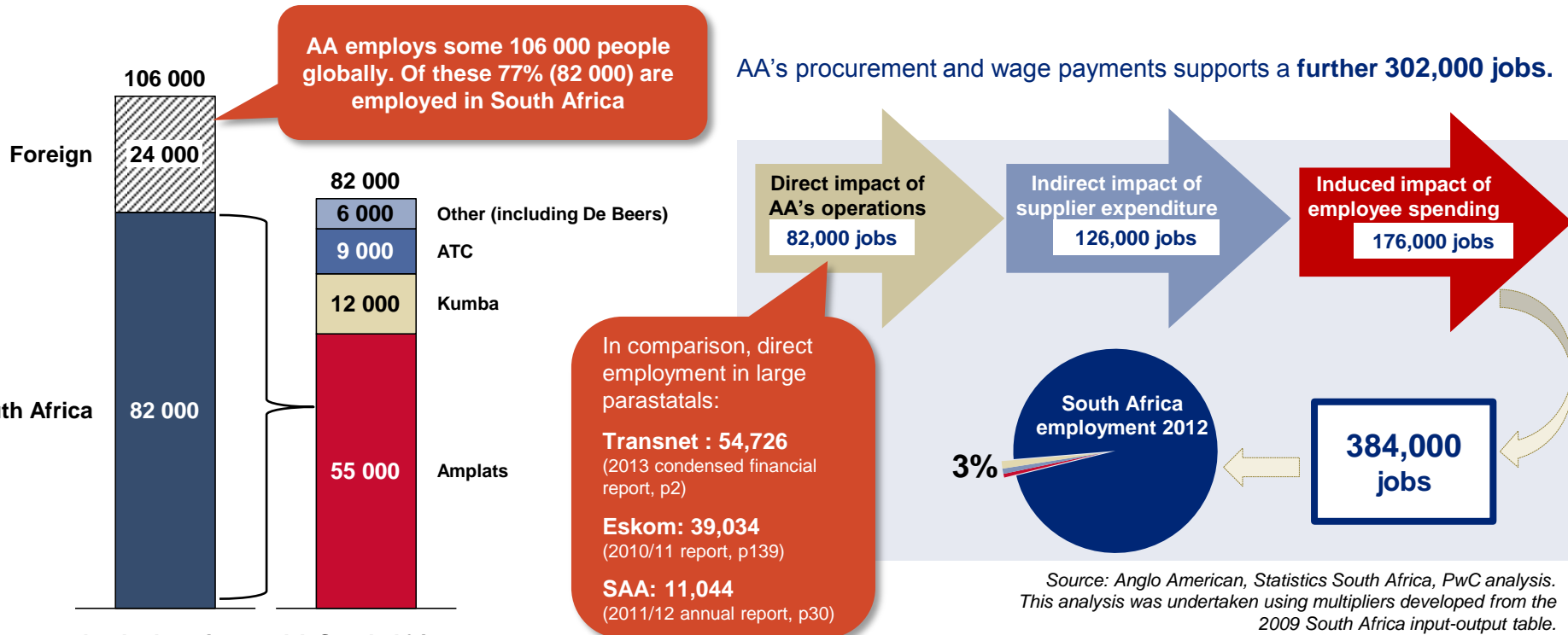
The NDP stresses the need to support small business development and leverage the Local Procurement Accord to promote stronger buyer-supplier relations and deeper localisation. The plan however recognises that "efforts to stimulate local procurement should not reinforce higher costs for the public sector or business because this will undermine growth and job creation" [p129].

Employment; wages; benefits (housing, training, healthcare); induced impact



Jobs:

AA employs a workforce of approximately **82,000** people in direct operations.



These employment figures do not include the further jobs and enterprises created by Anglo Zimele (discussed in slide 30)

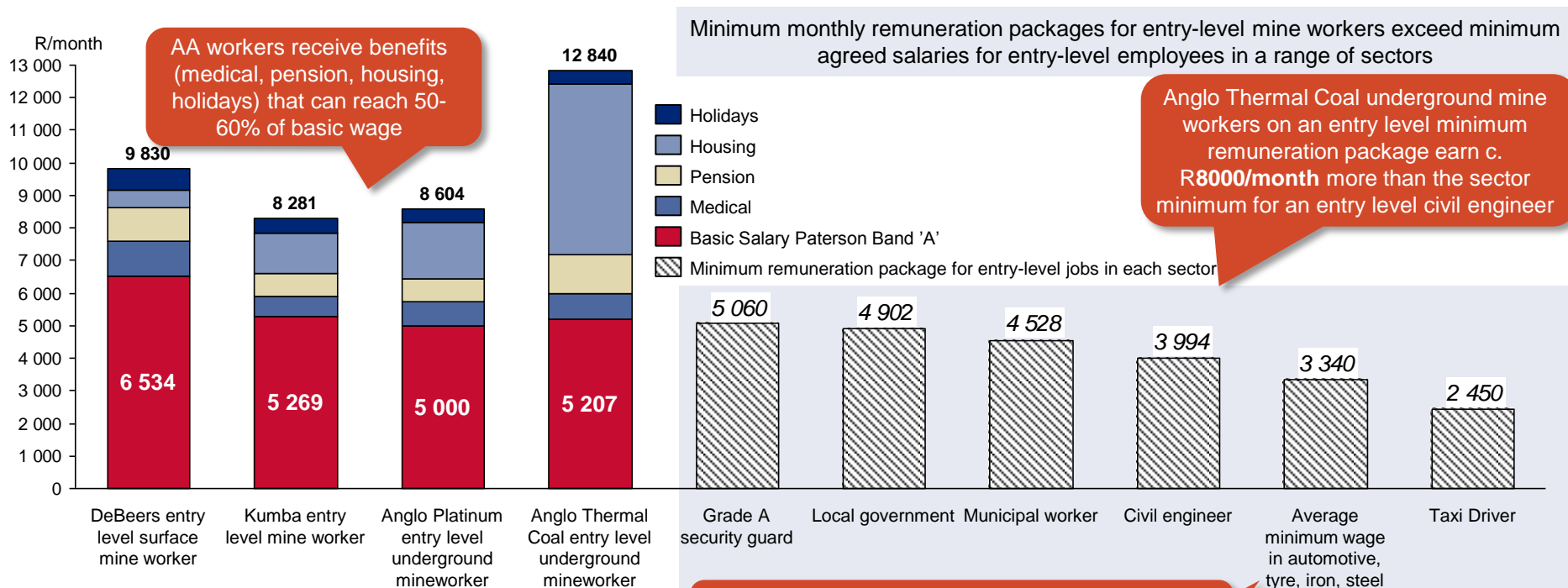
Relevance to the National Development Plan

Job creation is central to the NDP. Growing the economy faster and making it more labour absorbing, is a key focus.

NDP objectives for employment include a decrease in the strict unemployment rate from 25 per cent to 14 per cent in 2020 and to 6 per cent in 2030 [p117].

Wages and benefits:

Monthly packages across different AA's business units for entry level miners , 2012



Source: Anglo American South Africa

Relevance to the National Development Plan

The NDP argues that "to achieve a "decent work" agenda, one must balance faster expansion in employment opportunities with the protection of human rights" [p134].

The plan also stresses that, "Wage determination in the private sector must be conducive to employment and equity objectives" [p132].

NUMSA negotiate wages for both metal workers and mine workers. These sectors require a similar level of skill from entry level workers

Source: Information on industries other than mining are obtained from sectoral determinations on DoL website or from relevant bargaining council's website.

*The AA salary levels relate to 'A' Paterson band basic entry level salary for: Anglo Thermal Coal - underground mine worker, Anglo Platinum – underground mine worker, Kumba - iron ore mine worker and DeBeers – Kimberly surface mine worker.

The Paterson grading system is an analytical method of job evaluation, used predominantly in South Africa. It is based on a single common factor which occurs in jobs at all levels in organisations. This common factor is the level of decision-making, and influences the banding questions within the system.

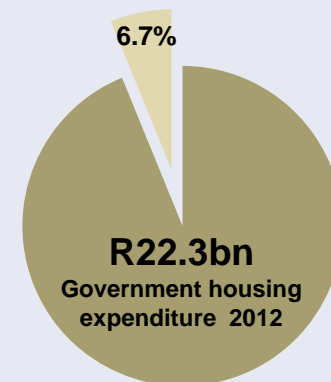
Non-mining industry information are for the minimum remuneration packages for entry-level in each sector. Note that the contents of these remuneration packages will vary, as they are at the discretion of the employer (although some may be determined at the sector level).

Housing:

AA spent approximately **R1.46bn** on housing allowances and related expenses in **2012** →

AA housing	2012 expenditure	2013 budget	2014 budget
Kumba	970 907 642	71 334 017	549 000 000
ATC	386 036 123	492 208 472	647 439 383
Anglo Plat	110 000 000	414 000 000	401 000 000
Total	1 466 943 765	977 552 489	1 597 439 383

R1.46bn is equivalent to 6.7% of total 2012 government expenditure on housing



AA's 2012 housing support had a direct impact on **25,275** employees, 3657 of which are in family houses

AA employee housing options	Employees housed in 2012
Hostel (1 per room)	5596
Hostel (2 per room)	4032
Mine accommodation	11 990
Company built houses (sold / rent-to-buy)	3657

Anglo Plat and ATC have completed all hostel conversions, and Kumba has converted 18 hostels into flatlets

Relevance to the National Development Plan

Recognising the importance of housing in SA, the NDP calls for a review of the current housing support regime (including a focused strategy on the housing gap market, involving employer housing schemes) with a view to ensuring diversity in product and finance options, allowing for more household choice and greater spatial mix and flexibility [p69].

AA continues to work towards affordable and sustainable housing, through public private partnerships; hostel conversions, and innovative housing solutions

Training:

2012 AA training expenditure was **R732.8m**

This amounted to **4,527,277 training hours** for AA employees

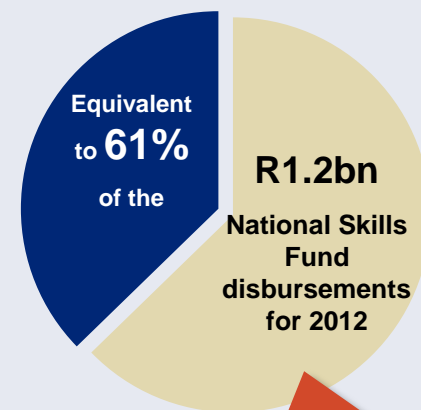
This equates to **3.1%** of Anglo American's employee costs* in 2012

Relevance to the National Development Plan

The NDP recognises the private sector as important partners in the delivery of education and training at all levels, in order to expand SA's skills set through better education and vocational training [p295].

Training examples:

- AA offers adult basic education training (ABET) programmes to ensure unskilled workers are functionally literate and numerate.
- Anglo Platinum offers own-time and company-time adult basic education (ABET) programmes to ensure unskilled workers are functionally literate and numerate.
- Kumba's Tshipi skills training centre offers a range of practical skills to the community around Sishen, and provides accredited civil engineering apprenticeships in five building trades.
- Kumba Engineering Training Centre is in a formal partnership with Dept. of Education to train artisans.
- Kumba has three accredited training centres to develop artisans for the mining community in the Northern Cape.
- AA spearheaded the Tripartite Safety Initiative for industry-wide impact.

AA training expenditure (2012) in context:


The NSF is seeded with skills levy contributions from private sector firms and employees. The disbursements go to sector SETAs for training

In 2011, AA employee training expenditure was **three times more than the mining sector average**

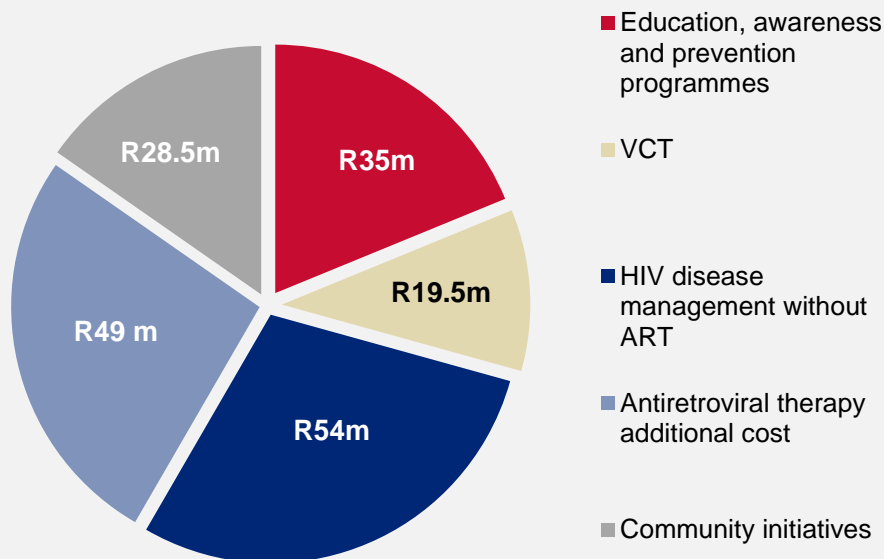
(Source: South African Chamber of Commerce and Industry)

*Employee costs are measured as the total payroll costs

HIV/AIDS Support:

AA operates the largest private sector HIV/AIDS treatment programme in the world

Total HIV/AIDS spending in 2012 was approximately **R186million**



Source: Anglo American South Africa

96,993 employees and contractors underwent voluntary counselling and testing against HIV in 2012

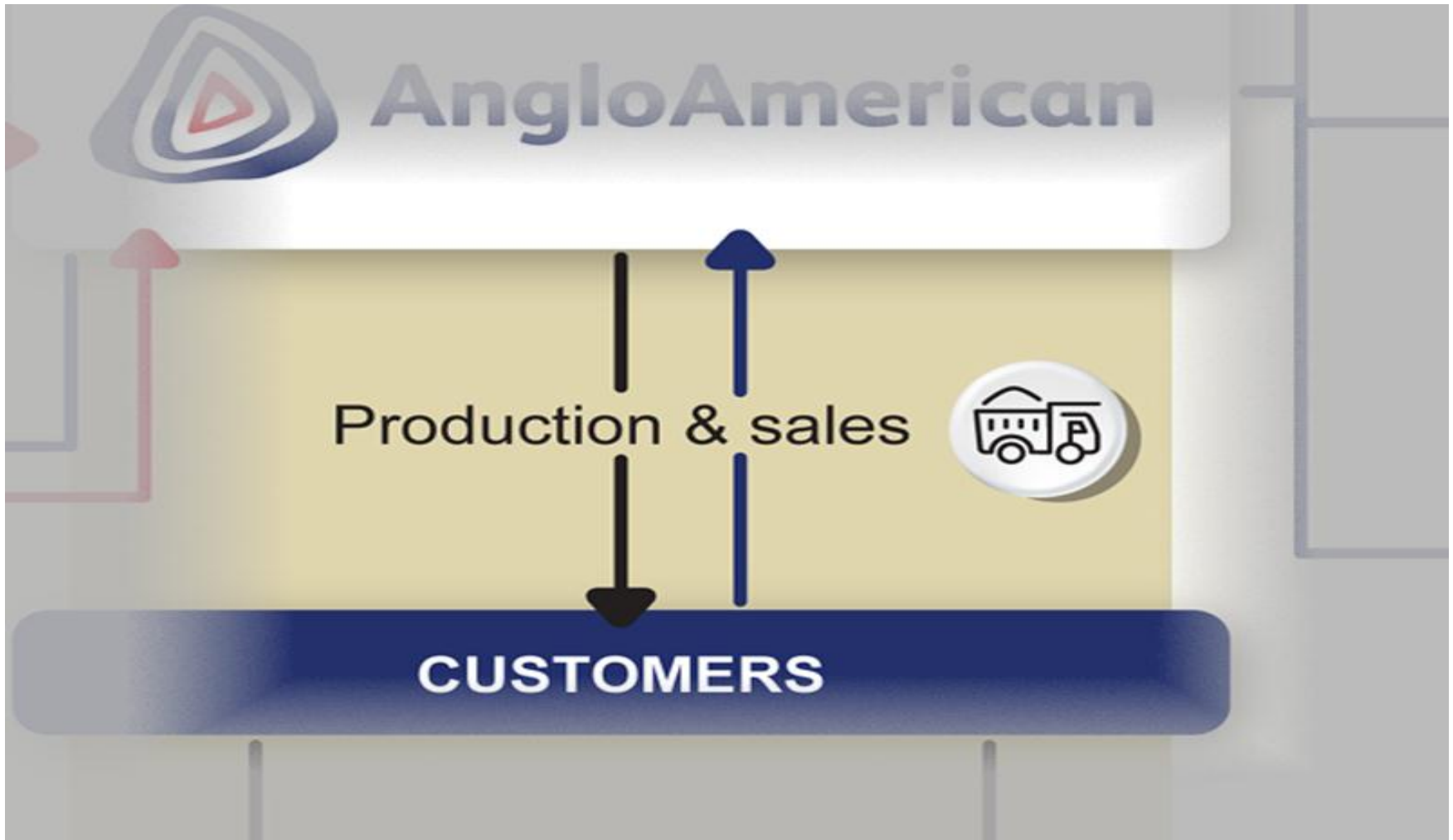
8,368 employees participated in a HIV Disease Management Programme (DMP) in 2012

5,337 employees in 2012 had antiretroviral therapy delivered to them, an investment of R49m by AA

Relevance to the National Development Plan

“Given the high HIV/AIDS prevalence, particular attention needs to be given to health care provision to ensure that the large number of people of working age are not debilitated by disease and can participate gainfully in the economy” [p107].

AA has led the fight against HIV/AIDS in corporate South Africa. This continues through voluntary workplace testing, prevention and treatment programmes.



Production:

Mining production revenue = Direct economic impact (GVA) + supplier expenditure

Mining production revenue in 2012:

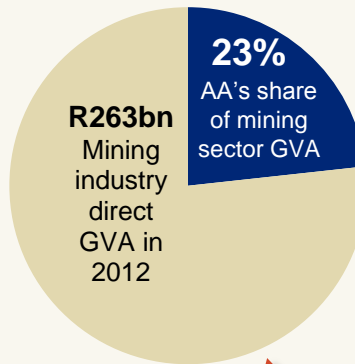


■ Anglo American Group in South Africa
■ The rest of the mining sector

AA's production revenue in 2012 was equal to 32% of that of the whole mining sector or **R119bn**

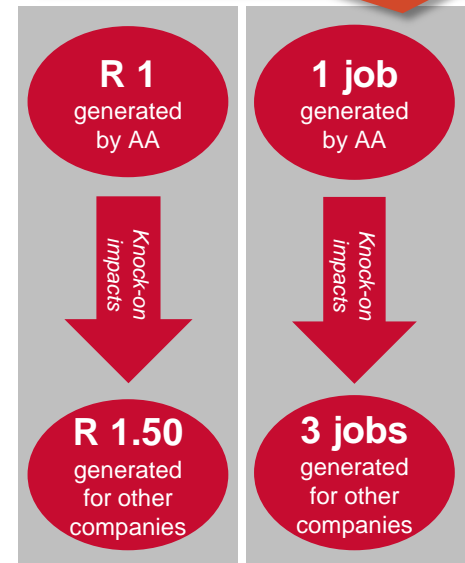
Through its direct GVA, the mining sector contributed to **9% of GDP** in 2012. AA alone contributed to 2% of 2012 GDP

Mining direct economic impact (GVA) in 2012:



AA's GVA in 2012 was equal to 23% of that of the whole mining sector or **R60.49bn**

Through linkages to the rest of the economy, AA production also results in significant Indirect and induced GVA



Relevance to the National Development Plan

The NDP cites the need for mining to develop, deepen and enhance linkages with the rest of the economy.

"It is urgent to stimulate mining investment and production in a way that is environmentally sound and that promotes forward and backward linkages" [p146].

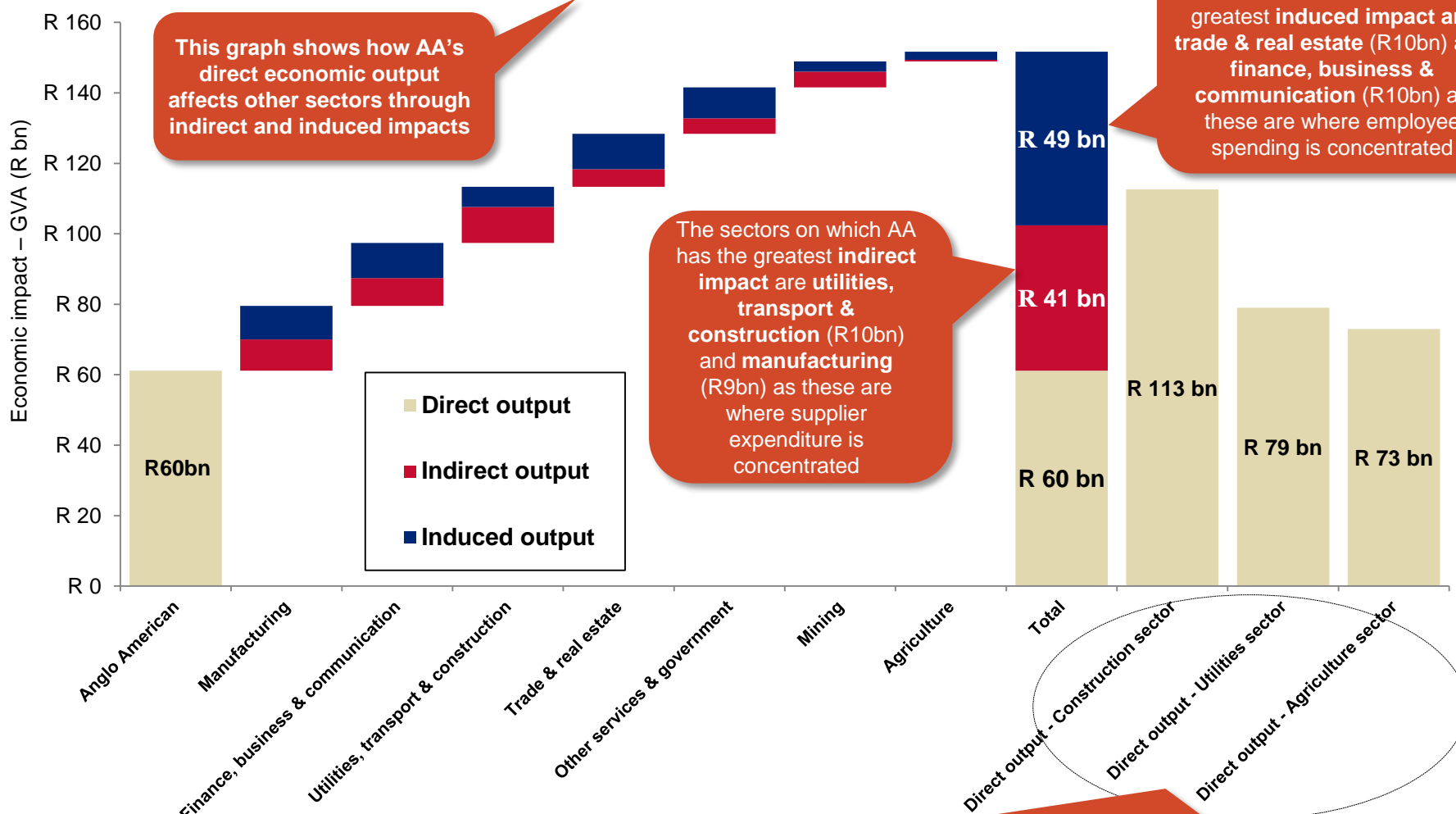
Through the mining sector's strong linkages to the rest of the economy, AA production also leads to substantial knock-on impacts.

Source: Chamber of Mines, 2012; Anglo American Annual reports, Department of Mineral Resources South Africa

Through strong linkages to other sectors of the economy, AA's production is a cornerstone of the economy.

Economic linkages:

The distribution of AA's economic impact (GVA) by industry, 2012



With direct, indirect and induced impacts considered, AA's total GVA (R150bn) exceeds the direct GVA of South Africa's agricultural sector (R73bn), utilities sector (R79bn), and construction sector (R113bn) (note the comparison is to the direct GVA of other sectors only)

Sales:

Local sales: AA-driven beneficiation in SA

COAL

- 72% of coal produced by Anglo is retained in SA (62% to Eskom; 8% to Sasol; 2% to industrial sector consumers).

IRON ORE

- The SA iron ore industry, including Kumba, supplies the domestic market's full demand for iron, at prices below export market prices. SA is the third largest exporter of steel relative to volume of iron ore produced.
- Kumba is partnering with IDC to investigate suitable steel making technologies that use iron ore and coal.

PLATINUM

- Anglo Plat and Ballard Power Systems, supported by government, are in initial field trials of a new methanol-fuelled 'home generator' prototype product for use in off-grid residential applications.

DIAMONDS

- 40% of De Beers SA diamond production is sold to local sight-holders for manufacture in SA.

Source: AA South Africa

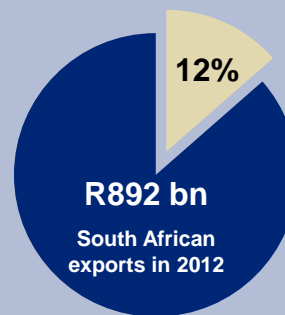
Relevance to the National Development Plan

The NDP is based on the vision of increasing exports and competitiveness to promote businesses to grow and absorb more labour. To bring about a target 5% growth rate, the NDP proposes: "increasing exports, focusing on those areas where South Africa already has endowments and comparative advantage, such as mining" [p39].

Subsequent to focusing on increased exports, The second phase of the plan (2018-2030), calls for "diversifying the economic base...including beneficiation that targets identified opportunities" [p157]. The NDP argues that SA needs to be selective about the areas it supports, noting that beneficiating all minerals is neither feasible nor essential to developing a larger manufacturing sector.

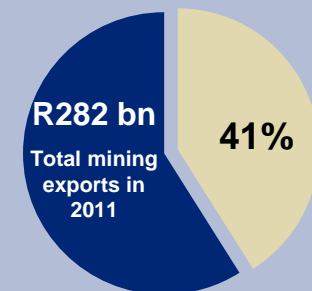
Exports – AA's contribution to SA's balance of payments

AA's share of total South African exports in 2012



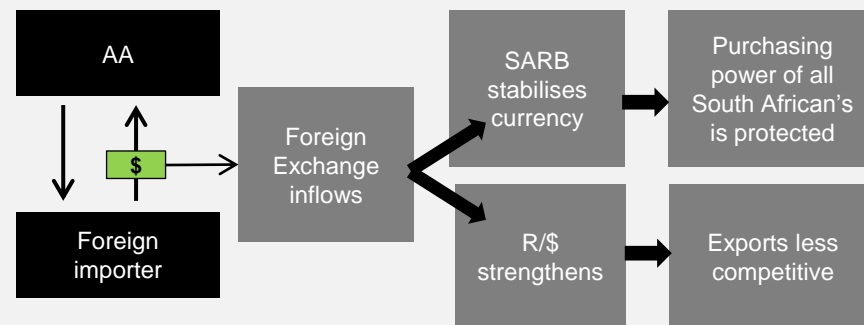
Source: Anglo American South Africa, Reserve Bank of South Africa

AA's share of total mining exports in 2011

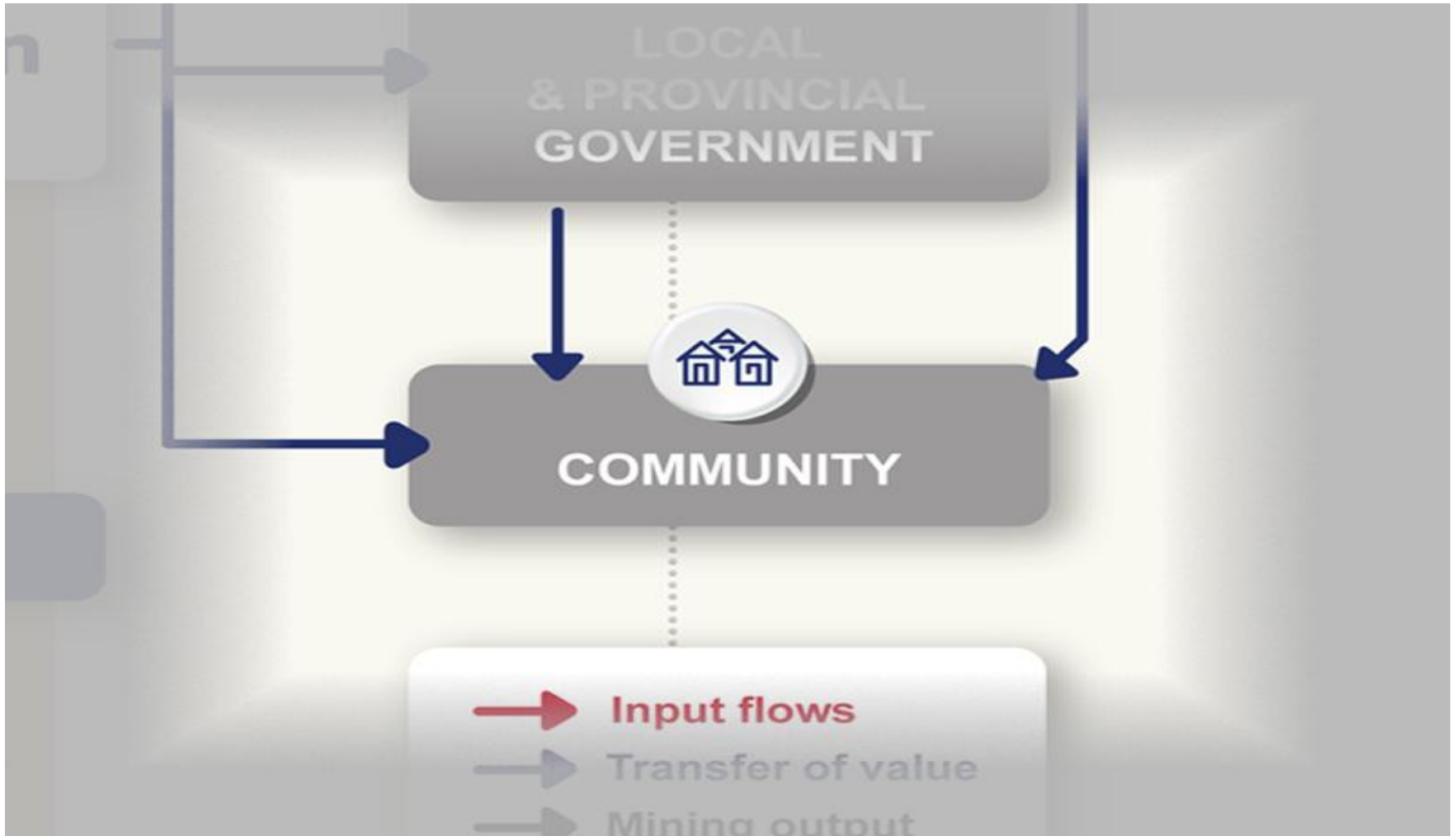


Source: Department of Mineral Resources
*latest available export figures for the mining industry

The pros and cons of exporting:



AA exports made up 12% of all SA exports in 2012, contributing to export strategy of the NDP.



Communities: Enterprise Development

In the context of a 25% unemployment rate and 41% of the population employed in SA, Anglo Zimele-led enterprise development has led to over 25,000 direct jobs for HDSA communities between 2008 and 2012

Between 2008-2012 the Anglo Zimele Fund* has supported:



25,479

direct jobs

1,400

HDSA enterprises



The Zimele Community Fund has supported (up to August 2012) **1,236 enterprises** across AA Business Unit communities, leading to the employment of **14,906 people** of which **49.5% were female entrepreneurs, and 48% youth**

The community fund offers loan finance and hands-on guidance and support from small business hubs

Example from New Denmark Colliery (Standerton):

Contractor	Services rendered
Muhle Gardening Services	Gardening Services
Flint Construction	Maintenance of the U/G Railway tracks
Lucky Cleaning Services	Cleaning Services
Megabus Services	Transport of personnel

Communities: Mine Closure Plans

AA has developed an internationally recognised **Mine Closure Toolbox** to assist with strategic long term mine-closure planning, including a set of requirements to ensure that mines are planned, evaluated and designed with closure in mind to ensure communities are not left desolate post-mining. In 2011, **84% of AA mines had formal mine closure plans in place**. All new projects must have a closure plan included as part of the project development and investment evaluation process.

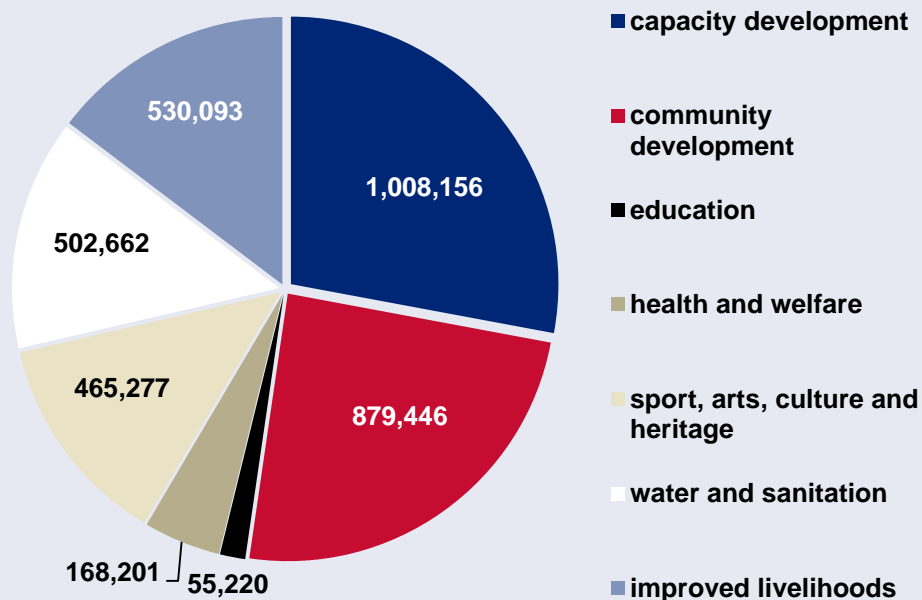
Relevance to the National Development Plan

To bring about required economic growth rate exceeding 5%, the NDP proposes: *“Support for small businesses through better coordination of relevant agencies, development finance institutions, and public and private incubators”* [p40].

Communities: CSI

In 2012 AA CSI expenditure was R777m or 5.4% of net profit after tax. AA grew CSI expenditure from 2011 to 2012 despite decreased profits.

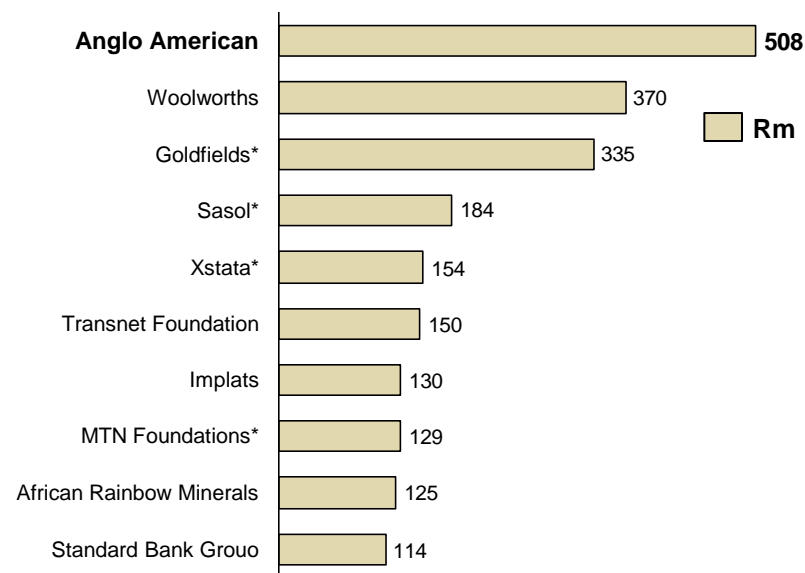
Number of beneficiaries of AA's corporate social investment, 2012



Source: Anglo American South Africa, Statistics South Africa

AA has supported over 3.6 million interventions to individual beneficiaries across seven different areas of intervention

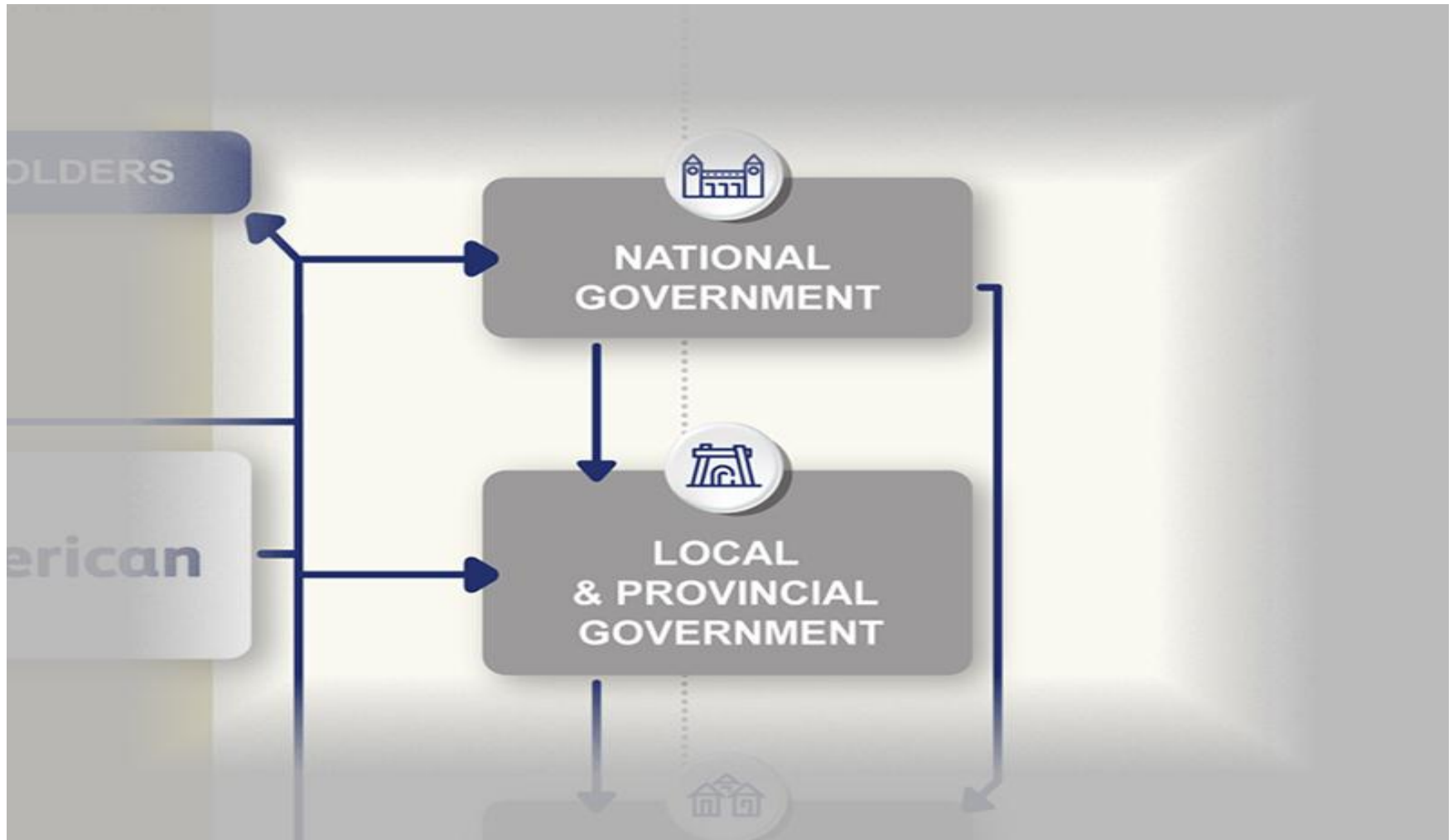
According to the Triologue definition of CSI, AA was the largest corporate CSI spender in South Africa in 2011/2012



Source: Triologue, 2012, 15th ed. CSI handbook

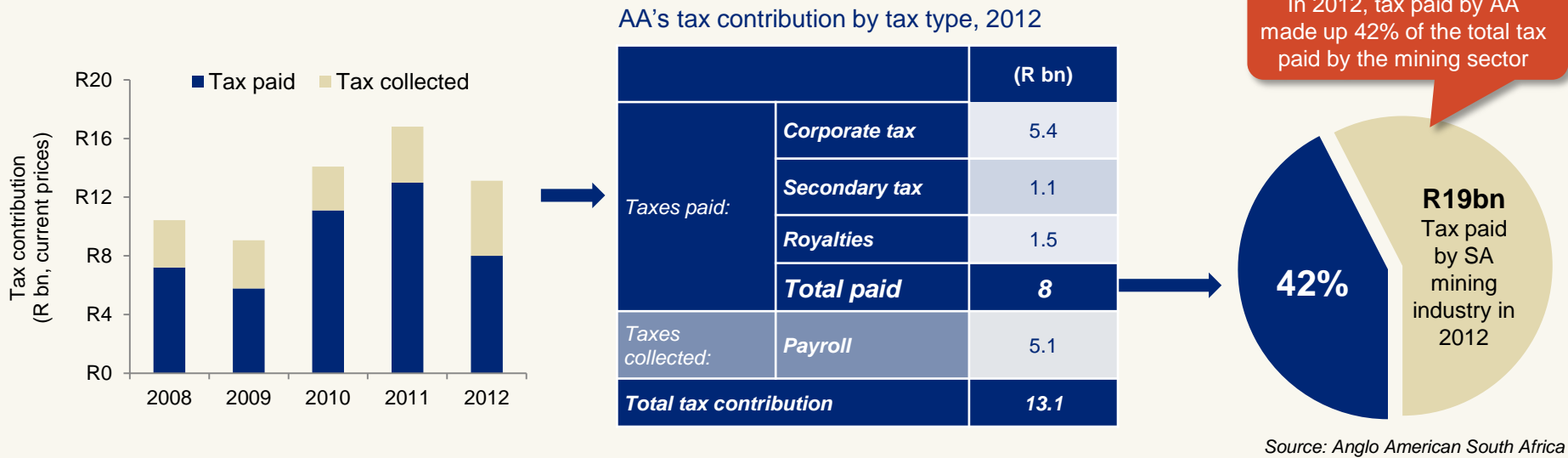
Relevance to the National Development Plan

The NDP notes that the mining charter needs revision to improve the approach to community investment. The plan also highlights the need for partnerships and collaboration between the public and private sectors in bridging infrastructure, service delivery, and education, and other gaps facing SA.

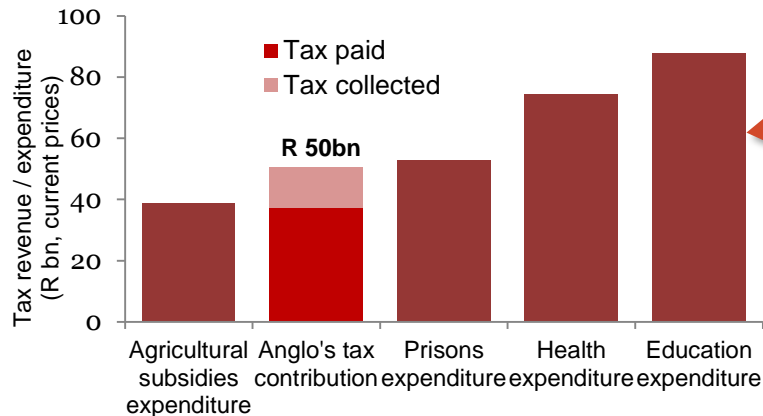


Government: Taxes

In 2012, AA paid a total of R8bn (including deductions) and collected a further R5bn for SARS. Together this represented about **3%** of tax revenues for the year.



AA's direct tax contribution in context: taxes paid and collected 2008 to 2011



AA's tax contribution from 2008 to 2011 could have funded 68% of public health expenditure or 57% of education expenditure, over the same period

Relevance to the National Development Plan

The NDP argues that SA can increase the benefit to the country from our mineral resources by "structuring a tax regime that is fair, equitable and predictable and that recognises the non-renewable nature of mineral resources" [p64].

Note: All figures include the tax contribution of De Beers and other controlled entities at 100%
All VAT paid by AA is excluded from this slide, as AA is in a net recoverable VAT position

Reinvestment; local versus foreign shareholding; transformation

Flows of inputs from, and value to, Anglo's stakeholders

Foreign



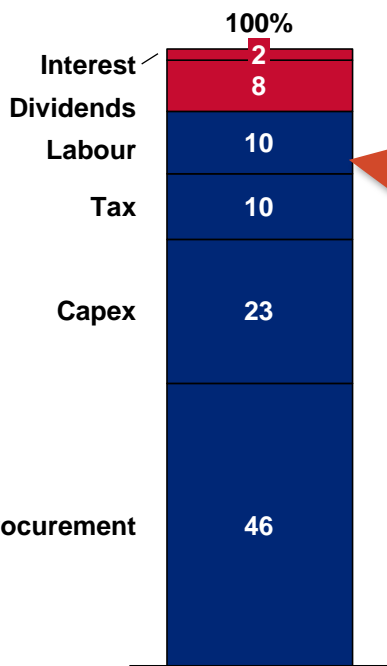
Local

INVESTORS & SHAREHOLDERS

Shareholders:

In 2012, 43.4% of dividends were paid to local (SA) shareholders

Average private mining company cost breakdown¹



It has been estimated that 71% to 89% of value from mining is retained in SA

Anglo American plc main shareholders (June 2013)	%
Blackrock Inc.	5.97
Public Investment Corporation (PIC)	5.86
Legal and General plc	4.03
Tarl Investment Holdings Limited	3.57
Epoch Two Investment Holdings Limited	3.19

PIC is wholly owned by the SA government, and manages **89% of the Government Employees Pension Fund (GEPF) assets, and 6% of the Unemployment Insurance Fund (UIF) assets** for the benefit of South African workers

Anglo Platinum		Kumba Iron Ore	
	%		%
Anglo American plc	79.72	Anglo American plc	62.95
Minority shareholders of SA, Europeans and North American origin	20.28	Industrial Devt Corp	12.99
De Beers		ATC	
	%		%
Anglo American plc	85	Anglo American plc	100
Government of Botswana	15	Anglo also owns 73% of Anglo Inyosi Coal and 50% of Mafube Coal Mining	

Industrial Development Corporation (IDC) is a development finance organisation wholly owned by the SA government providing finance for industrial development projects in SA

Anglo Inyosi Coal and Mafube Coal Mining are BEE subsidiaries of Anglo Thermal Coal

1. Analysis is based on AA Plc 2008 data
Source: Anglo American, NMC Fact Pact, 2009

Transformation:

AA's empowerment transactions have led to the creation of black-owned mining companies such as **Exxaro Resources**, **ARM**, **Mvelaphanda/Afripalm** and **Shanduka Resources**.

AA EMPOWERMENT TRANSACTIONS		
Business Unit	Transaction	Empowerment partners
Thermal Coal - Anglo American Inyosi Coal	27% of current and future production	33% Pamodzi, 33% Lithemba consortium, 19% Women's Development Bank, 15% community trust
Iron Ore - Kumba Iron Ore	26% of equity	Exxaro, workforce, communities
Platinum - Anglo Platinum	Greater than 26% of production	Mvelaphanda Holdings, ARM, Royal Bafokeng Nation (RBN), Atlatsa Resources, Bakgatla, employees (Kotula), communities
Diamonds - De Beers	26% of equity	Ponahalo owned: 50% Ponahalo Capital, 15% Key employee trust, 35% Equal allocation trust
Manganese - Samancor	26% of equity	Exxaro, Ntsimbintle, Ncab, Iziko, workforce, communities
Other Mining and Industrial - Scaw Metals - Black Mountain - Gamsberg	26% of equity	Exxaro, Izingwe Holdings, Shanduka Resources, Southern Palace Holdings, workforce, communities

Approximately R67bn in BEE transactions have been concluded since 1994 across all AA business units

In many cases, AA has contributed directly towards vendor financing for empowerment partners to ensure financial viability and long-term success of the transaction

Relevance to the National Development Plan

"Economic transformation is about broadening opportunities for all South Africans, but particularly for the historically disadvantaged. It is about raising employment, reducing poverty and inequality, and raising standards of living and education. It includes broadening ownership and control of capital accumulation" [p138].

Source: Anglo American, 2012

AA is committed to transformation in South Africa. AA has completed all necessary transactions, and has received conversions to new order mining rights.

Findings from the stakeholder engagement process

General views on economic-impact studies

Macro-level EIA studies are useful for:

- Working out the economic contribution of a company or sector to the wider economy, in terms of employment and value added (GDP) contribution.
- Benchmarking a company's footprint within the industry and against the economy as a whole.
- Understanding the linkages of the mining industry with other sectors of the economy.
- For internal use in the company to uncover shortcoming/risks.

An assessment of *outcomes* would be more meaningful than inputs

- EIAs focus on the level of spending (inputs) rather than the result of that spending (outcomes). Impact studies would have more value if the *results* of AA's contribution were quantified rather than only the costs of contribution.
- This suggests the need for stronger evaluation frameworks in AA that move from capturing inputs to trying to evaluate the outcomes.

Honesty is respected more than one-sidedness

- EIAs are often considered by stakeholders to be one-sided company "propaganda".
- A more honest approach would be to:
 - note contributions but also the benefits the company acquires from those contributions – for example, a generous CSI also allows the company to improve BEE rating.
 - note failings honestly accompanied by plans to deal with them.
 - receive stakeholder guidance about the focus and content of these reports.

Poor understanding of EIA modelling

- While the use of multipliers is a sound and accepted research method, stakeholders struggle to understand how the model works. As a result, levels of trust in the numbers are low.
- Some stakeholders see the models as disingenuous. They voiced the concern that EIAs allow companies to claim credit for thousands of indirect and induced jobs. However, these are simply estimates of the contribution a company makes to the economy.
- The EIA approach (being a macroeconomic research technique) results in the calculation of quite large numbers. These can be difficult for stakeholders to conceptualise and interpret, especially since they are more interested in the tangible benefits the company presents to its constituencies. For example, this EIA shows that AA created 126,000 jobs through its expenditure in the economy, but the 'real world' of this impact is more difficult to visualise.

The micro-level impact is as important as macro-level impact

- Macro-level impact studies *by themselves* have little resonance with most stakeholders. At a macro-level data from AA is impressive, but the "real" impacts are felt at a local level – these are not obvious from a national level study.
- There is a need to localise impact and sustainability reporting. Top down head office approaches are limited and exclusionary. These should be supplemented with information-gathering at community-level.
- Stakeholders were resolute that impact studies require coordination within mining clusters, since the impact of one mine is hard to disassociate from others where the impact of mining overlaps and is cumulative.

Findings from the stakeholder engagement process

The role / responsibility of mining in South Africa:

Views on the role of mining in economic development

- The mining process and mining's linkages to the rest of the economy are not well understood or appreciated. There is little agreement on the role of mining in economic development.
- Mining is seen as a vehicle for empowerment, transformation and wealth creation – it is therefore looked to for many the answers for what has not happened.
- Mining can only assist with development up to a certain point. Government's focus should be on using mining to diversify the economy.
- Mining can be done responsibly. Better mining requires good governance of mining companies and government regulation.
- Mining is, by definition, an unsustainable industry. Mining companies have a responsibility to employees and communities, to ensure that when mining stops there has been adequate investment in skills and industrial development beyond mining.
- Mining companies have a responsibility to ensure that benefits and wages are spent responsibly. That is, assisting in setting up support programmes (e.g. financial education) to promote 'responsible development' in a community. Furthermore, mines should hold local government accountable for implementation of SLPs according to plans and budgets.
- Migrant labour is linked to many social issues in mining communities. The model is a direct cause of social problems, and mining companies should therefore be concerned with solutions.

Perceptions of AA

On differentiating AA

- AA is synonymous with the SA mining sector. Some stakeholders do not see AA as any different to other miners.
- For some, there is a need to address the entire sector, AA cannot be separated out.
- Communities in particular do not necessarily differentiate between miners. Where there is cluster of mines, good performers will not always distinguished from poor performers.
- Communities do not strongly differentiate between the responsibilities of a mine and those of local government.

Leadership

- There has been poor collective governance of the sector.
- There should be more engagement at CEO level – often political engagement is delegated to BEE constituents based on assumptions about access and affinity, which are not always valid. More involvement of leadership would be beneficial.

Insights for AA

Open stakeholder engagement was well received

- Generally, stakeholders appreciated the effort of AA and welcomed the constructive approach.
- As expected, stakeholders are eager to know more around their areas of interest .
- There is an opportunity to continue to engage with stakeholders when researching other impacts and when planning ways in which AA can improve its positive impacts and reduce or manage any negative impacts (e.g. environmental).

Macro-level EIA studies provide one perspective of a company's impact

- Macro-level impact studies are useful to describe the national level impact of AA on the economy but are insufficient on their own.
- These studies appeal to some stakeholders more than others, but it is clear that further understanding of the approach and results needs to be built both within AA and with some stakeholders.
- Studies need very clear descriptions of the method and limitations of the modelled approach.
- Local community socio-economic and environmental impacts, of a positive or negative nature, would be the type of analysis that most of the stakeholders consulted are more interested in seeing.

Micro-level impact should be better understood

- This covers a broad range of information hidden beneath the macro view, for example improvements in local content of domestic procurement, the nature and outcomes of AA training and the outcomes of community social investment.
- AA should better understand the impact of the company at a micro-level, that is on a mining community. This view was popular amongst the stakeholders consulted. Communities are particularly interested in the following local impacts:
 - Number of jobs created locally (as opposed to those for migrant labour)
 - The environmental impact of the mine on air, water, land quality and the effect of this on health
 - The social benefits, that clinics and schools provided by mines, generate for the community
 - The local economic activity linked to the mine - and opportunities for small business
 - The quality of housing provided and how this affects livelihoods
 - Provisions for mine closure and associated impacts
 - Whether the mine shares water, road, and power infrastructure with the community and associated benefits (for example, market access)
 - The opportunity cost of the mine for other economic activity like farming
 - The impacts of skills development on employees and of technology transfer and enterprise development programmes on local businesses
- Community level studies should include an environmental impact element – to provide a coherent and integrated view of AA's impact, positive and negative.
- *At a macro level, benefits look more obvious than costs; at a community level, costs are more easily evidenced than benefits.*

Insights for AA

High levels of positive impact will not always be appreciated

- AA is synonymous with the SA mining sector. Stakeholders, especially mining communities, do not necessarily differentiate between miners. Where there is cluster of mines, good performers are not always distinguished from poor performers.
- In practice, this may have implications for the design of a community-level study if seen as the way forward for AA. Either a community must be selected where AA operates alone – to split out the impacts of other miners – or if there are other companies in the area, then the analysis needs to be done at a cluster level. This would require co-operation with other companies.

AA can improve data capture on issues that matter to stakeholders

- Indicators require a more granular and comprehensive explanation. For instance, it is not sufficient to point to an aggregate number of spending on suppliers. Stakeholders would like both context of this information (How does domestic procurement compare to global procurement?) as well as more detail (Who are the suppliers? What do they make? Where are they based? Do they manufacture in SA are they simply a distribution channel for foreign goods?)
- The study showed that AA has low or absent data availability on the following indicators:
 - Extent of local employment (from mining communities);
 - Domestic procurement as percentage of global total (including direct purchases outside SA);
 - Involvement in PPPs and giving government support;
 - Level of shared infrastructure with mining communities;
 - Local v foreign shareholding and extent of local versus foreign dividend payments;
 - Details of the levels of training and impact on employees;
 - Number of employees and dependents supported by HIV/AIDS treatment programme;
 - Percentage of product beneficiated in the local market versus percentage exported;
 - Number of unique beneficiaries from CSI expenditure.

Stakeholder engagement needs to be continued and improved

- Stakeholder engagement processes must be carefully designed to target key stakeholders in a way that is transparent, meaningful for them and with reliable information that is in their interest.
- Impact studies are not a substitute for engagement around improving impact.
- Not all of the stakeholders that were identified as being important to this study were consulted (despite best efforts). Their views are still key to AA, and as such should be sought in the design of future studies and research.

Insights for AA

AA would benefit from understanding the impacts of its investments

- AA creates value in South Africa that goes beyond its basic economic and tax contributions. It generates economic value associated to research and development and in some cases technology transfer, develops skills that benefits other businesses and infrastructure that supports local economies. It affects people's livelihoods, level of education, health and empowerment, as well as cohesion of communities. Through its direct and indirect operations, AA also impacts land use changes, the generation of green house gases (GHG) and pollution, as well as the use and pollution of water.
- Current indicators capture inputs, that is, the amount of money spent, and in some cases the activities performed or the outputs produced (for example, beneficiaries reached). Stakeholders are more interested in the information and insights that show the outcomes and impacts of spending. In other words, *the results* produced by this spending. For instance, while AA makes a large investment in CSI, data on its benefits and effectiveness has not been captured. While there is data on spending on training, there is no analysis on how effective the training is (have literacy rates or earnings improved?) While there is data on housing spending, there is little insight into how this housing has changed peoples' lives.
- This suggests that AA would benefit from measuring and valuing its community impacts more comprehensively. Implementing a monitoring and evaluation framework in areas such as training, housing, health programmes, CSI, and community programmes could be a good place to start. This should include a monitoring system so responsibility can be assigned for the impact. AA should build on what it already has in terms of methodologies that guide approaches to measure and value the impacts of these investments.
- Other areas of impact could be addressed in the future, but should be noted that AA's environmental footprint is an area of special interest to the stakeholders consulted. AA already measures a wide range of environmental data, but stakeholders are more interested in the way that impacts such as land use change or air quality affects local communities.
- The benefits of measuring and valuing the impact of investments for AA go beyond just having a more transparent and meaningful communication tool for stakeholder engagement. This work can help in other ways such as:
 - Setting up a baseline from which to measure and manage future impacts;
 - Helping decision making of which are the most cost-effective investments;
 - Providing the data to facilitate partnership building with government, NGO's and other businesses;
 - Identification and management of risks in communities, workplace and supply chain.

AA is taking action to improve data collection and quality through its Enablon data platform

ANNEX: Slides/indicators for which data is currently missing or unavailable

