



# Gold for Development

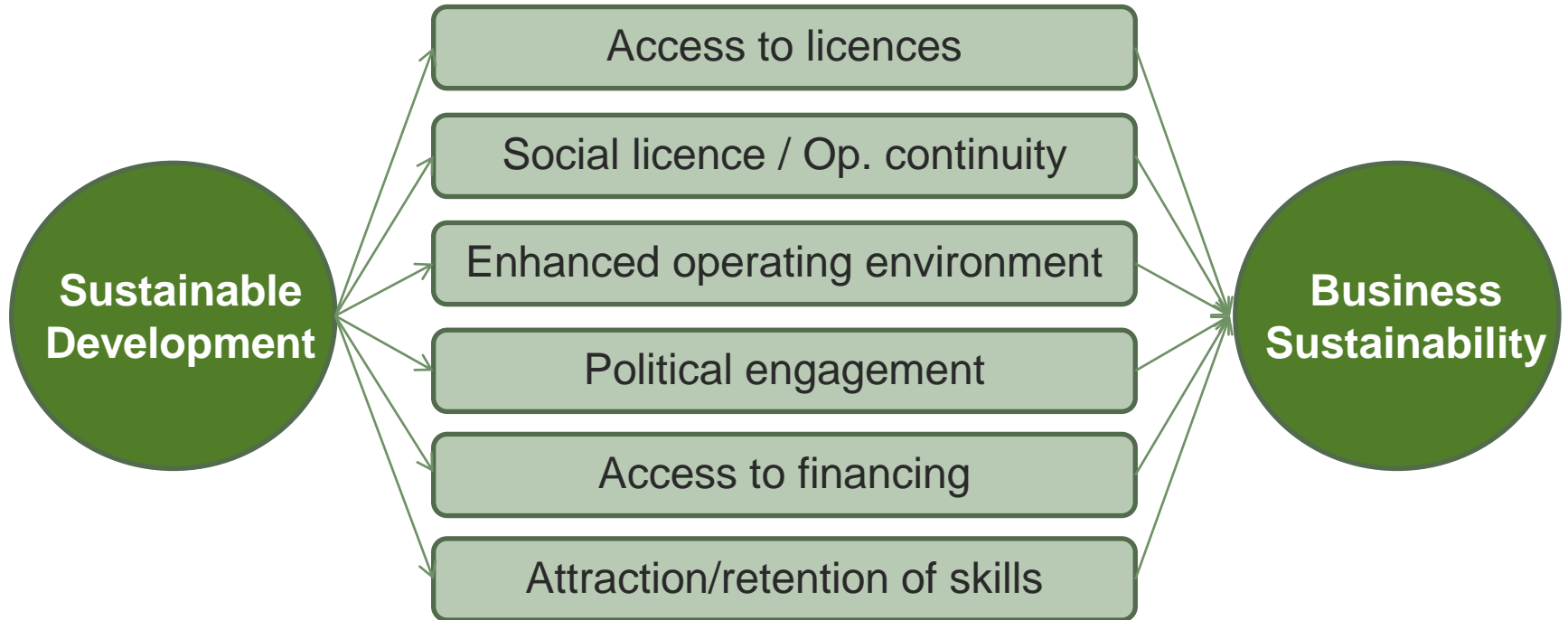
## Nick Holland, Chief Executive Officer

Mining Indaba 2012, Cape Town



**GOLD FIELDS**

# Why does development matter?



# Risk trends in the external environment

Many external risks facing the mining sector relate to, or could be mitigated by development

- Political risks

*Dozens killed, more than 100 missing in landslide at Philippines gold mine*

*January 2012*

- Social risks

- Energy risks

- Water risks

*Protests over Newmont mine resume in Peru*

*January 2012*

- Carbon risks

- HR risks

- Value chain risks

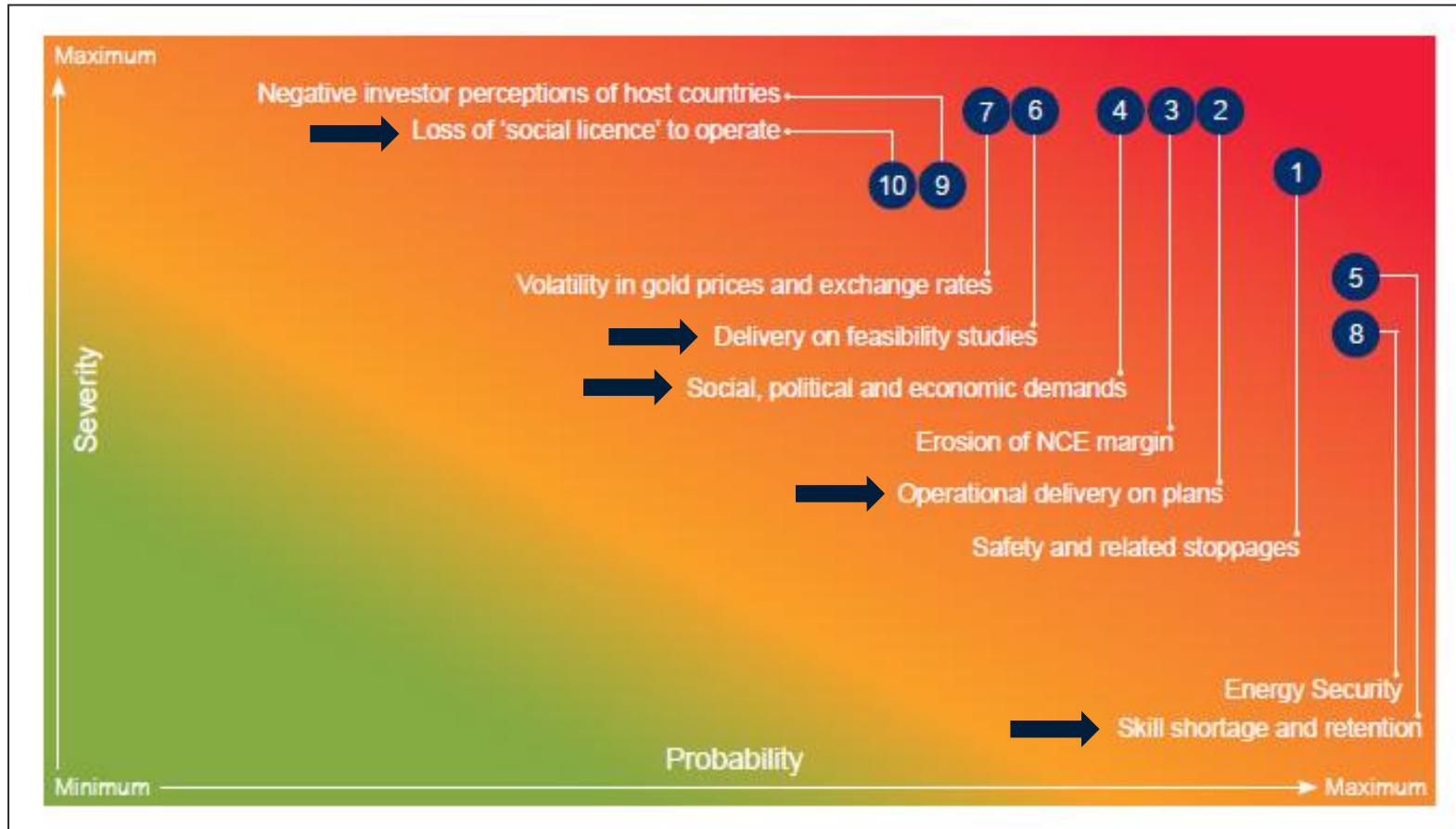
*Arc Halts Indonesian Exploration After Two Killed in Protest*

*December 2011*

- Health/safety risks

# Gold Fields Risk Register

Sustainable Development has the potential to mitigate 5 of our Top 10 Risks



# Resource nationalism and loss of social licence

Deloitte's '*Tracking the Trends*' report notes the key dynamics for mining in 2012:

- The battle to keep profits in the face of **resource nationalism** (3<sup>rd</sup> of 10)
- **Restless stakeholders** and demand for heightened CSR (4<sup>th</sup> of 10)

Ernst & Young's '*Business risks facing mining and metals 2011-2012*' report:

- **Resource nationalism** (1<sup>st</sup> of 10)
- Maintaining a **social licence to operate** (3<sup>rd</sup> of 10)

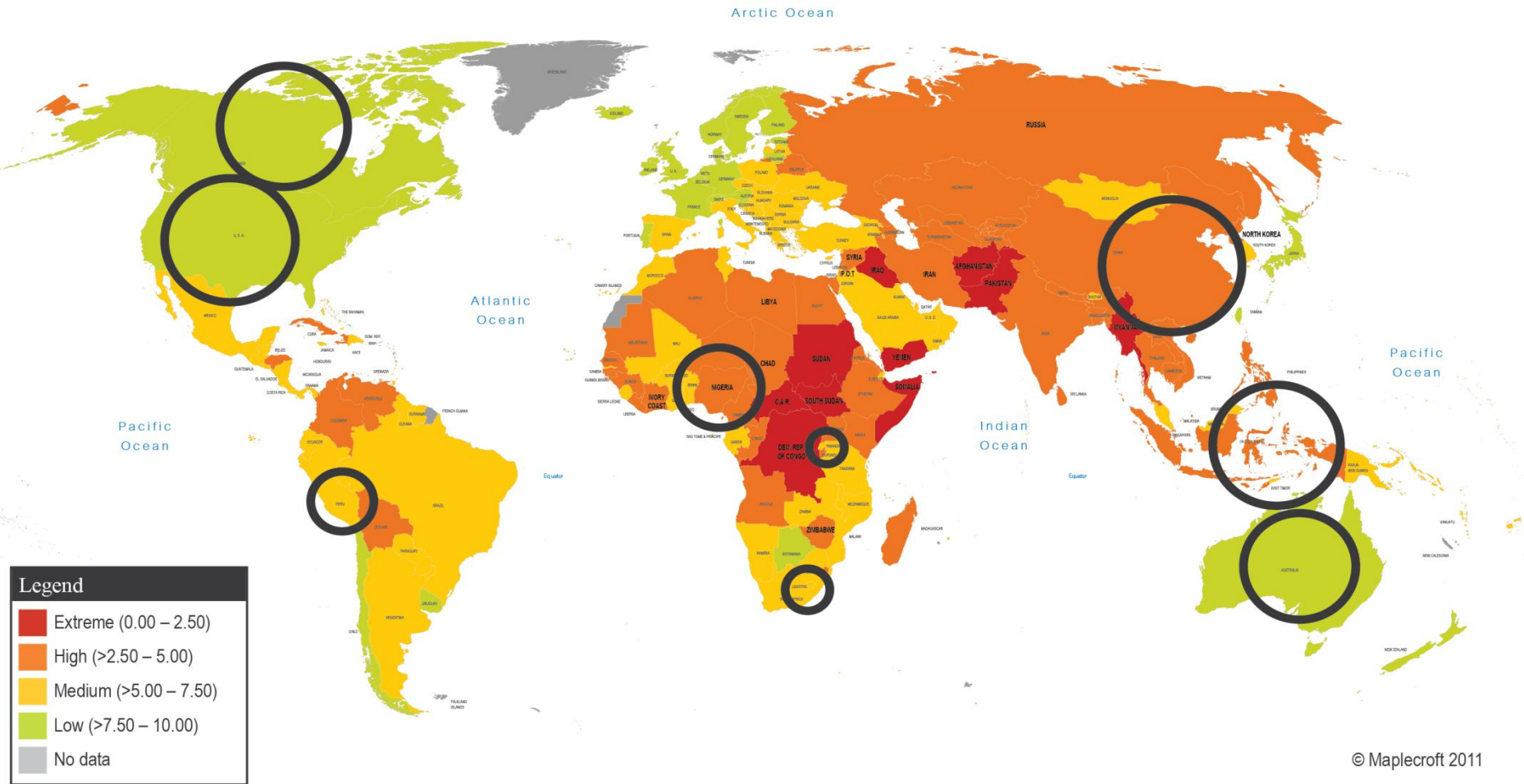
Maplecroft's *Resource Nationalism Index 2012*:

- Five of the 10 highest risk countries are in **Sub-Saharan Africa**
- All but one of the 10 highest risk countries are **particularly under-developed**







# Geography of resource nationalism

A dynamic social and political landscape – and the sector needs to keep pace...



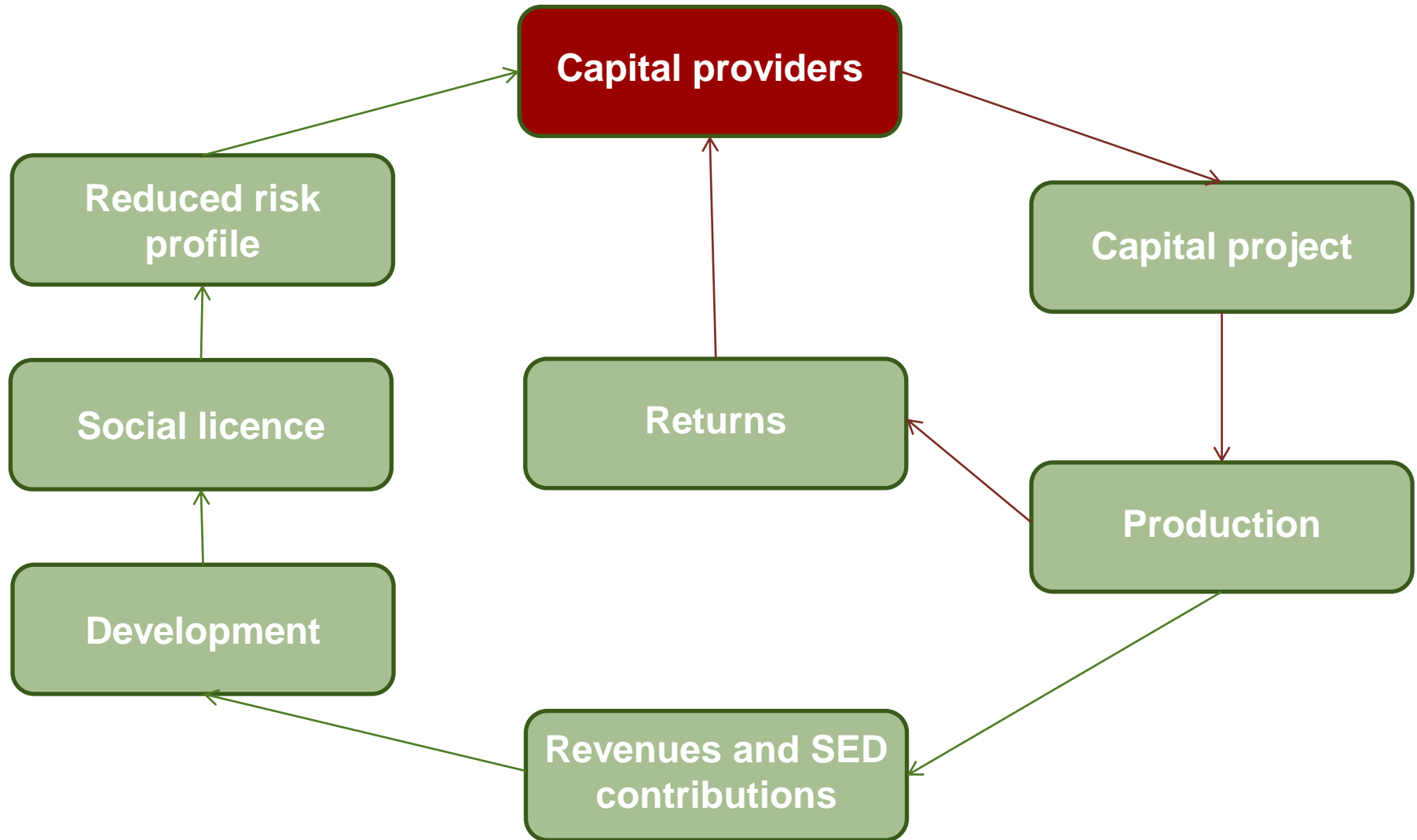
# Increased fiscal demands

**Demands a development-based response that speaks directly to voter and government frustrations and concerns...**

 South Africa	 Ghana	 Australia	 Peru
<ul style="list-style-type: none"> <li>ANC exploring different possibilities</li> </ul>	<ul style="list-style-type: none"> <li>Government royalties increased to 5% in March 2011</li> </ul>	<ul style="list-style-type: none"> <li>“Mineral Resource Rent Tax” on coal and iron ore (gold excluded)</li> </ul>	<ul style="list-style-type: none"> <li>New mining tax regime approved in September 2011</li> </ul>
<ul style="list-style-type: none"> <li>Carbon tax expected in 2012/13</li> </ul>	<ul style="list-style-type: none"> <li>Changes to tax regime proposed in November 2011</li> </ul>	<ul style="list-style-type: none"> <li>Carbon tax to be applied July 2012*, moving towards carbon trading in 2015</li> </ul>	
<ul style="list-style-type: none"> <li>Mining charter and SLP requirements</li> </ul>	<ul style="list-style-type: none"> <li>2012 Corporate Income Tax to rise to 35% plus a 10% Windfall Profit Tax</li> </ul>		

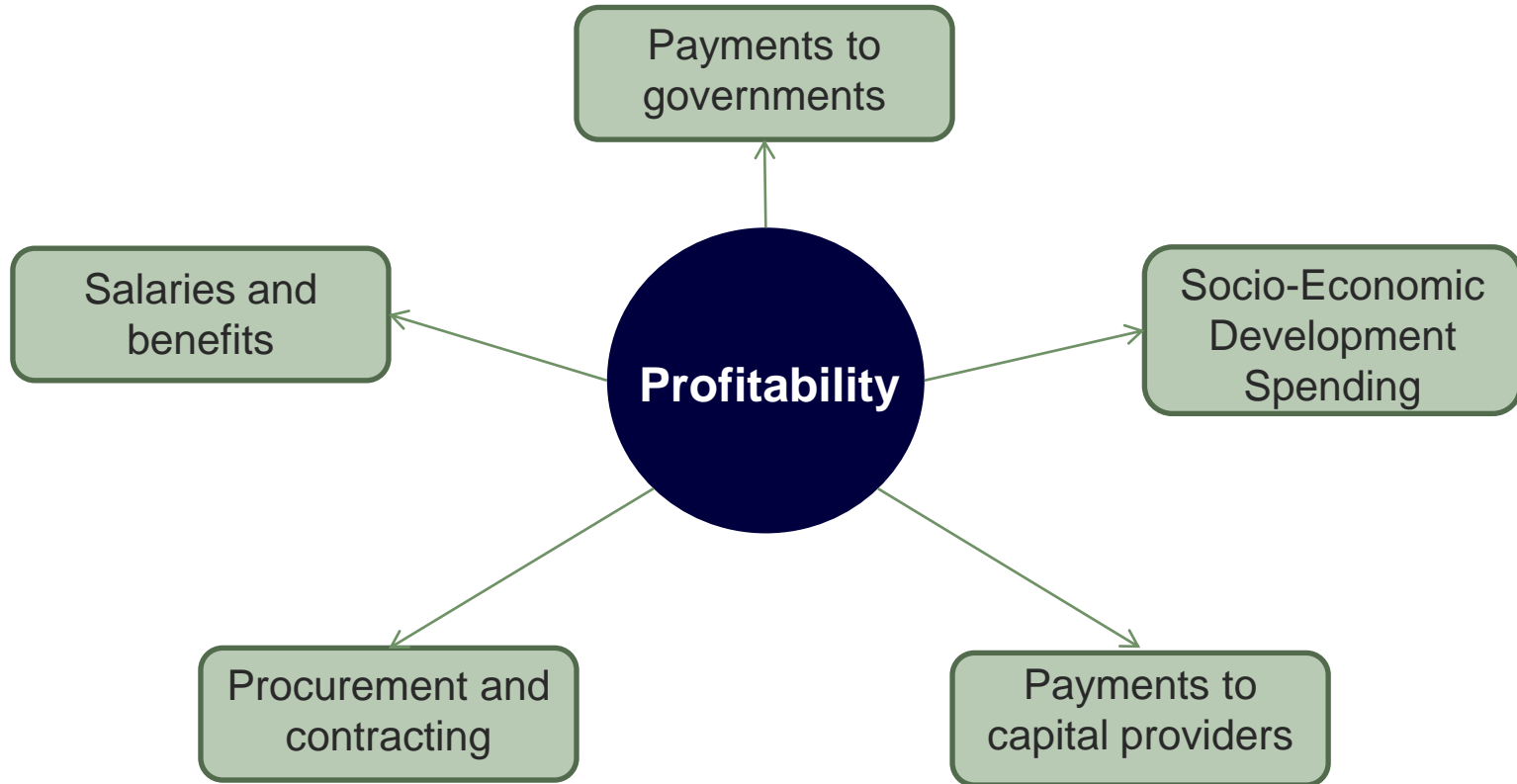
Note: \*Fixed carbon tax of US\$23.25/t on the top 500 polluters

# Capital investment and risk



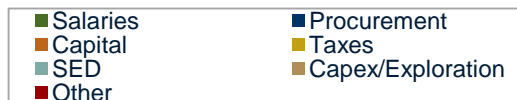
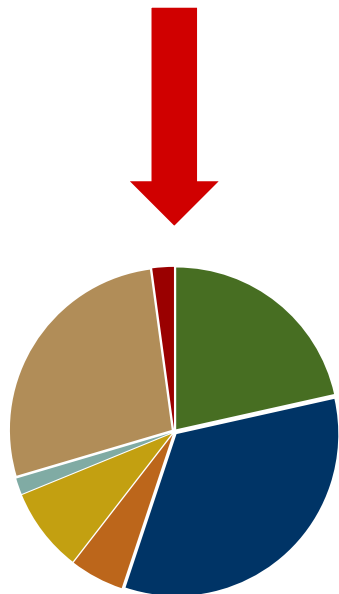


# The economic contribution of mining

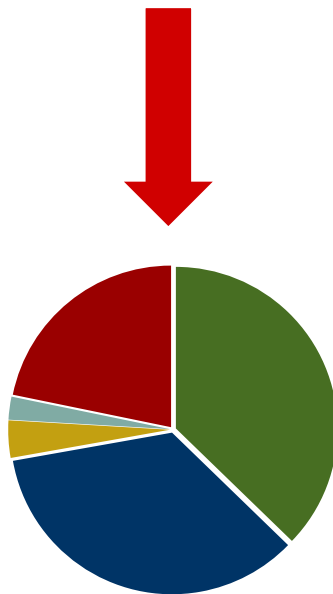


# Economic contributions

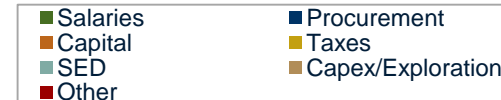
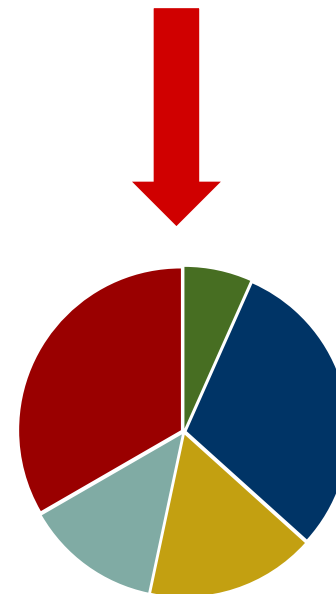
**Gold Fields Group**  
Revenue: R39.5 bn<sup>1</sup>



**Gold Fields South Africa**  
Revenue: R18.4 bn<sup>1</sup>



**Gold Fields Ghana**  
Revenue: US\$1.5 bn<sup>1</sup>



1.9 months to end-September 2011 annualised

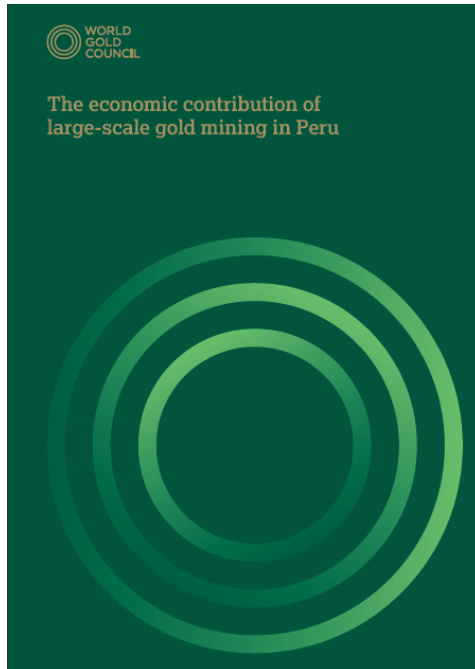
# Conditions for success

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These monies *can* have a significant impact on sustainable development, but this is highly reliant upon:

- Employment of local people
- Local procurement
- Sustainable Social Economic Development (SED) projects
- Proper government disposal of revenues

# WGC research: Economic contributions in Peru



## Peru

- Mining made up 60% or US\$16.3bn of exports in 2009
- In 2008, formal mining accounted for 1.2% of jobs compared to 40% for agriculture – but a higher multiplier effect
- At its peak (2007), mining accounted for 25% of government revenues

## Four WGC ‘focus’ mines

- Account for 12% of total Peruvian exports
- Peak employment of 5,000 people (99% nationals)
- Indirect job creation estimated at 8,000 a year between 2005 and 2014
- Expected to contribute US\$100m to community incomes over the same period
- 90% of procurement spend was on local suppliers, amounting to US\$1.4bn per year (2007-2010)

[Video](#)

# Example: Building 'Capital' at Cerro Corona

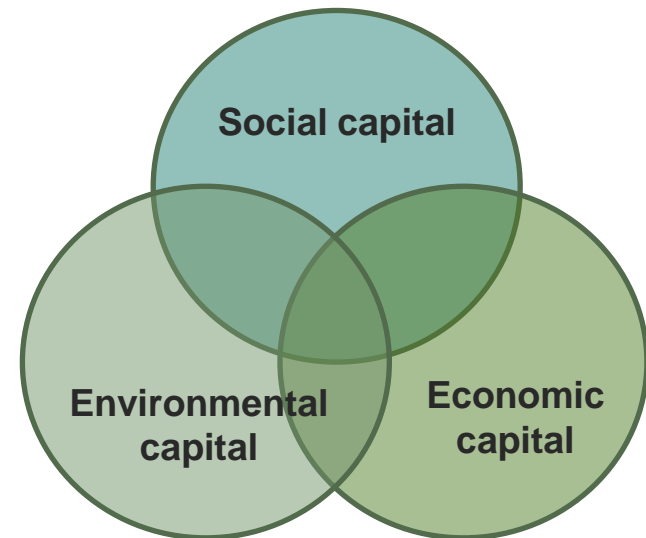
## Context

- Mountainous (c. 4000m elevation)
- Poor (39% *extreme* poverty)
- Little infrastructure
- Subsistence farming
- Water and land impacts from 22 current and historical operations
- History of distrust and activism



## SD response

- Key 'internationalisation' project
- Sustainable mine 'showcase'
- Integrated approach to Sustainable Development



# Example: Building 'Capital' at Cerro Corona

## Economic Capital

- Targeted local employment (initial commitment of 150 – actual: 470)
- Capacity-building/financial subsidies for local companies (65 active)
- Milk Production Chain project to boost pasture, herds, processing, etc.

## Social Capital

- Partnerships with local/regional authorities re health/education initiatives.
- US\$753,700 investment in health and education infrastructure in C2010
- Infant malnutrition programmes including capacity building, guinea-pig breeding and vegetable-planting

## Environmental Capital

- Commitment to not withdraw river water
- Participatory community monitoring of the Tingo River
- Re-forestation (from 22 ha in 2005 to 463 ha in 2010)

Thriving community, strong licence to operate, improved operating environment, sympathetic officials – and a repeatable model for new growth projects



# Optimising impacts: The ASM opportunity?

100m people depend on ASM for survival

10m -15m active miners producing 2-300 tonnes of gold

c.10% of global gold production – but 90% of the workforce

*Fairtrade/Alliance for Responsible Mining, 2011*

But often assumed to be undesirable by governments and companies...

ASM **can** be a key development driver **if** the following challenges can be met:

## Formalisation

- Legalisation
- Regulation
- Fiscal integration

## Improved standards

- Safety
- Environment
- Human Rights

## Business ethics

- Fair purchase prices
- Fair wages
- Traceability

# Optimising impacts: The sector contribution

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**The industry is already working on a number of fronts – both individually and collectively - to address sustainable development. Noteworthy examples include:**

- The ICMM
- The World Gold Council
- Local Chambers of Mines

## **But what is already being done**

- Is not always being seen by governments and communities
- Is not being recognised by governments and communities
- Is insufficient as far as governments and communities are concerned

# Demonstrating impacts: Sector opportunities

Need for the convincing measurement of total impact

**Direct economic contributions**

(broader, holistic measures)

**'Intangible' contributions**

(skills transfer, public services)

**Indirect impacts**

(enterprise develop., secondary employ.)

**Multipliers**

(dependants, secondary economies)

The opportunities are huge, with considerable value to be added in terms of:

- Leveraging existing actions (e.g. broader measures of develop. contribution)
- Providing powerful (measurable) counter-arguments to resource-nationalism
- Transparency around distribution (e.g. community vs national impacts)
- Improving political and social licences to operate



Thank You

