Gold for Development
Nick Holland, Chief Executive Officer
Mining Indaba 2012, Cape Town
Why does development matter?

Sustainable Development

- Access to licences
- Social licence / Op. continuity
- Enhanced operating environment
- Political engagement
- Access to financing
- Attraction/retention of skills

Business Sustainability
Risk trends in the external environment

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

- Political risks
- Social risks
- Energy risks
- Water risks
- Carbon risks
- HR risks
- Value chain risks
- Health/safety risks

Examples:

- Dozens killed, more than 100 missing in landslide at Philippines gold mine
  
  January 2012

- Protests over Newmont mine resume in Peru
  
  January 2012

- Arc Halts Indonesian Exploration After Two Killed in Protest
  
  December 2011
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 (3rd of 10)
- Restless stakeholders and demand for heightened CSR (4th of 10)

Ernst & Young’s ‘Business risks facing mining and metals 2011-2012’ report:

- Resource nationalism (1st of 10)
- Maintaining a social licence to operate (3rd 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

Source: Reuters; National news networks; Annual report
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…

<table>
<thead>
<tr>
<th>South Africa</th>
<th>Ghana</th>
<th>Australia</th>
<th>Peru</th>
</tr>
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<tbody>
<tr>
<td>ANC exploring different possibilities</td>
<td>Government royalties increased to 5% in March 2011</td>
<td>“Mineral Resource Rent Tax” on coal and iron ore (gold excluded)</td>
<td>New mining tax regime approved in September 2011</td>
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<tr>
<td>Carbon tax expected in 2012/13</td>
<td>Changes to tax regime proposed in November 2011</td>
<td>Carbon tax to be applied July 2012*, moving towards carbon trading in 2015</td>
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<tr>
<td>Mining charter and SLP requirements</td>
<td>2012 Corporate Income Tax to rise to 35% plus a 10% Windfall Profit Tax</td>
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*Fixed carbon tax of US$23.25/t on the top 500 polluters
Capital investment and risk

- Reduced risk profile
- Social licence
- Development
- Revenues and SED contributions
- Returns
- Capital project
- Production

Capital providers
The economic contribution of mining

- Profitability
  - Payments to governments
  - Salaries and benefits
  - Procurement and contracting
  - Payments to capital providers
  - Socio-Economic Development Spending
Economic contributions

Gold Fields Group
Revenue: R39.5 bn

Gold Fields South Africa
Revenue: R18.4 bn

Gold Fields Ghana
Revenue: US$1.5 bn

1.9 months to end-September 2011 annualised
Conditions for success

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
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)
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

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[Diagram showing interlinked circles labeled Social capital, Environmental capital, and Economic capital]
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
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
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