



*Speech delivered by Tom Albanese, CEO of Vedanta Resources
at the Mining on Top: Africa, London summit, 26th June 2014*

"Creating shared value through mining in Africa"

I don't need to tell you how blessed Africa is in natural resources. With this endowment, Africa should be rich, but it isn't. Instead African resources have fuelled the economies of the rest of the world, first Europe, then America and now Asia.

Our modern world would be nothing were it not for the commodities provided to us by African nations.

The promises of our industry have seduced us all: wealth, jobs, development. But did it work? Are African nations wealthy, contented, contributing their full potential, developed? Some might be but most are not.

For all the drive, spirit, passion, enthusiasm and capability of Africa, we need a new model: one that places mining in a context of wider, structural economic and social development.

It is tempting to look backward, look for blame, causes but as a CEO I am always certain of one thing more than anything: you can't change the past, only the future.

Perhaps even the very name "extractives" provides a clue as to the way the world considers mining and oil and gas: when we extract, what are we leaving behind?

How can mining and oil and gas and other major resource-based industries become 'additive' rather than 'extractive'? How can our industry contribute further to a new Africa, an Africa that is growing, building and winning.

I believe any solution to the complex multiple challenges starts with commitment to the continent, a commitment that mining development is a shared concept involving local people, local suppliers, national, regional and local governments, mining companies, the mining support industry and the nation.

Mining has already created much that is positive, but there are new expectations of what we need to do in the future.

As a mining person myself, it is fair to say that mining folk are ingenious. In the Zambian Copper belt, as elsewhere, we are busy mining the waste dumps of the 1930's, 40's and 50's. Technology development over the last decades has resulted in huge advances in how we recover minerals.

I am sure that in another 50 years we will be mining the waste dumps of today. 50 years after that, we will be mining the waste dumps of the 2060s. But where will that technology come from? Will it be developed in the universities of London, New York, Sydney and Beijing?

Or will the advanced technologies and materials and equipment perhaps be designed in the universities and technology institutes of Windhoek, Kolwezi, Lusaka and Dar es Salaam?

In one hundred years, successful mining service industries have developed in South Africa but can we translate that expertise into a wider, bigger world-class, world-scale industry?

I suggest that we can indeed create yet more value from African mining, building on a century's learning and leveraging what we do across the continent to provide more benefits, more advantages and more wealth for all stakeholders.

In 2009, the African Union published the now well-known African Mining Vision and this has been given further impetus with the landmark report by the AU and the UN's International Study Group report. The AMV is being positioned as the model for the governance of natural resources on the continent, and it certainly helps to enhance the dialogue with a variety of stakeholders. At Vedanta, our experience is that working in partnership helps to dramatically increase the prospects for success.

Vedanta Resources has been in Africa now for more than a decade, and I am bullish about the potential, both of our existing companies and their opportunities but also for the future of mining across Africa.

Our current operations present many operational challenges as well as the opportunities, but then no-one ever said it was going to be easy.

While I said that we have to change the future, not the past, many of the most difficult situations for any business is the legacies of past times. Those past times had different standards, different challenges and different solutions. Many of the legacies relate to environmental conditions and socio-economic situations.

Corporate Social Responsibility continues to evolve at a rate we could barely imagine just five years ago and it will continue to evolve. But certainly our input to the community is now expected to be more than just ore exports, jobs, taxes and local supplier development all delivered on time, on budget, safely and cleanly. Those remain Job One but the new reality is that the mining sector is expected to deliver on a whole range of issues: local social investment, biodiversity management, carbon and climate change, community health, best practice labour relations, community relations, economic value-adding and in partnership with others.

Many of these others have never been on the radar screen of a mining company before. They are now.

A mining CEO needs now – and in the future – to understand not just mining, but issues related to poverty, agriculture, national and local culture, water, land and land reform, biodiversity and energy use. That CEO needs not just to understand the issues but to play a leading role in integrating many of the solutions and working with all the stakeholders.

I look around the audience today and see many illustrious names, many distinguished guests. But let me tell you that in any given week, I am as likely to be on a mountain-top in an iron ore range like I was last Friday, meeting with local miners or sitting under a tree with people from a local community.

It is a juggling exercise, balancing the needs of many.

Part of our new vision is for an integrated zinc/lead business in southern Namibia and the Northern Cape of South Africa, creating an integrated zinc smelter/refinery complex at Our Skorpion mine.

We will be looking to see how we can further leverage this economically in an area of high unemployment and fragile arid zone biodiversity. This becomes our zinc economic anchor in Africa.

In West Africa, we have a opportunity to be an important part of the Liberian economy with a phased ramp-up of our Western Cluster business as we develop the necessary infrastructure.

In the Zambian Copperbelt, at KCM, we continue to invest and to develop. Vedanta paid \$261 million to acquire a 79.4% stake in KCM. We have invested \$2.9 billion over the last decade in a new copper smelter, 3 new concentrators, a tailings leach plant and new underground facilities. We have reinvested all of our earnings back into the company. This has supported the creation of 5,000 new construction jobs and in the meantime, salaries at KCM have more than doubled in real terms. In support of wider economic development in the area, we continue to expand our vocational technical college – one of the largest private sector facilities in the region. We have paid more than \$850 million in taxes and local rates. To add to this, we have spent \$120 million on local community initiatives in areas including malaria prevention, sustainable agriculture, school, clinics and community healthcare.

For technical reasons that have delayed the ramp-up of copper production after these massive investments and KCM has been loss-making of late and still challenges remain but, to be clear, we are committed to KCM and to Zambia. We have a 50 year vision for KCM and opportunities in the Copperbelt as our copper and cobalt anchor for our future African growth. I believe that renewed focus is needed to help the Copperbelt and northern Zambia develop more robustly, realizing the potential and the opportunities not just in mining but also in agriculture, tourism, logistics and trade.

The call to action is to create real sustainability in mining. Some have suggested that mining sustainability is an oxymoron: how can digging up and removing something be sustainable.

But I believe that mining can be sustainable if we are putting back an equal value of future opportunity. At Vedanta, we increasingly appreciate how we need to do this and we will continue to engage widely to create this shared value.

I can speak only for Vedanta Resources and for my own personal experience, but I actively encourage everyone to build their own vision, their own dreams that we can all integrate to form a coherent, modern, future-proof structure for building Africa as well as our own companies.

Creating future opportunities in return for today's commodities is not just a 'nice to have': it is essential for the sustainability of our companies, our industry, our communities and the nations and people of Africa.

Working today to build the 'social licence to operate' is our entry ticket to be at the table with all the other stakeholders ready to realize the aspirations of Africa. At Vedanta, we will focus on building that shared vision, creating that shared value, and hopefully moving to a perspective of natural resources becoming 'additives' rather than 'extractives'.

ENDS