

**Australia Latin America Business Council**  
**Annual Dinner, Thursday 5 June 2014**  
**Guest Speaker: Marcelo Bastos, Chief Operating Officer, MMG**

**Introduction**

Thank you Thomas.

I'd like to start by thanking the traditional owners of this land, the Kulin Nation, and I wish to acknowledge them as Traditional Owners. I would also like to pay my respects to their Elders, past and present, and the Elders from other communities who may be here today.

Welcome to:

- His Excellency, Mr Luis Quesada, Ambassador of Peru;
- His Excellency, Mr Rubem Barbosa, Ambassador of Brazil;
- Mr Telmo Languiller, Member for Derrimut in the Victorian Parliament;
- Australia Latin American Business Council members;
- and guests.

Good evening, Buenas Noches and Boa Noite.

It is indeed a privilege to have been invited tonight, to help commemorate the 25<sup>th</sup> anniversary of the ALABC. The Council has championed the merits of Latin America as a worthwhile trade and investment destination for Australian business and over these past 25 years its support and advocacy for the Australia-Latin America relationship has resulted in deeper and stronger ties between these two regions.

I was proud to accept the invitation to speak tonight, not just as a Latin American, Brazilian born, but as an Australian resident and citizen for several years. I am also proud to speak tonight on behalf of MMG which has just made a significant investment in the region.

Latin America is a region that warrants the attention of Australia, and many other nations. As a miner, its mineral resources alone present impressive opportunities with the region housing 40% of the world's copper and silver

reserves and significant reserves of iron ore to rank it as the second largest exporter behind Australia.

In Peru, where it is estimated eight per cent of the world's copper reserves lie, mining has contributed significantly to economic development:

- 12% of GDP
- 57% of exports
- 13% of government revenues
- 14% of jobs – direct and indirect
- And US\$14 billion in investment

As I'm sure you'll agree, impressive statistics. Mining is, and will continue to be, the mainstay of growth in Peru. However, this growth depends on the successful development of projects in the portfolio.

MMG is a mining company with operations in Australia, Laos in South East Asia and the Democratic Republic of Congo in Africa. We are headquartered here in Melbourne and have approximately 9,000 employees worldwide, we are listed on the Hong Kong Stock Exchange and we have the support of a top Chinese state-owned enterprise, China Minmetals, as a major shareholder.

With that structure, we are not your usual Australian miner. The stability, size and insights of China Minmetals Corporation provide a competitive advantage for MMG. As a major metals and mineral company, China Minmetals Corporation provides a unique insight into global commodity demand. The relationship allows MMG to draw upon networks and extensive distribution and marketing channels in China's base metals market.

In an industry where lead times can extend for years and even decades, China Minmetals Corporation brings a solid financial foundation, balance sheet flexibility, access to Chinese financial institutions and a long-term investment view. As a significant miner and commodity trader, China Minmetals

Corporation also brings the benefits of technical skills and cross-cultural awareness.

In the context of the Asian Century, MMG is positioned as a unique bridge between China and Latin America.

We were pleased to announce in April the acquisition of the Las Bambas copper project in Peru. Las Bambas is a large, long-life copper development project located in the Apurimac region of Peru. In advanced stage construction, it is set to become one of the largest global copper mines when in full production. The acquisition is transformational for MMG, and when construction completes next year, will more than triple our annual copper output.

For me, it has been personally rewarding to help make this significant investment in Latin America and deliver on MMG's growth strategy and vision.

After a long career with Vale and BHP Billiton what attracted me to MMG was the model – the best of eastern and western management style and skills - and a focus on diversity and local people and knowledge in all the areas where the company operates.

Throughout my career, in Latin America and Australia, I have been fortunate to work with some outstanding mentors and had some fascinating cultural experiences. Some of which I'd like to share with you this evening.

## **Resilience**

I was born in Belo Horizonte, in Minas Gerais in Brazil - a region known for its mining resources – much like some Australian states.

My first significant management role was working for Vale in Brazil, working for another Brazilian – Rogerio Caporali. Like many Western Australians he

had a certain self confidence that being a source of national mineral wealth brings. He was also very direct when he wanted to be.

I was working in the Gold division of the business - not his primary area of interest. When appointed to the role the first thing he told me "You were not my first choice. You were appointed through the capability planning process, so you obviously have the necessary skills and it was a joint decision of the executive group but – you were not my first choice!"

Not the start to our relationship I had hoped for - but it empowered and challenged me to step up and prove that I was the right choice. I found I liked the honesty of our relationship and he was ultimately one of the most supportive bosses I ever had. When he left, he recommended me as his successor.

### **Cultural challenges**

In Colombia, I worked for BHP Billiton in the Nickel business. This was my first experience, not only working in Colombia, but for an Australian company. It was here, operating as a Latin American outpost of the Big Australian that I witnessed how cultural challenges are all about the unfamiliar.

Regular teleconferences with the Perth or London teams in the middle of the night (my night/their daytime) were a feature of my day. These calls would be full of Australian lingo, colloquialisms and slang. It was a challenge to understand what they were saying.

At the end of the meeting we would have a 'check in' session to measure how successful or not the meeting had been. I would always say "It was a good meeting, but I could only understand 30% of what you were all saying".

Relocating with BHP to Perth, I finally had the chance to join the team in person on those teleconferences. My 2IC in Colombia took over my role – he

was an English speaking Canadian. The first meeting I joined in Perth was fantastic – I could understand what everyone was saying!

When we got to the 'check in' session my English speaking Canadian ZIC said "I could not understand anything that you were all saying with your Australian accents. The only person I understood was Marcelo – because I know his voice and am familiar with his Brazilian accent."

It's a very sensitive matter, that of national cultural differences. What's most important is to be open minded and understanding of the different perspectives each region brings to a business.

### **Local people and knowledge**

Chile, like Australia, has a strong mining culture and skills base and like Australia is isolated from its neighbours by sea, Chile is isolated by the Andes and sea from the rest of Latin America. Chilean mining companies have been at the forefront of innovation and technological advances – they pioneered the use of automated haul truck systems. Like Australia and Brazil, countries which have both become market leaders through innovation in energy and resource technology, this technical success can lead to arrogance.

I worked for an inspirational Chilean - Diego Hernandez, the former CEO of Chilean state copper producer Codelco, President of BHP Billiton's Base Metals division and Executive Director of non-ferrous base metals at Brazil's Vale.

I learned much from Diego, a native Chilean, not the least of which was how to think globally – how to think beyond the borders of Latin America. Diego always said that there were three types of successful mining companies:

1. National companies that can work well, but within one country and culture.

2. International companies, which grow beyond their national borders but still replicate the culture of their domesticity; and
3. Global companies which can operate anywhere in the world, behaving in line with their core values and culture, but with local people and practices. They are the most successful companies.

Upon joining MMG, that was my goal – to help build a truly global company.

### **MMG – building a global company**

What I saw then, and what I am proud to be a part of today, is a global company operating to its core values – Safety, Integrity, Action, Results - in diverse regions but working with local people and expertise to deliver outcomes.

Wherever MMG operates, we draw on the knowledge, skills and experience of local people. In Laos, we have put significant effort over the last three years to train and develop local people at our copper operation. We now have the full management team, two of which are Lao nationals, residing in Laos and 100% of our supervisors Lao.

Whether employing Indigenous people at our operations in Australia or working toward the long term nationalisation of our workforce in Laos and the Democratic Republic of Congo all our people are held accountable to our global values and code of conduct.

Las Bambas has an excellent development team in place and we value their expertise and knowledge of the project – we want to retain the capability that is in place, develop and learn from them.

We appreciate the significant responsibility that comes with ownership of this project – located in one of the country's most impoverished regions. The successful development of Las Bambas will deliver material benefits through the payment of taxes and royalties, training and employment, contract and

supply opportunities and social investment over its operating life. Over the life of mine, total project tax revenue and royalty payments will exceed US\$5 billion.

We know that here too, there will be cultural challenges – but feel that with the cultural mix we already have at MMG, from the executive to the operator level, that we will be accepting and supportive of our differences.

Peru enjoys political and macroeconomic stability and a steadily growing economy, driven largely in part by mineral production. The country has opened its arms to foreign investment with an open and stable mining regulatory environment. It is an excellent destination for MMG's first foray into the Latin American region and the beginning of what we believe will be a very long term relationship.

As part of this commitment to Latin America, and in recognition of the importance of the work undertaken by the Australia-Latin America Business Council in helping to forge closer economic relations between Australia and the region, it is my great pleasure to announce that MMG will be elevating its participation in the Council to the highest level, namely that of Patron Member.

Thank you.

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