

Cynthia Carroll's speech to the GRI
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Sustainable development and sustainable development reporting – a business perspective

It is an honour to address such an assembly – and to be able to contribute to the debate about the future of company reporting of our non-financial impacts on the societies in which we work.

I would like today to look at various aspects surrounding sustainable development from a business perspective as the head of Anglo American plc.

I will start by introducing the company and will then move on to issues that concern us all, which include:

- the sustainable development challenge for the natural-resource industry;
- the problems surrounding water;
- the world's future energy demands;
- Anglo American's 'clean' initiatives and what we are doing to stay in the forefront of the sustainable development field
- the need for greater transparency in our SD partnerships and SD reporting.

Anglo American is one of the world's top five mining groups and occupies a position in the top ten of the London Stock Exchange's FTSE 100 Index. It has a market capitalisation of about 90 billion dollars.

We have a presence in 45 countries, stretching from Alaska to Australia and from Chile to China. Outside of the oil and gas sector, we are Africa's leading investor. Our Group has a premium position in platinum and in diamonds, with significant and growing businesses in copper, iron ore, nickel and coal.

Our project pipeline is one of the strongest in world mining, with approved projects and those that are at earlier stages of evaluation accounting for more than 40 billion dollars in capital expenditure.

The Anglo American Group has around 100,000 permanent employees, including an increasing proportion of women at all levels, while at any one time we also provide jobs for around 60,000 contractors.

This makes Anglo American not just a multinational, but a multicultural and multilingual organisation. It all adds up to a richness of diversity – and its own challenging set of circumstances.

As one of the mining industry's leading companies, Anglo American shares with our peers a considerable responsibility for the way in which sustainability issues – and reporting of them – will evolve.

For many years, our Group has endeavoured to play out in practice what the founder of Anglo American, Sir Ernest Oppenheimer, stated in 1954:

“The aim of this Group is, and will remain, to make profits for our shareholders, but to do so in such a way as to make a real and lasting contribution to the communities in which we operate.”

This sums up much of the challenge that all of us in the extractives industry have to face: that is – the developing world needs minerals and metals in order to meet the aspirations of billions, but upliftment has to be carried out in a way that is sustainable, which includes challenges such as climate change, water availability and respect for human rights.

Never before in history have so many people been lifted out of poverty, joined the ranks of the middle class, or moved from country to city at such a rate. China's level of urbanisation stood at 30 per cent in 1996, but is expected to reach 45 per cent by 2010.

In 2007, worldwide, it is been estimated that, for the very first time, the world's urban population overtook that of people living outside cities. The prospects are that between 2000 and 2020 almost 600 million people will have moved to cities in China and India alone.

Never before has the natural-resource industry had to increase production on the scale it is having to do so now.

Just to meet copper demand, an additional 9.6 million tons of production will need to be brought on stream by 2017 – this is equivalent to 24 Collahuasi mines. Collahuasi produces 450 tons of copper a year and is the third largest copper mine in the world. To realistically meet this demand is hard to even contemplate. Putting things differently, I wonder how many people are aware that there are nearly 40 mined elements in the average personal computer? And the number is still growing.

Turning more specifically to sustainable development, I would like to emphasise that Anglo American does not regard sustainable development as an add-on' or a 'nice to have' element of doing business.

In fact, well before the term became fashionable, sustainable development became part-and-parcel of our business approach, and today is engrained in everything we do from mine-planning to mine-closure and beyond. For several years now, for example, the issue of climate change has been incorporated into all of our Group's future investment projects.

Perhaps the most critical issue in the entire sustainable development arena is that of water.

Many of our own operations are in extremely arid areas, where there is inevitably competition with other users and industries, such as farming, over this vital resource.

Increasingly, all of us must compete for water resources and account for our full social and environmental costs.

Among the highlights of our own Group's water-efficiency programme is a 40 million dollar partnership with BHP Billiton in a recently-opened water-recycling plant in South Africa's Witbank coalfield. Here, millions of litres of water from underground coal mines are being converted into clean drinking water for the neighbouring communities.

In Chile, the expansion at our Los Bronces copper mine will reduce the use of fresh water by 40 per cent per ton of copper produced.

Over the border, in Peru, we have copper projects at Quellaveco and Michiquillay, where a great deal of dialogue is taking place with the local communities and farmers to work out an acceptable arrangement to guarantee water supplies to both the proposed mines and the communities concerned.

Meanwhile in Alaska – where we are 50 per cent partners in the Pebble copper project, we are faced with different issues around water – notably the preservation of salmon-spawning grounds and other wildlife, and the protection of native peoples' livelihoods – and, by extension, the beauty and value of all Alaska's natural resources.

To better understand these issues and develop enduring solutions, we have proceeded with a comprehensive stakeholder engagement program, backed by independent facilitation by engaging the services of the well-respected Keystone Centre as a third-party intermediary.

We are also establishing the Bristol Bay Sustainable Fisheries Fund. It is also our firm conviction that Pebble must be an Alaskan project, for all Alaskans.

The demands for 'cleaner' mining, such as are coming to the fore at Pebble, are being accompanied by the search for 'cleaner' products – chief among them, 'clean' coal.

Providing sufficient clean energy to power the world's energy requirements well into the future will be one of the major challenges for the natural-resource industry.

World demand for energy is almost 50 per cent higher than it was only 20 years ago – and, according to the International Energy Agency, this will grow by more than half over the next 25 years. Moreover, around 40 per cent of all power-generation capacity is being replaced or will be built for the first time during the 15 years from 2005-2020. China is adding electricity-generating capacity equivalent to that of the entire UK grid every year, and expansion of this magnitude is placing tremendous pressure on power-generating capacity, on water, and on skills.

This burgeoning demand for power means that everything will need to be thrown into the energy mix.

Traditional modes of coal, oil and gas generation account for around 80 per cent of global energy consumption – and are likely to bear the brunt of generating most of the world's energy for decades to come. Transitioning to a more sustainable energy mix will require sound policies and economic instruments, including incentives, to promote energy efficiency and to prompt clean fossil-fuel, nuclear and renewable technologies.

So what is Anglo American, a major coal producer, a major energy user and the biggest producer of platinum (a key component of fuel-cell technology) doing to go cleaner?

We are working to improve our energy efficiency by 15% over the decade 2004-2014, with the complementary aim of achieving a 10% reduction in the amount of carbon produced per unit of output. Currently, we are implementing around 1,000 energy-efficiency projects at our sites all over the world. These range from simple things, like installing low-energy lightbulbs to using electricity instead of compressed air or diesel in rock drills and experimenting in the use of biofuels in our mine-vehicle fleets.

In Australia, Anglo Coal has been capturing methane gas and selling it to a power station to generate electricity as well as to Queensland State Gas's pipeline grid.

This experiment has achieved greenhouse gas savings equivalent to taking 375,000 cars off the road. A similar project we have just got under way in northern Queensland will remove the equivalent of another 300,000 vehicles.

These examples serve to illustrate how Anglo American has become one of the mining industry's frontrunners in examining the downstream options for making coal a more environmentally acceptable product.

Currently, we are engaged in research with various partners, including Shell, China's Shaanxi Coalfield Geological Bureau and the US FutureGen Industrial Alliance, on projects related to integrated carbon capture and storage, the feasibility of converting coal to liquids, and in taking forward Clean Development Mechanisms.

All of these projects involve 'pushing the envelope' in terms of technology and they are all 'big ticket' in the sense that each one of them will cost billions of dollars. Some may not be financially viable under present conditions. Collectively, however, they point the direction in which the natural-resource industry needs to go by way of sourcing alternative energy and in reducing CO2 emissions.

But, as mentioned earlier, for projects of this type to proceed in a timescale that contributes to the current imperative of reducing greenhouse gas emissions, it is essential that governments create an enabling regulatory framework and also give a financial boost to public-sector research and development for technologies that are currently too far from market.

Such projects, with their very long timeframes and their potential to take natural-resource companies downstream technologically, are increasingly receiving serious attention from financial analysts, who are beginning to recognise the changing landscape and demands. In my regular interactions with the financial community, I am impressed by the number of non-financial questions that fund managers and analysts are raising these days.

Still, we have not yet seen the degree of convergence between financial and social reporting initiatives analysis that many had hoped for. On the other hand, we are seeing some fund managers, like F & C Investment or Standard Life, increasingly educating their clients about the importance of non-financial factors in corporate performance, and banks like Goldman Sachs or Citigroup seeking to put financial values upon sustainable development factors.

All of us here are aware of the GRI vision that disclosure on socio-economic and environmental performance should become as commonplace and comparable as financial reporting, and as key to organisational success. As a chief executive of a leading company in its field, I can attest that what companies are doing in this area is proving increasingly important in how those companies are judged – and can constitute a big differentiator between them and their peers.

In this respect, a very important differentiator in terms of the gaining and maintenance of Anglo American's licence to operate, is our Socio Economic Assessment Toolbox, or SEAT process, which provides a consistent framework for our community-engagement and development activities. Five years ago, we started a process to assist our operations in identifying and managing their social and economic impacts, and in improving their overall social performance. The unique SEAT toolbox that resulted has now been implemented at every one of our significant operations, at 60 sites in 16 countries.

Each SEAT assessment ends with the publication of a report to local stakeholders, which acts as a key vehicle for accountability and sets out a programme of commitments for performance improvement.

SEAT is being accorded ever-wider international recognition.

It has been praised by organisations as diverse as the World Bank, the One World Trust and, most recently, by the US-based NGO – Business for Social Responsibility. Interestingly, it is being taught at Business Schools, not just as an example of a sustainable development initiative but also as an innovation case study. We are now rolling out a more demanding SEAT 2 and have made a three-yearly SEAT assessment mandatory for all major operations.

In the creation of emerging businesses, too, Anglo American has taken the lead.

Our Anglo Zimele enterprise development unit for two decades has pioneered small business development in South Africa, creating real jobs through the creation of real opportunities in the real economy. An integral part of the unit's work is the transformation of our supply chain and in that role it assists our procurement function to identify suppliers amongst historically disadvantaged South Africans. Anglo Zimele, together with the Anglo Khula Mining Fund – a partnership with the South African government to support the emergence of small-scale, black-owned mining companies – is currently invested in about 40 companies employing well over 4,000 people.

We are now launching a new phase of its work which will see it supporting a much bigger portfolio of local businesses. Recently, the Anglo Zimele model has been extended to Chile and has already been lauded for its achievements there in 2007. This year we are launching a similar initiative in Brazil.

I also briefly want to mention our work in the HIV/AIDS field. In the mid-'eighties in South Africa, Anglo American was a pioneer in the fight against the disease and we now have the world's most extensive workplace voluntary counselling and testing and anti-retroviral treatment program, or ART.

Our ART program is making a fundamental difference by prolonging the lives of affected employees, who are able to continue with normal jobs, support their families and actively contribute to the country's economy.

Lastly, I would like to mention what Anglo American has been doing in the field of safety, principally in the South African mining industry. Safety is my number one priority – not only because I regard it as my responsibility to do my utmost to ensure that every single employee and contractor returns home safely each day, but because it is my firm belief that the best-run businesses have excellent safety records.

Mining is a tough business, and deep-level mining particularly so, but I do not subscribe to the view that it is inherently unsafe. One of the first things I realised when I came to Anglo 16 months ago was that Anglo American's incremental approach had not been delivering the dramatic lowering of injury, and especially fatality, rates we were seeking. Consequently, a step-change was clearly needed. This involved the temporary closure of shafts with poor safety records – and keeping them shut until employees and contractors, at all levels, had undergone sufficient retraining in safety to allow them to re-open. We have also introduced a series of initiatives to achieve our vision of 'zero harm', rolling out across the Group The Anglo Safety Way, a world-class safety-management system.

In 2007, we held two summits with over a hundred of our senior executives. Neither of these focused on financial or strategic issues but were called exclusively to focus on getting safety right. And only last week we took the initiative to convene a tripartite safety summit in Johannesburg composed of members of the South African government, the labour movement represented by the head of its biggest trade union, and the major mining companies. Although these are early days, I think we did reach consensus on pulling together to try to achieve a lasting breakthrough in improving safety performance across the mining sector. We are beginning to see the benefits coming through, with a much-improved safety record over the past nine months.

I like to think therefore that the Anglo American Group has a very good overall track record in the broad field of sustainable development. As in most things, I think we can do even better. Indeed, it is my personal ambition for the Group that it is seen to be the leading global mining company – the partner of choice, the investor of choice and the employer of choice. And that means assuming a leading role in key sustainability issues and in the evolving sustainability reporting framework.

And none of the problems I have talked about today can be fixed by business acting alone.

We in the mining industry need to do much more by way of engaging with local communities and the labour movement, working with governments at all levels, and establishing ongoing relationships with the myriad of organisations that help to make up civil society – not least the NGOs, where Anglo American has recently entered into global partnerships with CARE, and Fauna and Flora International on development issues and biodiversity, respectively. It is only by doing so that mutual trust will be built – trust that will be demonstrated in a concerted approach to broader challenges like climate change and energy emissions, but also at the grassroots level in the workplace.

Moreover, I see partnerships and more transparent reporting of corporate activity as directed at the same objective – namely, of building greater trust between business and other actors in society.

Societies without an underpinning of trust are dysfunctional, with opportunities for co-operation eroded by misperceptions of the interests and objectives of others. Anglo American is a strong proponent of the Extractive Industries Transparency Initiative, which is already being implemented in 23 countries. This Initiative is certainly making it more difficult for resource revenues to be embezzled by elites – though it is not a silver bullet for resolving all manifestations of corruption.

Rather, its key achievement is in stimulating a real debate about how such revenues should be used accountably and sustainably.

In terms of our own Group's reporting, increased transparency is leading us toward a clearer focus on the appropriate indicators and measurements we should be putting in place – and all of us in the mining industry are being helped in this respect by the framework of the Global Reporting Initiative G3 guidelines on sustainability reporting, and particularly those developed with, and supported by, the International Council on Mining and Metals.

Internally, we need to know that there is a high degree of assurance that we are doing the right things in the right way. And this transparency, which in an absolute sense is the backbone of sound reporting, allows us to put any failure in context, and more readily learn from it, and substantially reduce the chances of repeating it.

Externally, too, the greater the degree of openness, the easier it is to verify what we have done – whether this is the 'straight external-assurance audit' in respect of our annual Report to Society or a more 'strategic audit' involving independent panels reviewing our social impacts and programs such as those being conducted at Pebble.

There is a danger that with a 120 dollar oil price, a credit squeeze and fears of recession in the Western economies, that sustainable development issues will diminish in people's priorities. Today's preoccupations all too easily take precedence over those whose impacts may not be felt in full until some years into the future.

But in areas like water usage and climate change, we need to act now if we are to avoid experiencing a rapid narrowing of options for averting crisis.

Globalisation and free markets have shown themselves to have a remarkable ability to generate greater economic opportunities across the world. But companies cannot expect to retain our freedom to trade and expand if we are not seen to be accountable for our actions and to conduct our businesses responsibly. Our licence to operate and our legitimacy crucially depend upon the degree to which we can continue to command trust and confidence.

The Global Reporting Initiative – which requires us all to be transparent about our impacts and which enables society to distinguish between the good, the bad and the ugly performers – is a critical framework for building such trust. Thus, all those who wish to preserve and promote market solutions have an interest in the success of the Initiative and to work to strengthen it.