Sustainability Performance Update

April 2023

Q&A

Danielle Chigumira (Credit Suisse): Just two to start. Firstly, on methane emissions. On your slide 9, you have a slight increase in 2023 when met coal guidance is for a 17% year-on-year increase. But in 2024, you have flat methane emissions when the guidance for production is up 20% year-on-year. How can I make sense of those two dynamics with flat methane emissions with growing production?

Duncan Wanblad: I'll hand over to Matt for a bit of the detail on that, but really what it does do is reflect the work that has already in train as far as methane management in those businesses. So much of it is around draining the seam as early as possible. And the rest of it is then about capturing that gas and utilising that gas rather than just emitting it. So we are capturing it is one thing. What you do with it is something else. And I think that the team has put a lot of processes in place, all the way from just simply flaring to the conversion of the use of that gas to electricity. So some of that is playing through into the rising production as it stands today.

Matt, do you want to provide a little bit more detail on the programme of works for Vent Air Methane emissions elimination, please?

Matt Daley: Looking into the longer term, we have chosen technology for Vent Air Methane called RTO. It's a thermal optimisation process, which is looking at converting methane into both carbon dioxide and water vapour, obviously a much better product for global warming.

In the near-term, what we are seeing is much better and efficient capture of venting gases at the moment. So year-to-date, we are actually seeing a 30% reduction in our emissions even though we have higher production, on the back of much better efficiency of capture around venting, and how we are using our flaring systems. This is leading to that reduction we are hoping to see, or we are hoping to see or we are going to see through '24 and into '25 when we have our Vent Air Methane projects come online.

Danielle Chigumira: That's super useful colour, thank you. Turning to the commodity mix. On your slide 20, the new label is a bit broader but does Anglo have long-term ambitions to grow in the minerals which more directly aid decarbonisation like copper and nickel? Would you consider non-organic options for this? And do you consider zinc, in particular, to be metal aligned with those future demand themes?

Duncan Wanblad: I've said before, and I'll reiterate it now, the future of this business and any of the projects that we consider all get captured by the same process and the same thinking in terms of how we allocate capital for value.

We are very fortunate to have a number of organic projects across the piece in those commodity suites that you see there. But that doesn't mean that we would be exclusively committed to these commodities at the expense of anything else that comes up. We do absolutely look for inorganic opportunities and have done for several years. And you can see by the acquisition of the polyhalite and our crop nutrients business that we created, we will continue to think through what is available and where it fits and works for us.
But the rules of the game stay absolutely the same in terms of how we would think about allocating capital to it. So specifically, would we or would we not consider zinc? I think we, by

and large, up until a couple of years ago, might have suggested that we would be completely commodity agnostic. But that's no longer true, so I don't think you are ever going to see us going back into thermal coal, for instance. And therefore, it would be a function of whether: 1) we like the commodity in terms of the structure and nature of the market; but importantly, whether we were able to deliver something into that business that was unique and exceptional, building on our own parent and operational capabilities to that business. So zinc would absolutely be within the suite of things that we might look at in the future, but there isn't anything like that on the books at the moment.

Sylvain Brunet (BNP Paribas): First question, sticking with the coal and coking coal exposure on your side. Is there any change of heart? I know in the past, you said you would be more longer term, and I fully appreciate that there will be some decades probably before the steel industry could widely embrace hydrogen technologies. But at the time we are seeing more coal separations in the market, is that re-kicking the thinking there?

Duncan Wanblad: We really haven't changed our views that we expressed in the last couple of years related to this. Fundamentally, the world is going to require steel, if it is going to effectively manage a transition in terms of this energy mix over time. And everything that we know about steelmaking capabilities and capacities in the world would suggest that the transition in that industry is more likely to be 10-15 years away than immediate.

So if the world is going to be able to manage this transition, and it is still going to require coal and iron ore to be able to do that, then certainly those products that are higher-quality products, such as those that you find that at Sishen, Minas-Rio and through our steelmaking coal businesses are going to be very impactful in managing that journey to carbon neutrality over that period of time of 10-15 years.

We sincerely believe that we are very good stewards of those assets. And that those assets have a very important role to play in the journey to carbon neutral for the world. So no change in heart or our philosophy as far as that is concerned at the moment.

Sylvain Brunet: My second question, Duncan, is on safety. I know these are continuing efforts, but is there an equivalent to-do list on your agenda on safety for 2023, a number of things you would like to see completed before year-end?

Duncan Wanblad: Yes, there absolutely is, Sylvain. Again, I'll turn to Matt to add some of the colour to this, but we have a pretty comprehensive elimination of fatalities programme that we are very well advanced on, which includes not only just the application of the operating model, which I think has to be the fundamental basis for any safety performance in the business at all. And that really does rely on ensuring that we plan the work correctly and then execute the work against the plan. In so doing, you've got a lot more time to evaluate the risk in the work, and therefore prepare yourself to safely execute the work. And we've spoken a lot about the induced instability that exists in the business. Very pleased to say that we are starting to see much more stability in our outcomes because of the renewed focus on this planning, post the COVID era.

At the same time, there are a number of technologies that we are continuing to implement and accelerate the implementation of. So the idea that we would try and eradicate human to machine interfaces - whether they're static machines or mobile machines - the measures that

we deploy in terms of fatigue management within the operations and so on. These are all technical solutions, as well as automation of certain processes and trucks, drill rigs, etc., have all been part of the process and are all getting to the point where they are coming up the maturity curve, which will be really helpful.

And the biggest programme that we have on the to-do list this year, is working with our contractor partners. So much of the workforce is – or much of the work in the company is - delivered by contractors. And getting an aligned programme of works and alignment in terms of operating model with these partners is very important and is a very big part of the programme that Matt is driving during the course of this year on behalf of the Group.

Matt, is there anything else you'd like to add and colour in on the to-do list for 2023 as far as elimination of fatalities is concerned?

Matt Daley: I think you gave a really good summary. For us, we believe we've got the right programme in place. It's all about staying the course, ensuring we've got the right focus on supervision and really empowering our workforce to feel like they can take the right decisions to look after themselves and the safety of their colleagues and workmates.
So stay the course, double down, planning the right execution, big focus, as Duncan mentioned, around our contractor management, recognising that they are 100% part of our workforce and empowering them in the same way we empower our own people. So that's a really good summary, I think, Duncan.

Myles Allsop (UBS): Three quick questions. First, could you give us an update on the Debswana joint venture? Obviously, it's a very important stakeholder. And if President Masisi follows through some of these noises, then clearly there's a material risk to the value of De Beers. But maybe a quick update on when we should expect some clarity with the new ten-year sales agreement and the mine license extensions.

Duncan Wanblad: As I mentioned in February, Botswana remains a really, really important stakeholder to Anglo American and to De Beers in particular, as I think does De Beers to Botswana. We are in a negotiation at this particular point in time, and that negotiation will be hard managed by both sides. I'm pleased with the progress that Al and the team are making in this regard. And we are absolutely focused on coming up with appropriate and the right solutions for both parties to win coming out of this thing. It's going to take a bit of time to get there. We are targeting in and around the middle of the year. But the most important thing is to come up with the right agreement for both parties, and we remain very focused on that.

Myles Allsop: And then on the Los Bronces water project, how much of this is actually locked in? And when will we see the benefit in terms of Los Bronces unit costs coming through? Is it – and just to be clear, is it $0.50 down to $0.10 or $0.15?

Duncan Wanblad: They are $0.30 down to $0.10. Stephen will probably have the exact numbers on this thing. In terms of how much of it is locked in, phase one of it is absolutely locked in and that will start to be implemented from 2024 onwards. And phase two, which is currently in negotiation - that's the swap of the desalinated water with the grey water - we are looking, hopefully, all things going well with the agreements, to complete by about 2027. And around about 2027, I think you'll see that material reduction in the operating costs. Stephen, do you want to just clarify and colour that in, please?

Stephen Pearce: You have absolutely nailed it, Duncan, both on timing, stages and reduction in the cost of water, $0.30 to $0.10 is correct.

Myles Allsop: Maybe one last question for Stephen. On the tax, obviously there's pressures all around the world, whether it's Queensland or Chile with tax take going up. How are you thinking about sort of the effective tax rate over the next few years? How big a step-up are we likely to see and where are we with that sort of negotiation in Chile?

Stephen Pearce: We have seen that trend generally, across a number of the jurisdictions that we operate in, and obviously similarly, in ones that we don't. So as countries and sovereign states try to rebalance the books, particularly post-pandemic, get a better balance in some of the social structures, obviously they approach industries that generate large tax contributions in their economies. And in mining and developing countries, obviously that tends to fall to the mining industry. Most of the countries engage very well in that process and Chile is a great example, where they have engaged very well with the industry. I'd like to think we're getting closer to a sensible resolution in that space. So reasonably comfortable with how that's gone. Then in terms of our effective tax rate, clearly, if tax rates go up, then our effective tax rate would rise. A big factor in our effective tax rate in any given year is that mix of profits, where those profits are generated from which countries, which commodities, etc. But if I had to generalise, it's probably an overall increase of sort of 2-3% over the next year or two as some of those increases and step-up in rates take effect.

Danielle Chigumira: Just a question around the Scope 3 emissions. Could you give a bit more colour in terms of why they are reported with a lag, especially given – we know there is another peer that has both iron ore and met coal operations? And just in terms of the detail, there's been a drastic reduction in the category 'use of sold products'. What methodology changes have we seen there, and what would Scope 3 emissions look like without those methodology changes?

Duncan Wanblad: I might turn to Anik to help me out on the second element of this. But the first element in terms of the time it takes to collect the data is just really a function of our systems being able to effectively pick up the data at source, and therefore, without any scrubbing allow us to rely on it. But those systems are developing really rather rapidly so we are getting better at this over time. There's nothing too much to worry about there I don't think - that's just the maturity of how data is collected and managed. And we have a lot of work to do generally in terms of the management of non-financial data.

Our customers generally have a very aligned philosophy with us. This is important to us because it's our Scope 3 emissions, but it's kind of existential for them depending on where they are because of their Scope 1 and 2 emissions. We've always said that where it's possible, we would take our production - and we're relatively advantaged because we have comparatively smaller amounts of the materials just based on the portfolio that we have - and allocate that material more effectively to those customers in those areas that are making the greatest progress. And we're finding that it is true that in those areas, these customers generally do value the material more because, as I said, the application of it to their journey is helpful from the total quantum of carbons emitted in the production of the tonne of steel.

I think the reality is, this is hard. This is a tough space as it is genuinely a very hard industry, and I think everybody is kind of clear that the outcome here is a complete change in steelmaking productive capacity, right? And so you've either got to apply carbon capture use and/or

sequestration to the current steelmaking process, which is glass furnace – glass oxygen furnace, or through a number of intermediate steps,you've got to convert the steelmaking process to something like EAF production that uses in the main something other than metallurgical coal as a reductant and predominantly utilises scrap steel as the primary feed to that steelmaking process.

Now the reality is that as you look across the world, there is a variation in the availability of scrap steel as a supply into that process in the first instance. And secondly, the notion that various steelmakers are able to instantaneously, without policy support in the form of carbon pricing or in the form of some subsidisation, etc., etc., instantaneously invest the capital required to make the process changes – it just doesn't stack up, right? This is why we think it's going to take 10-15 years to get there.

But the reality is that there are more people, particularly those in Europe and the US that seem much more incentivised to take the type of products that we produce and then help them drive a journey that describes the process around these sorts of products or perhaps comes up with the wrap-around technologies in terms of capture and sequestration.

I think what you're seeing is as we get firmer and firmer on what these technologies are and what these outcomes are and who our partners are going to be, you're seeing that reflected in how we report over time. And that's what we promised you - to be at least transparent. If there are no solutions, then these things don't have a place in our portfolio. But if you think about this in the round, there's a lot of time, a lot of water to flow under this bridge, a lot of money that's going into technology and technology development that ultimately does provide those solutions. And we are participating it, both as a driver and a recipient of it.

Anik, did you want to add anything about the marketing elements of it, please?

Anik Michaud: Well, I think the last part of the question was actually on the methodology. And whilst I'm not going to go into details on the updated methodology, and Danielle, very happy to set up a meeting with our subject matter experts. But our 50% target is actually quite aligned to the updated methodology. So that is the key message. And a standard Scope 3 methodology for mining. I think a lot of people, stakeholders and investors alike, are recognising that this is quite challenging.

Duncan Wanblad: Yes, so the greenhouse gas protocols that inform the technology, the measurement mechanism for this is very interpretable. And we spent a lot of time understanding how we have done it in the past, what is appropriate in the future, how others are doing it. And of course, there is a very big drive through the ICMM at the moment to get to a point where there is a standardised form of interpretation of these sorts of things for mining, and therefore, a much more transparent reporting out of it.

But we did provide a very, very detailed analysis of our interpretation of the greenhouse gas protocols, which form the measure of our Scope 3 emissions and the application of them to us as a business going forward. And where we did have changes, we provided sort of a balance sheet of what the old interpretation is versus a new interpretation. So you can see where that's been.

It really was because the space is developing so fast, and looking to standardise, we wanted to keep abreast of it and stay apace with it all.

Danielle Chigumira: I just have one follow-up on Los Bronces. If I understand correctly, even after the phase two swap, that would give enough water for the current footprint of Los Bronces, as in excluding the LBIP, which was approved recently in terms of that environmental approval.

Duncan Wanblad: So just to confirm, that on implementation of phase two, we would have enough water security for the development plans associated with the environmental approvals that we received overnight for Los Bronces. So the entire life of mine plan as we see it today, about 90%-odd of that would be covered by independent supply of water, which is a really, really robust situation for any mine in that region.

Paul Galloway: Duncan, I've got two questions from Campbell Parry at Investec Wealth Management. First question, where are you on tailings management? So an update there. And the second one, do you see a need to revise the carbon price you use to inform future strategies ($10 to $60 a tonne)?

Duncan Wanblad: Matt's going to tell you about where we are on the tailings management programme, and Stephen is going to tell you about carbon price.

Matt Daley: Both Anglo's high internal standards and the GISTM strive to achieve the goal of zero harm to people and the environment. It requires us to take responsibility through all phases of facilities life cycle, including closure and post closure. So current progress - we've conducted a self-assessment against the 77 requirements of the global industry standard on tailings management, GISTM. And now we're actively tracking progress against our defined actions to close any gaps. These measures have allowed us to identify areas of non-conformance and develop all those plans to address them through the remainder of this year. I just want to confirm that we'll be disclosing in line with the ICMM requirements in August this year of exactly where we're sitting against those 77 conformance protocols.

Stephen Pearce: On the carbon price, clearly, we operate across a number of jurisdictions across the globe, both in developing and developed parts of the world. So the approach we take is that, where there's a legislated carbon price or path that has been set out in the country, we will use that to the extent it's applicable over time. Where it's not, then we form our own view, and we generally form that view differentially in the developed versus the developing world. And that gives us that range that we disclosed last year. But the simple answer is, yes, absolutely. We will continue to revise our view of carbon price like we would do with commodity price assumptions or FX assumptions, because the world will keep evolving in this space. And so we will evolve our view with it. We often do that on a six-month and annual type basis when we sit down and have a look at data, and we're about to be coming into that cycle as we speak. So that will inform our views of the carbon prices we use as we go forward.

Duncan Wanblad: I mean, do I think that carbon price needs to adjust materially? I genuinely do at a global level if we are to achieve the ambitions of Paris, to be perfectly honest with you.

Stephen Pearce: Yeah, I think we are going in one direction.

Myles Allsop: So listening to your presentation, it's always very impressive in terms of the progress you're making with operating model with a safety record and so on. But I suppose there's been a bit of a disconnect over the last 12 months with the actual operating performance and the disappointments that we've seen at Mogalakwena and Los Bronces, at Kumba in met coal and so on. Do you think that you've kind of got your arms around those issues, and we've seen the last of the disappointments?

Duncan Wanblad: Myles, I certainly am not going to disagree with you around the disappointments. They certainly have been. I spent quite a lot of time dissecting what we thought the fundamental root causes of that were. And what we were doing about that in our December and our February presentations. So I'll just reiterate that. And hopefully, that does give comfort that we do indeed have our arms around it. And we have a specific set of programmes that will seek to ensure that the room for surprises is minimised significantly. But the reality is that coming out of COVID, there were many, many disruptions to work processes and procedures. And any operating model relies on you being able to plan your work and then execute against that plan. And if we weren't able to execute against our plan, then you end up with this induced instability and all sorts of reasons. So it plays out in things like, you don't develop the mine in accordance with the plan at the rate that you plan to develop the mine at. It plays out in things like, you don't maintain in the way that you plan to maintain these different sorts of maintenance impacts that emanate as a result of that. You don't have the equipment that you thought that you would need at the time that you do your maintenance planning and shutdown because supply chains have changed in the way that they serve us in those sorts of respects. So absolutely, those are things that we had to work out whether, is this our new normal or will we be able to get back to the way we thought we would be able to plan and run these operations? And the answer is there's a little bit of both. We've had to adapt to a new normal of supply chains. We've had to adapt to some of the instability in people availability, so workforce availability across the piece.

But I think by far and away, we're very much impacted by some extraordinary climate change related, in my view, weather events across the piece. And so that exacerbated this instability that I spoke about. And we're slightly more resilient to that at the beginning of this year, but not completely immune. Absolutely not. And there remain a number of potential risks that exist around the globe, not only for us but for most mining companies depending on the jurisdiction which in you operate in. So I do think we have our arms around it. We have the right people and the right processes in place, and we are minimising the impact of these sorts of disruptions, be they weather-related, geopolitically-related or self-induced in the way that I just described as far as operations and maintenance is concerned.

We will come out of this. We already showed towards the end of last year much higher levels of stability in the operating performance, and that has moved forward into the first quarter of this year, too. So I hope that goes some way to answering your question.

Myles Allsop: Maybe just a last question for me. Obviously, lot of incoming around Glencore Teck, and obviously, a few questions toying with zinc and met coal at the beginning of the call. But one thing where you are directly kind of impacted is QB2 and Collahuasi. Do you see significant synergies that some of the other partners are talking about? And would you be keen to crystallise those if the opportunity is there?

Duncan Wanblad: Absolutely, the one thing that we like about any sort of deal that we would contemplate would be the fact that there's a deep set of industrial logic and parameters that sit around that from a value perspective. And certainly, where you have adjacent assets, common infrastructure and common supply of services, then absolutely, there is potential for industrial logic to drive those sorts of synergies.

I do absolutely see there is value in some form of Collahuasi, Quebrada Blanca approach. And I think, with or without whatever happens at Teck – I mean, we don't comment on M&A at all, least of all comments on other people's M&A - I think there's an opportunity there that we will all go after.

Paul Galloway: Thank you very much for all joining this afternoon. Our next update is in October of this year. The next news flow from us is our Q1 production numbers next week, as indeed is our AGM. So with that, go very safely.