

# **Presentation to Financial Community on Anglo American's Sustainable Development Performance 2004/5**

17 May 2005

1. Strategic Overview Sir Mark Moody-Stuart
2. Overview of Financial Performance Tony Trahar
3. Safety Tony Trahar
4. Energy Tony Trahar
5. Sustainable Development Organisation,  
Risks and Assurance Process Dorian Emmett
6. Economic Contribution Dorian Emmett
7. Environment and Occupational Health John Groom
8. Black Economic Empowerment Russell King
9. Human Resources Russell King
10. HIV/AIDS Russell King
11. Social and Community Issues Edward Bickham
12. Human Rights, and International Initiatives Edward Bickham

## External

- Outcomes and aftermath of Extractive Industries Review
- Increased focus on role of mining in development
- Debates on royalties
- China

## Internal

- Creation of AA plc Board Safety and Sustainable Development Committee
- HIV/AIDS
- Socio-Economic Assessment Toolbox
- Wider roll-out of '*speakup*' programme

# Reporting and Recognition

- Leading mining company in Dow Jones Sustainability Index and STOXX Index 2004/05
- Included in JSE Sustainability Index
- 2003 Report to Society received commendation from ACCA
- Exploration Division work on biodiversity recognized by president of the Philippines
- Global Business Coalition on HIV/AIDS Leadership Award

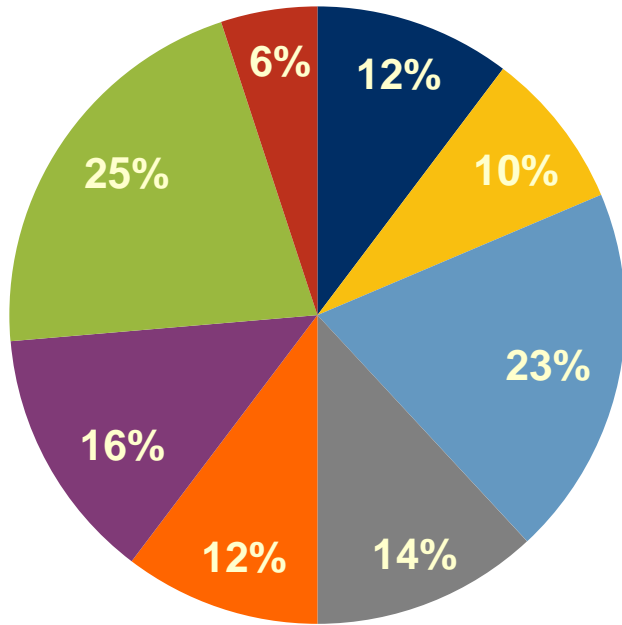
***Tony Trahar***

- **Financial Performance**
- **Safety**
- **Energy**

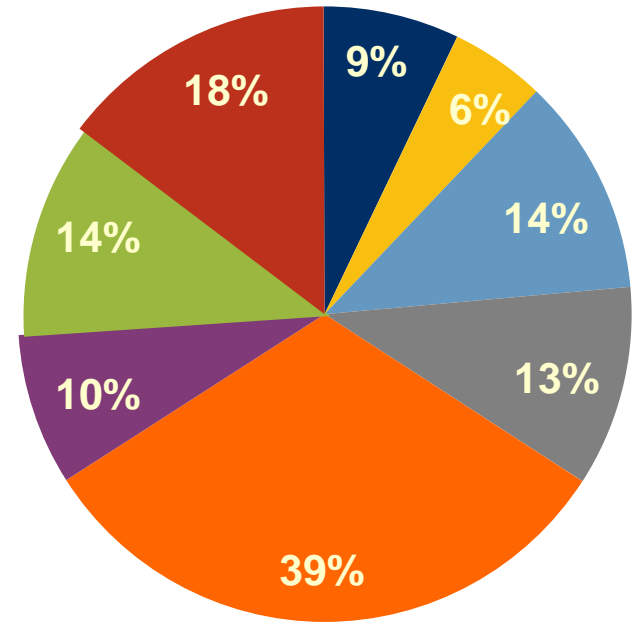
# Highlights

- Record results: - Headline earnings up 59% at \$2,689m
- Cash generation (EBITDA) up by \$2.3bn to \$7,110m
- Total dividend up 30% at 70c per share
- Record performances from Base and Ferrous Metals
- \$1.5bn of projects completed: \$4.7bn project pipeline on track
- Ongoing optimisation of asset base: \$2.1bn of disposals
- Record level of cost cutting and efficiencies of \$554m

# Headline earnings by business unit



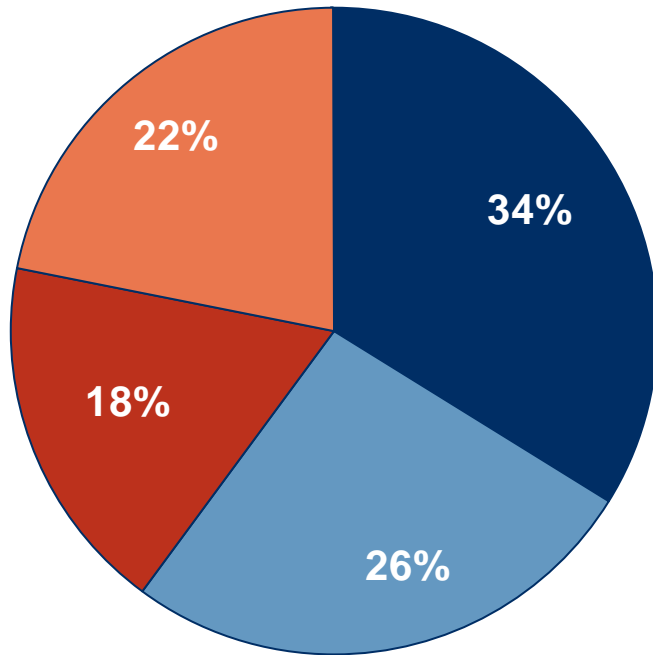
**2003**



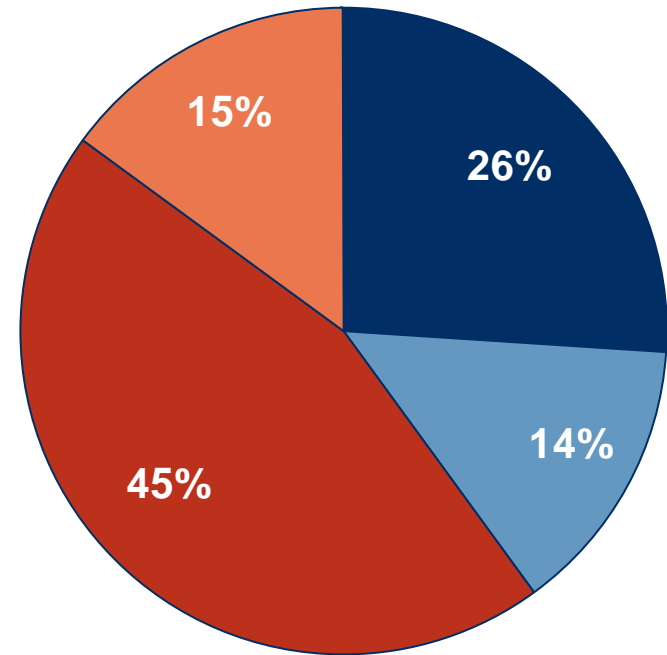
**2004**

- Platinum
  Gold
  Diamonds
  Coal
  Base Metals
- Industrial Minerals
  Paper and Packaging
  Ferrous and Industries

# Geographic headline earnings mix



**2003**



**2004**

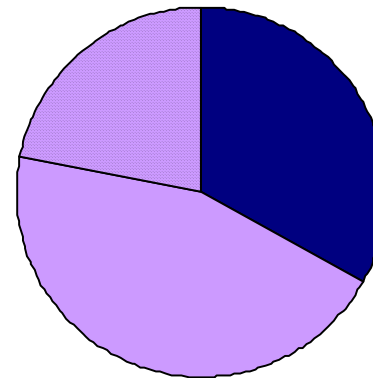
■ Europe  
■ Americas

■ South Africa  
■ Rest of World

# Safety – a mixed year

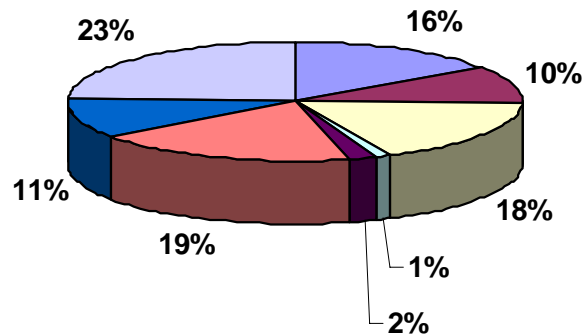
- 49 fatalities. Up 5 from 2003
- LTIFR reduced by 23%
- LTIFR - 65% improvement since 2000
- LTIFR target 0.5 for 2005 represents 35% reduction over 2004

Fatalities



- Surface (33%)
- Underground (67%)
- Falls of Ground cause one third of the underground fatalities

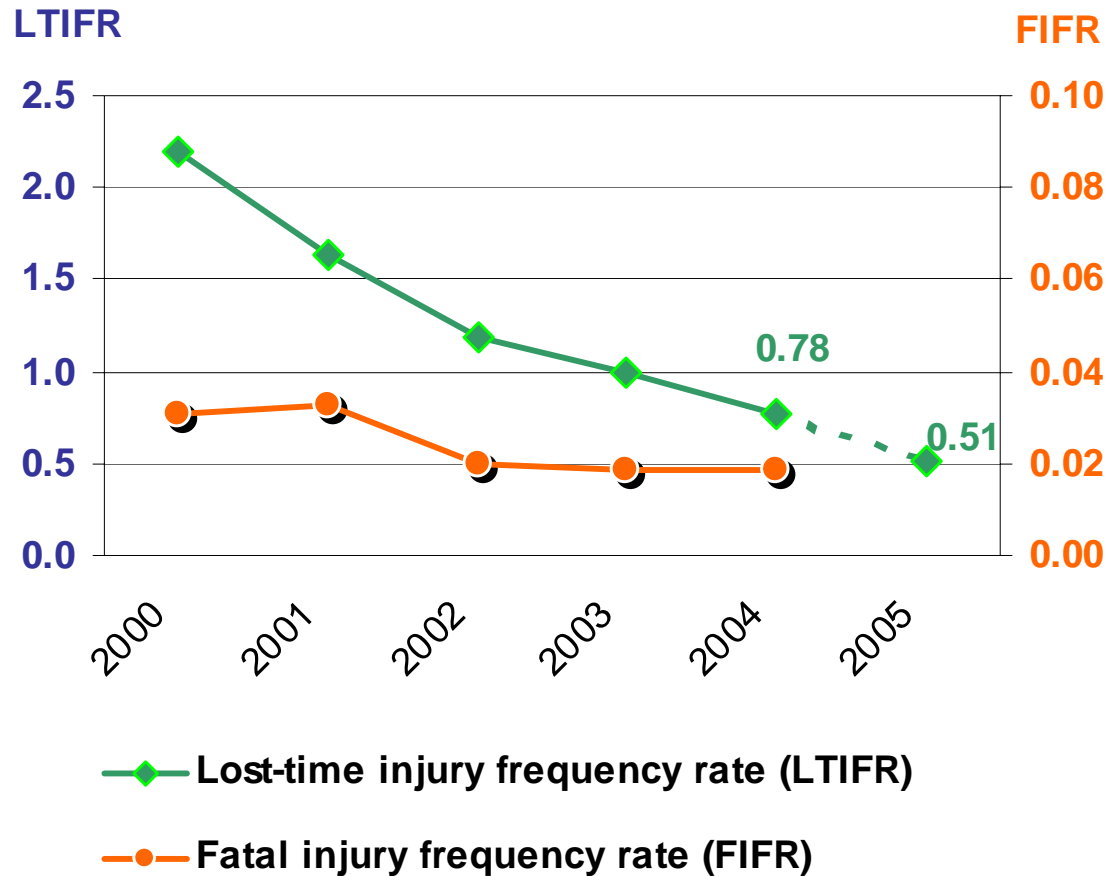
Causes of LTIs



- Falls of Ground
- Transportation
- Moving Machinery
- Electricity
- Fire/Explosion
- Falling
- Falling Objects
- Materials Handling

# Safety Trends

Lost Time Injury and  
Fatal Injury Frequency Rates



- OTTO campaign
- Visible Felt Leadership
- Safety Golden Rules implementation
- Chief Executive's Safety Competition and comprehensive audits
- Behaviour Based Safety
- Safety linked to remuneration
- Du Pont executive training

- Appointment of Head of Energy
- Improve energy efficiency
- Respond to carbon challenge
- Longer-term initiatives

- Group target of 12% reduction in energy intensity and 10% reduction in carbon emissions over next 10 years (2003 baseline)
- Energy Technology Pilot Project with Rocky Mountain Institute
- Energy efficiency improvements already underway

- Developing a carbon trading strategy
- Investment proposals to include ‘cost of carbon’ assumptions
- Clean Development Mechanism screening tool developed

# Longer-Term Activities

- Investment in Johnson Matthey fuel cell company
- Monash Energy – coal to liquid energy project with carbon dioxide sequestration

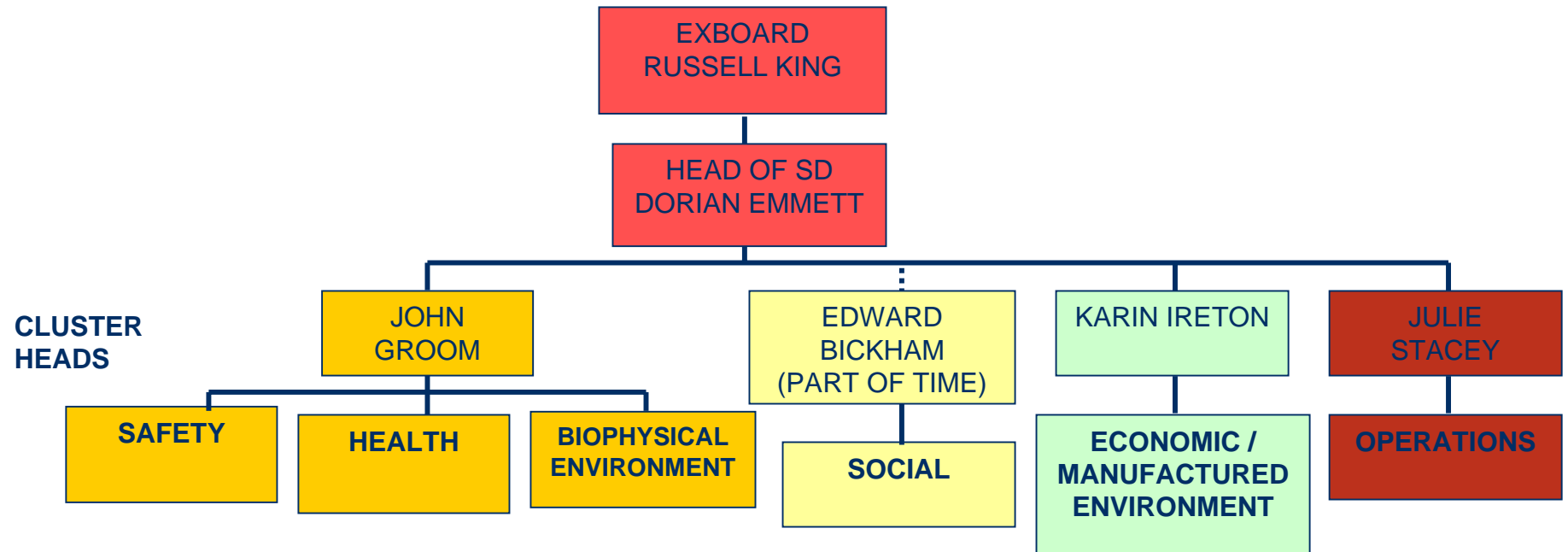
## *Dorian Emmett*

- **Sustainable Development Structure**
- **Risks Assurance and Reporting**
- **Economic Benefits**
- **Material Stewardship**

## PRIORITIES IN 04/05

1. Provide meaningful employment in safe, healthy environment
2. Improve the efficiency of our resource use (esp. energy and water)
3. Understand/protect site biodiversity
4. Reflect concerns about climate change
5. Factor in regulatory initiatives (esp. EU) eg recycling, toxicity of metals
6. Understand concerns and priorities of communities around our operations
7. Formalise SD structure and process

# SD Content and Structure



- Safety and SD Committees in Business Units
- AA plc Board Safety and SD Committee
- Letters of Assurance re. SD agenda to Chief Executive of AA plc
  - Reported to the Board S&SD Committee
- Integrated in '05 in Turnbull reporting format
- SD risks and Opportunities Assessment conducted Group-wide
- Major value – line management engagement on key SD issues

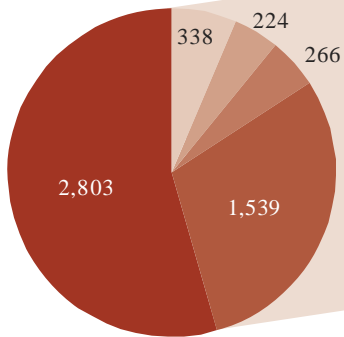
# Reporting

- Report to Society published annually supported by divisional, business unit and site reports
- Reports “in accordance with” GRI guidelines and Draft Boundary Protocol
- KPMG undertake an independent assessment of the important data and systems
- Significant progress in scope in four years
- 2004 report innovations include greater transparency on government relations and more disclosure on ‘man-made capital’

# Sharing of Economic Benefits

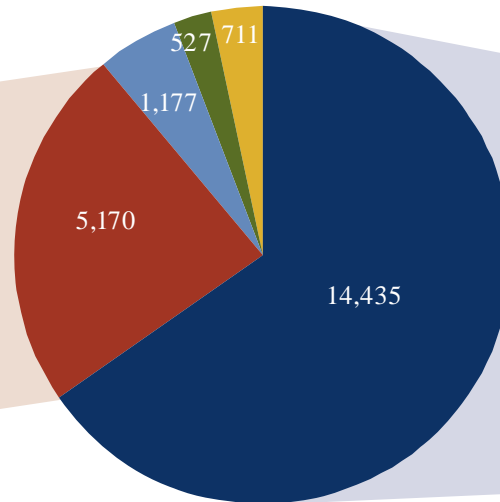
\$5.17 bn

Employees



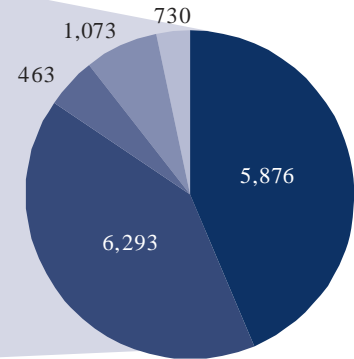
\$22.8 bn

Distribution



\$14.4 bn

Suppliers



- Australia/Asia
- South America
- North America
- Europe
- Africa

- Suppliers
- Employees
- Dividends
- Interest
- Company tax

- Australia/Asia
- South America
- North America
- Europe
- Africa

**TOTAL VALUE ADDED = \$8.929 million**

# Material Stewardship

- Guidelines implemented for inclusion of cost of carbon evaluations and other SD parameters, into investment proposals
- Implications of proposed EU chemicals legislation (REACH)
- Steering groups focussing on product stewardship and recycling
- Supplier engagement

*John Groom*

- **Environment Overview**
- **Biodiversity**
- **Air and Quality**
- **Product Stewardship/Recycling**
- **Occupational Health**

- ISO 14001 Certification
  - 83% certification of operations
  - Further 6% in 2005: recent acquisitions have up to two years
- Incidents
  - Increasing number of incidents due to better reporting
  - No level 3 incidents since 2000
- Targets
  - The challenge remains meaningful aggregation
  - 12% improvement in energy efficiency by 2014
  - 10% reduction in CO2 emissions per unit production (energy intensity) by 2014
  - Most business units have specific targets on water and waste

- Committed to responsible use of environmental resources and the active stewardship of land and biodiversity
- Biodiversity Action Plans (BAPs) to be integrated into ISO14001 systems
- Peer review of 10 BAPs in 2005
- Updated BAP Guideline – extensively used and to be integrated with mine closure planning framework
- Biodiversity projects across the group
- Forest Stewardship Certification: SA and Russia

# Air Quality

- 75 % reduction from 2003 in SO<sub>2</sub> emissions due to improvements at Waterval smelter and sale of Hudson Bay
- Mondi Merebank flue gas desulphurisation of coal-fired boilers to be commissioned in 2005: will result in 66% SO<sub>2</sub> reduction
- Ruzomberok \$37 million project has reduced malodorous gas emissions by 90%, SO<sub>2</sub> emissions by 64% and particulate emissions by 95%
- Investment planned for Highveld

- Better understanding and reporting of “environmental rucksack” of our products
- Active engagement in life cycle and eco-efficiency debates
- Our key focus is on “Process Stewardship”
- Mine Certification Evaluation Project
- Increased waste recycling and reuse

- Occupational Health Management: guideline compliance audited – 87%
- 70% of operations had independent third party certification – on target for 2005 coverage of 75% (usually OHSAS 18001)
- Noise remains priority risk. Other risks include lung diseases, stress, malaria, hand-arm vibration (HAV), other tropical diseases and exposure to the sun
- 2033 new cases of occupational illness
- Active input to the GRI health and safety guidelines

## *Russell King*

- **Black Economic Empowerment**
- **Human Resources**
- **HIV/AIDS**

# Good progress in meeting requirements of Mining Charter

## Highlights

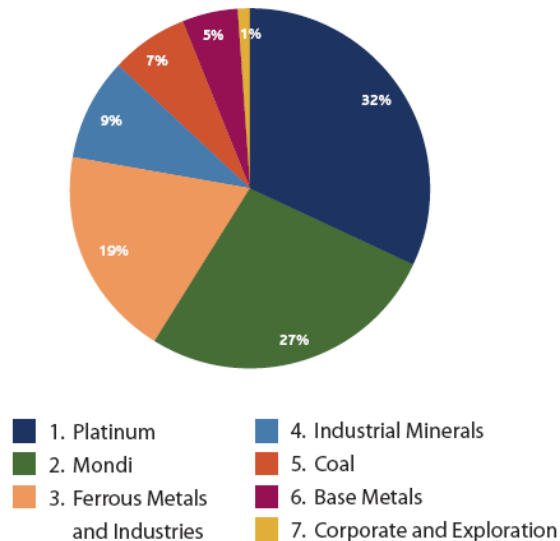
- Human Resource Development has significant momentum
- Employment Equity is on track to meet 40% target
- Number of women in mining or core operations still not high enough but is increasing
- At a senior management level HDSA proportion is increasing
- Mineral rights conversion process has started
- Proactive procurement policy delivering results
- Set to achieve 2009 and 2014 ownership targets
- Creation of a AASA Transformation Committee to ensure momentum

- Paper and Packaging: two deals valued at US\$600m in 2004
- Procurement
  - US\$900m spent on goods and services from BEE companies in 2004
  - Targeted growth rate of 20-30% pa

## Permanent employees by division

(excluding AngloGold Ashanti and Tongaat-Hulett)

%



- 80% covered by a formal consultation process
- 3.8% of total employment cost spent on training - up 50% since 2002
- 40% of training spend on SHE related subjects
- Number of “trainees” has doubled since 2002

### Employee numbers by continent

	Managed Companies	Total
South Africa	84,000	127,000
Rest of Africa	2,000	22,000
Europe	42,000	42,000
North America	4,000	4,000
South America	6,000	8,000
Australia and Asia	5,000	6,000
<b>Total</b>	<b>143,000</b>	<b>209,000</b>
Number of countries	60	65

## Gender diversity

(excluding AngloGold Ashanti and Tongaat-Hulett)



- Gender diversity has not shown the progress that we have sought
- But racial diversity in South Africa has
  - Increased percentage of HDSAs in management from 35% to 37%
  - Doubled number of HDSAs in senior management ranks - now 14%

- Clear standards for employee development and selection
  - WiWTTSiA framework
  - Formal talent management process
  - Formal selection guidelines
- Performance Review
  - All managerial staff to have a face to face performance and development review
- Strong values
  - Ongoing reinforcement of our ‘Good Citizenship’ Business Principles
- Seeking employees’ views
  - Regular surveying of employees views and other consultation processes

- HIV/AIDS epidemic remains the most significant health issue in sub-Saharan Africa
- Strategy:
  - Strong line management leadership
  - Education & Wellness
  - Voluntary Counselling and Testing (VCT)
  - Treatment and care
  - Community partnerships

# HIV Prevalence in Eastern and Southern Africa

	No of employees in region	Estimated HIV prevalence	Estimated HIV +ve employees
AngloGold Ashanti	39500	30%	12000
Anglo Platinum	46750	25%	12000
Anglo Coal	7500	17%	1300
Anglo F&I	40750	18%	7300
Anglo Base	2250	2%	50
Anglo Paper & Packaging	7500	12%	900
Corporate Centre	750	5%	50
<b>TOTAL</b>	<b>145000</b>	<b>23%</b>	<b>34000</b>

# VCT is a key part of our strategy

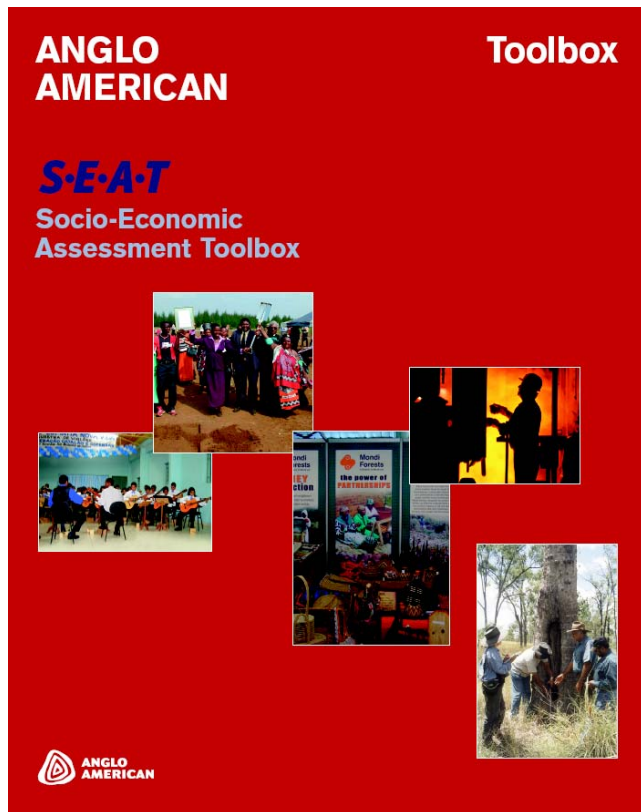
	VCT uptake 2004
AngloGold Ashanti	10%
Anglo Platinum	15%
Anglo Coal	63%
Anglo F&I	17%
Anglo Base	87%
Anglo Paper & Packaging	69%
Corporate Centre	70%
<b>TOTAL</b>	<b>21%</b>

- C. 2100 employees on ART
- Needs meticulous adherence to treatment regimen
- Employees on treatment - adherence >90%
- Deaths on treatment (5.3%) seem to be due to fact that 75% of people seeking treatment wait until they are sick before seeking treatment
- Estimated 25% of our HIV positive employees need treatment (8000 people); only 30% have sought it

- Outreach to communities is a long-standing element of site-level HIV programmes
- Anglo Community HIV and AIDS Partnership programme
  - \$4.7 million over 3 years
  - 7 sites associated with Anglo operations
  - Partnerships with loveLife and public sector aimed at raising awareness amongst adolescents and building capacity in primary healthcare clinics

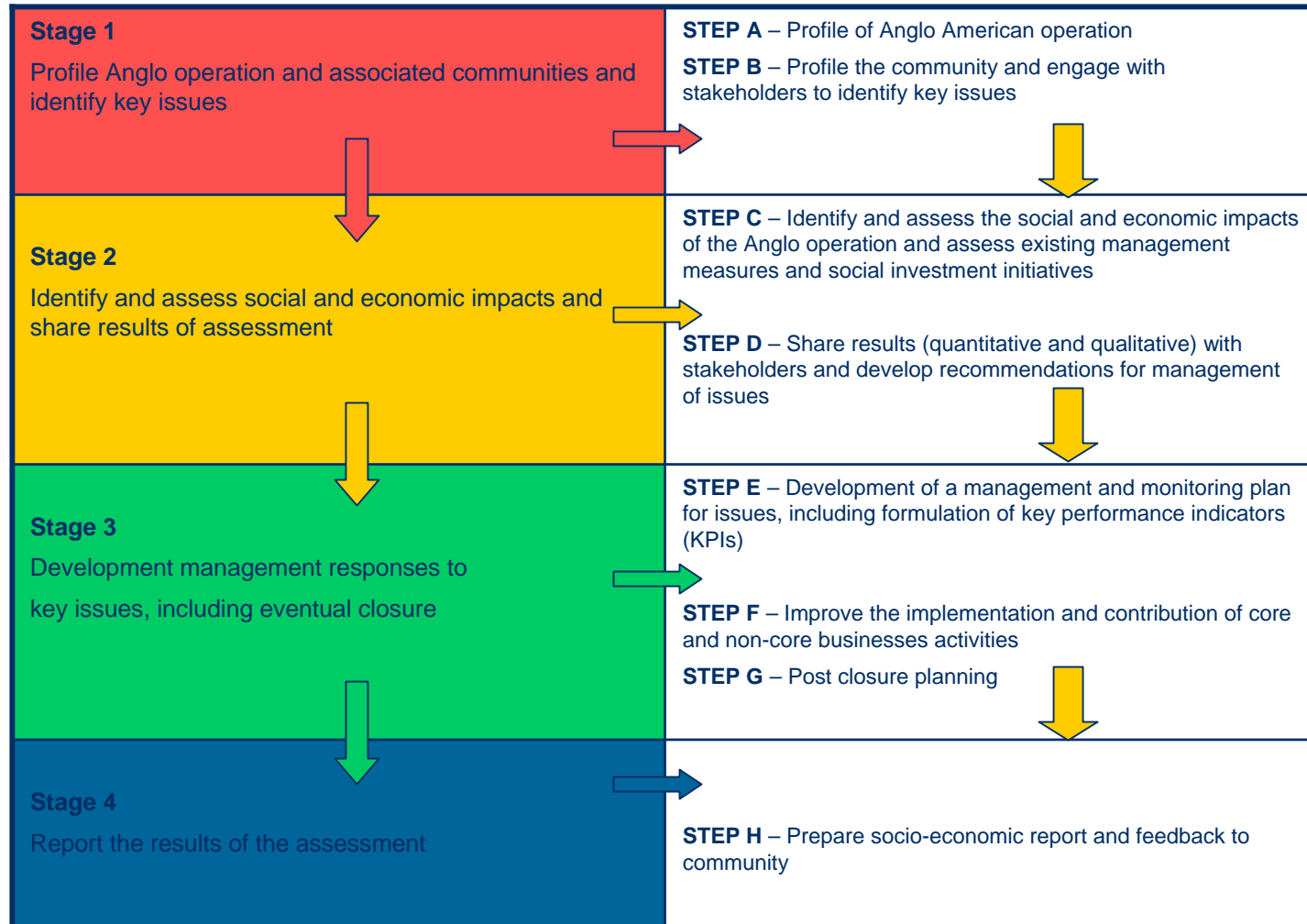
## *Edward Bickham*

- **Social and Community Issues**
- **Local Business Development**
- **Human Rights and International Initiatives**



- Build capacity at site level
- Deliver on ‘Good Citizenship’ Principles
- Ensure effective stakeholder engagement
- Improve risk management
- Develop uniform site-level social KPIs
- Enrich quality of Community Engagement Plans
- Consistency of approach to community ‘upliftment’; spread best practice

# SEAT: Structure



- Implemented in 10 countries (4 more planned)
- 90 people trained at 3 regional workshops
- 3 more training workshops planned
- 16 SEATs completed
- 20 more SEATs underway
- 12 more SEATs planned for 2005
- Partnership models (e.g. Chile)

- Best developed in South Africa
  - Anglo Zimele – 28 companies
  - Anglo Khula Mining Fund
  - 2,000 jobs
- Mondi Forest Enterprise
- Anglo Coal
- Agricultural partnership in Chile

- Extractive Industries Transparency Initiative
- Voluntary Principles on Security and Human Rights
- UN Global Compact
- Indigenous Groups
- Resettlement