

## **2012 SRI ANALYST PRESENTATION**

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Thank you Sir John for those introductory remarks.

Let me add my warm welcome to you all this morning – to those of you in the room and to our guests who are joining us via webcast.

This is my fifth presentation to the SRI analyst community.

Those of you with long memories will notice how the attendance at this event has grown over the years.

To me this demonstrates that – despite some challenging economic conditions in recent times – responsible mining increasingly has become a core issue for our industry.

Or, as Stephen Howard of Business in the Community likes to put it: “It is about how we make our money, not how we spend it”.

Anglo American stands for the best in mining and corporate social responsibility.

We are proud of our record of achievement.

In recent years, I believe we have received more recognition for our work than any other mining company – we are by no means perfect, nor are we complacent.

But put simply, our approach sets us apart in the industry.

Eight days ago Anglo American was the runner up in the “Responsible Business of the Year Award” at the Business in the Community annual awards.

These are the most prestigious and widely recognised awards of their type in the UK.

Earlier this year we became the only mining company to achieve the Platinum status in BiTC’s Corporate Responsibility index.

You may ask why these awards matter.

They matter because they help to set a standard for the industry to follow.

The fact is the long term future of our industry depends on how we – as a collective – apply ourselves to protect our employees; help communities to develop; work in partnership with Governments; and minimise our impact on the environment.

Put simply, sustainable development is sound business practice.

### **2011 Results Highlights**

Before commencing my report, I will give you quick overview of last year’s financial performance.

As I’m sure you will know, 2011 was an excellent year for Anglo American.

We achieved a record operating profit of \$11.1 billion, and delivered three of our four major growth projects on time and on budget.

We are also very active in looking to the next phase of Anglo American's growth through our \$100 billion project pipeline comprising 90 projects and a world class exploration programme.

The purchase of the Oppenheimer family's stake in De Beers also represents a very attractive growth opportunity for Anglo American, as does our buy-out of minorities in the Peace River Coal metallurgical coal business in Canada.

We generated value well in excess of analyst expectations by selling a 24.5 percent stake in Anglo American Sur in Chile to Mitsubishi.

In addition, value generated through our supply chain initiatives reached \$1.2 billion last year, whilst asset optimisation added a further \$2 billion – these combined savings were ahead of target by \$1.2 billion.

### **A Challenging and Evolving Supply Landscape**

Across the world it is becoming more challenging to operate in the mining sector.

The range of issues we need to manage has grown in recent years – current challenges include securing community consent, availability of water, recruiting suitably skilled personnel, taxation and security of energy supply.

Moreover, governments, communities, civil society and, of course, investors are becoming ever more involved in the governance of our sector, leading to changes in the regulatory and standards regimes we operate within.

In Anglo American we welcome the additional scrutiny that this brings.

We have nothing to hide and much to be proud of.

Dialogue with key stakeholders is an essential part of our ongoing drive to improve our operating standards and enhance perceptions of our company and this industry.

However, where industry is not properly consulted, the results are often poor policy and higher costs.

Perhaps surprisingly, in recent years it is some of the advanced economies that have shown the greatest propensity for abrupt or arbitrary changes to tax and regulatory regimes.

Indeed, one of the most interesting themes that has emerged in the last couple of years is that the old dichotomy of "safe" western countries and "risky" emerging markets has become increasingly outdated.

As I engage with governments around the world I repeatedly stress the fact that, while Anglo American welcomes improved standards that generate trust and lead to better outcomes for all stakeholders, we are long term investors, and therefore need long term stability, particularly with respect to taxation and tenure.

And where standards are raised or regulatory processes changed, we always hope this is done in consultation with industry, and with adequate lead times.

## **Strategy**

We have put responsible and sustainable mining at the heart of our strategy, because it is the right thing to do, recognising our role in society; but also because without it we would not be able to achieve our growth ambition.

As you can see, the four pillars of our operating model are:

- Investing in world class assets in the most attractive commodities;
- Organising efficiently and effectively;
- Employing the best people and, the main focus of today's presentation; and
- Safe, sustainable and responsible mining.

What this means in practice is that:

- Our supply chain is vetted for social and environmental concerns;
- All new projects are subject to rigorous environmental, safety, health and social performance screening during stage gate reviews;
- The design of those projects is themselves driven in large part by analyses of social and environmental risks and opportunities;
- We seek to use our core businesses as the key drivers of local development through procurement and recruitment; and
- Our mines are operated to some of the highest standards in the industry.

I turn now to safety.

## **Safety**

As you know, since joining Anglo American five years ago, I have made zero harm our top priority. In that time, we have seen a very significant decline in fatalities and other key safety indicators.

In 2011, however, 17 colleagues lost their lives in work-related injuries, two more than in 2010 – the majority worked at our Platinum operations.

Any loss of life is unacceptable, and I remain convinced that we can eliminate them.

The evidence supports this – over 90 per cent of our sites were fatality-free last year.

Excluding Platinum, our overall safety performance improved with almost half our operations LTI-free last year.

At the start of 2010 our safety performance, which had until this time improved year on year, started to plateau.

As a result, I called our top management together in Johannesburg last year for a Safety Leadership Summit and we instigated a group-wide safety review to identify how we can improve implementation of our existing safety standards.

We developed as set of leading indicators for safety performance.

We conducted a thorough assessment of compliance with all safety standards at every operation.

This will be repeated to ensure that, over time, any gaps identified have been eliminated.

We introduced an improved, standardised approach to risk assessment across the whole of the business.

We will drive closer involvement of key corporate functions in the drive for zero harm.

I'm pleased to say that the functions have really stepped-up to the challenge.

For example:

- We have boosted our internal communications;
- Human Resources is working towards assessing job aspirants for their propensity to take unsafe risks;
- Our Supply Chain has increased its vetting of the safety performance of contractors;
- Group Technology is undertaking a review of all available technologies inside and outside the mining sector that could reduce exposure to risk; and
- Finance is ensuring that safety investments are separately and clearly identified in annual budget process.

Again in April this year, I called our leaders together for another global Safety Leadership Summit where we focused on leadership and accountability.

These programmes are a vital addition to what we already have in place – and will play a key role in moving us closer to our goal of Zero Harm.

## **Health**

Across the board Anglo American takes occupational health issues very seriously.

We have multiple programmes in place of which we are immensely proud.

But before I go into this, a word on a subject that you may have heard or read about – the litigation against Anglo American in relation to occupational lung disease, particularly silicosis, in former-gold mine workers in South Africa.

We maintain that the gold mining companies that owned and operated the mines and that employed these mine workers, were responsible for the health and safety of their employees and took reasonable steps to protect them.

Nonetheless, we have by no means been inactive.

At our AGM last April I informed shareholders that a proposal would be developed to provide appropriate medical treatment for those claimants who had instituted proceedings in South Africa against Anglo American, prior to the date of the proposal.

The cost of this treatment would be borne entirely by Anglo American, and the treatment would continue for as long as it took for the claims to be finally resolved in court.

The proposal was made and accepted.

Since then, Anglo American in South Africa has worked with all parties and agreed on the best possible way to provide this medical care.

All 16 available claimants in South Africa have been examined and are receiving ongoing care, support and treatment.

Our approach to health is the same as safety – Zero Harm to health, during working life and retirement.

The major focus in 2011 was the reduction of hazard exposures at source.

This included significant reductions in noise from machinery and levels of dust.

We also continue to take a holistic view of employee health; we provide a wide range of health advice and support for health issues including obesity, diabetes, high blood pressure and substance abuse.

We believe we have a responsibility to deal with the burden of disease in the developing countries where we operated.

Take, for example, our world leading programme for HIV/AIDS testing and treatment in South Africa and our efforts to tackle TB in the workplace –

- 110,000 people employees, contractors and dependants were tested for HIV in South Africa in 2011 alone;
- 90 per cent of employees in Southern Africa participated in voluntary counselling and testing;
- 61 per cent of HIV-positive employees in Southern Africa participating in disease management programmes; and
- 4,730 employees in Southern Africa receiving free anti-retroviral drugs.

I am proud to say that Anglo American is the recognised leader in workplace HIV/AIDS and TB programmes.

These programmes are absolutely the right thing to do, and also save us money.

Indeed, treatment costs for HIV are estimated to be only 5 per cent of the total costs of the disease if it is unmanaged.

But we are not a public health system and we need to work in partnership with other stakeholders that have a role to play in this area.

Last year we committed \$3 million to the Global Alliance for Vaccines and Immunisation, which the UK Government kindly matched.

Vaccines are the best and most cost effective investment to prevent disease.

In South Africa we are also working with the Department of Health and the Eastern Cape government to develop a business plan that will lead to strengthening the province's health care sector. We are also sharing our own health information management system to support the public health system.

## Environment

On the environment, we have three clear priorities:

- Climate change;
- Water; and
- Biodiversity and land management.

Our first focus in these areas has been on operational excellence.

There is no better example of our approach on environmental sustainability than our new Kolomela iron ore mine which I officially opened almost two weeks ago.

The mine was delivered on budget and five months ahead of schedule.

Kolomela was designed to meet the highest standards of water and energy efficiency as well as biodiversity.

For example, Kolomela's dry-plant technology means significantly less water is used in the processing of the iron ore.

Extensive monitoring has been put in place to ensure water used for dust control is kept to a minimum.

Low energy features such as heat pumps, solar geysers and efficient motors have also been integrated into the design of the mine.

And, given its sensitive location, Kolomela has put in place one of the most extensive programmes known in South Africa to monitor its impact on biodiversity in the area.

[Pause]

All of our operations have marginal abatement cost curves that help us to prioritise the most cost-effective energy and water efficiency measures.

Despite significant growth in output, these measures have allowed the Group to hold carbon emissions and water consumption in our core business at broadly stable levels over the last four years.

We have also made progress on water:

- Almost 70 per cent of our total operational water requirements were met by recycling/re-using water;
- Water savings initiatives at Platinum saved approximately 700,000 cubic metres – the equivalent of about 285 Olympic sized swimming pools of water.
- In South Africa we have developed our water infrastructure to also benefit nearby communities – over 2 million people are accessing clean water as a result.

And we have integrated biodiversity and ecosystem services into our project development and operational review processes.

In fact, over 15,000 hectares of disturbed land has been rehabilitated across the Group.

A key enabler for this work has been the mapping of overlaps between operational areas and valuable biodiversity habitat, including protected areas.

By understanding local environments well before the permitting stage in a project's life, we will be better placed to obtain regulatory approval and protect biodiversity.

With over 80 per cent of our operations and projects in water stressed river basins, we are particularly sensitive to the challenges posed by climate change and impacts on habitat.

We are engaging actively with governments on these issues.

In doing so, our objective is always to find effective responses to these challenges without damaging our ability to grow, or compromising the ability of the communities in which we operate to prosper.

Indeed, we see communities as increasingly important stakeholders in managing environmental issues, because we believe they are part of the answer.

For example, our social performance specialists are currently designing community development projects that focus on sustainable energy use, including low income household energy efficiency schemes and clean cook stoves.

Such initiatives help communities develop, reduce carbon emissions and grid power demand and could generate relatively low-cost carbon credits for Anglo American.

### **Resource Nationalism**

Excellence in safety, health and environmental management has become a stay-in-business issue for leading mining companies.

I welcome this.

Only through sustainable operations can we hope to secure and maintain our licence to operate as an industry.

However, in recent years it has become evident that host governments and communities are expecting much more of our sector than was the case in the past.

This is of course understandable.

Unlike most other sectors, we develop non-renewable resources that represent a one-off chance to secure a sustainable uplift in living standards.

Different governments have adopted a wide range of strategies in their quest to secure better development outcomes from their natural resources.

Some governments have stuck to a belief that the best approach is to create a stable and attractive investment regime.

Over time, their approach has generally been vindicated.

However, more interventionist measures have become common in recent years.

These range from higher taxes through to local content rules, free-carry equity stakes for governments and indigenisation requirements.

We have also seen some rare examples of nationalisation.

While nationalisation remains very rare, it is something that I have been asked about a lot in the last year.

In particular, I have been asked if high prices in the mining sector might mean that it goes the way of the oil and gas industry, which has gone from being largely privately owned to being dominated by state-owned companies over the last 40 years.

I do not believe this will happen, particularly because it misunderstands the experience in oil and gas.

As our chart shows, oil prices rose after private oil producers were nationalised.

Nationalisation allowed for concerted action on prices by the governments of oil producing countries.

Replicating such a scenario in mining would be almost impossible – mineral deposits are more varied in nature, and more dispersed geographically.

The sectors also have important differences: the long-run margins in mining, and the high investment costs involved in sustaining a productive mining business, make it a less attractive prospect for governments to own.

It is partly for these reasons that the ANC policy review concluded that nationalisation would be very disadvantageous for South Africa.

I know that for some observers the nationalisation debate was unnerving, particularly for those from countries where the terms “consultation” and “policy review” have become euphemisms for justifying pre-determined policy positions.

However, those of us that know South Africa well expected a robust and noisy discussion, but also sensible conclusions on the nationalisation question.

I am very pleased that the country's leadership – from the President, to the Minister of Mineral Resources and the National Union of Mineworkers – have all rejected nationalisation.

However, as in many other countries, the process has opened up an important conversation about the role of the mining sector in national and local development.

As you will know, Anglo American has long prided itself on the contribution it makes to host countries, and we are both well prepared for and comfortable with this discussion with our host governments.

### **Government Relations**

As resource nationalism has risen up the political and policy agenda, and as the regulatory environment that we face has become more complex and more politicised – we have invested to ensure that we have expert teams in place in all key countries to engage with governments, understand their concerns and aspirations, and respond appropriately.

In addition, over 100 senior managers from across the business have received government relations training over the last two years.

Every significant Anglo American geography must now prepare a government relations plan, and all new country entry work and M&A activity is accompanied by a detailed analysis of local socio-political risks and opportunities.

While it is often hard to show immediate tangible returns from such investments, it is clear to me and our Board that they are increasingly necessary.

And this approach goes beyond just governments.

We have worked hard on our relationships with trade unions, and have been rewarded with excellent cooperation.

In South Africa, I don't believe we could have made the progress we have made on HIV/AIDS and safety without union support.

A respectful and mature relationship with unions in South Africa, for example, enabled us to make difficult decisions to reduce our head count without industrial action.

Not many of our competitors have achieved that.

So, a key priority for us is to describe how mining can meet stakeholder aspirations for developmental benefits, but in a way that is both good for host countries and communities and good for us.

### **Social Performance**

This is where excellence in community relations and community development come in.

This has long-been recognised as an Anglo American strength.

For example, our enterprise development programmes were supporting over 47,000 jobs by the end of 2011. 20,000 of those jobs were in South Africa.

In 2007 we had just one office running these programmes in South Africa – now we have 32.

In 2009 we opened one of these offices in Chile – the start of a programme which has so far helped to generate over 26,000 jobs.

I am committed to ensuring that such programmes are run wherever Anglo American does business.

I am also hugely excited by our local procurement programme.

With a procurement spend of \$14 billion in 2011, we have a massive opportunity to boost host economies whilst also bringing benefits to Anglo American more secure transport routes, more local competition for our contracts, more vibrant communities to attract workers and their families to and, of course, an enhanced licence to operate.

Procurement from our host communities last year increased by over \$240 million – and we are just getting started.

To ensure that we are making the best possible use of our resources and learning we instituted a community development peer review process last year.

The reviews consist of in-depth assessments of community development activities at our mines, and we are very fortunate to be supported by development experts from our partners at CARE International and Tshikululu [Chikululu] Social Investments, who run the Anglo American Chairman's Fund.

The Centre for Social Responsibility in Mining at the University of Queensland is aware of nothing similar in the sector, and is preparing a research paper on the process, which they plan to publish next year.

I was also very pleased to see further progress toward full compliance with the performance standards set out in the Social Way – overall we were 89 per cent compliant at the end of 2011.

We will continue to innovate in this area. Last month we published the third version of our highly acclaimed Socio-Economic Assessment Toolbox, or SEAT.

SEAT is the foundation of our management of community relations and, because of a persistent high level of interest from other companies, researchers and governments, we have taken the decision to make SEAT version 3 freely available via our website.

If you would like a hard copy yourself please ask one of our team after the event today and they can provide you with one.

Our patient approach to addressing community concerns has paid dividends many times over.

We are currently in the concluding stages of a stakeholder dialogue process at our Quellaveco project in Peru.

Putting the project on hold for 18 months while we address residual local concerns was a tough decision.

But, as recent events in Peru have shown, it was certainly the right thing for us to have done.

Thanks to the excellent work done by technical, community and government relations teams in Peru, Chile and London, we are confident of having a profitable development proposal that has strong local and national acceptance.

Many other mining companies in Peru would love to be in that position at present.

## **Human Resources**

Of course, none of this would be possible if we didn't have the best people in the business.

Anglo American has long been an employer of choice for mining professionals, as evidenced by a very low (and falling) voluntary turnover rate – it was 3 per cent in 2011.

But we are redoubling our efforts to ensure we have the best workforce in mining in the face of persistent skills shortages across the industry.

In the last year we have developed forecasts of what talent we need and where, and compared this with projected supply to allow us to design targeted interventions.

We are also working with universities to develop new talent, and increasing the diversity of our workforce at both operational and management levels.

I believe no other industry participant has achieved the level of cultural and gender diversity we have –

- 15 per cent of our total workforce are now women – that's up from 12 per cent in 2008;
- 22 per cent of management are now women – up from 17 per cent in 2008; and
- In South Africa 51 per cent of management are Historically Disadvantaged South Africans (HDSA).

### **Building Confidence in Our Industry**

Whilst I believe that Anglo American has a very good reputation within our sector – mining, in general – does not.

This affects us all.

It is for this reason that Anglo American launched its first global advertising campaign last year.

We are also trying explain, as I have attempted to do today, why responsible mining is important for the profitable growth of our company.

And we are finding better ways of communicating our impacts using social media.

We also continue to be engaged in the policy debates around our sector.

We remain very active in the ICMM, the World Economic Forum, EITI, the Voluntary Principles on Security and Human Rights and many other national and international forums.

We are also active in initiatives to build customer and consumer confidence in our industry, and are exploring third party certification schemes, comparable in many ways to the Forestry Stewardship Council. In addition to the potential reputational benefits, we see commercial opportunities, for example:

- In becoming a preferred supplier to the growing number of our customers who are interested in responsible sourcing in; or
- Reducing delay risks on new projects by being able to give comfort to host communities that we will be operating high, to independently agreed and verified standards.

### **Concluding Remarks and Q&A**

Ladies and gentlemen, as you can see, we have accomplished much, and this is delivering significant value to our business and to our shareholders.

Above all we are extremely proud of what we are achieving as a responsible miner that places sustainability at the heart of what we do.

There's no better evidence of where we stand in the industry than the recognition we have received internationally.

In the past year alone we received over 40 prestigious awards.

In the last two weeks we took three of the seven top awards in South Africa for occupational hygiene.

Our Sustainable Development Report was awarded first place amongst the FTSE Eurotop 100 companies for our clearly articulated sustainability strategy, focussed on operational excellence.

No other company has received this level of recognition – and I believe our best is yet to come.

We now look forward to your questions.