

# **PRESENTATION TO SOCIALLY RESPONSIBLE INVESTMENT ANALYSTS**

**18 JUNE 2014**



# AGENDA

- Safety briefing
- Chairman's welcome
- Overview of key issues and Anglo American's approach
- 2013 performance
- Q&A

# **WELCOME**

## **SIR JOHN PARKER, CHAIRMAN**

# **OVERVIEW OF PERFORMANCE**

**MARK CUTIFANI, CHIEF EXECUTIVE**

# SUSTAINABILITY AND MINING

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**Approximately \$25 billion of mining projects are delayed or on hold due to sustainability and stakeholder issues**

- Mining in context:
  - Mining drives global GDP
  - Footprint is small relative to economic importance
- Constituencies:
  - Shareholders
  - Employees
  - Stakeholders

**Our purpose is to be a sustainable company... to do that we must add enduring value to society**

# SUSTAINABILITY AND MINING

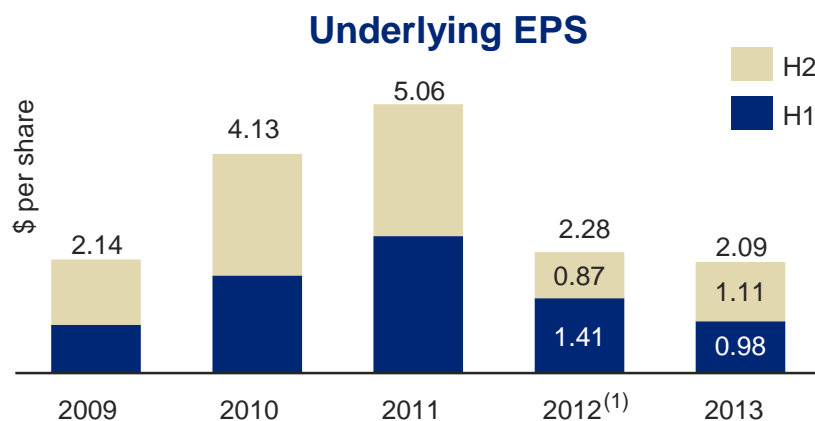
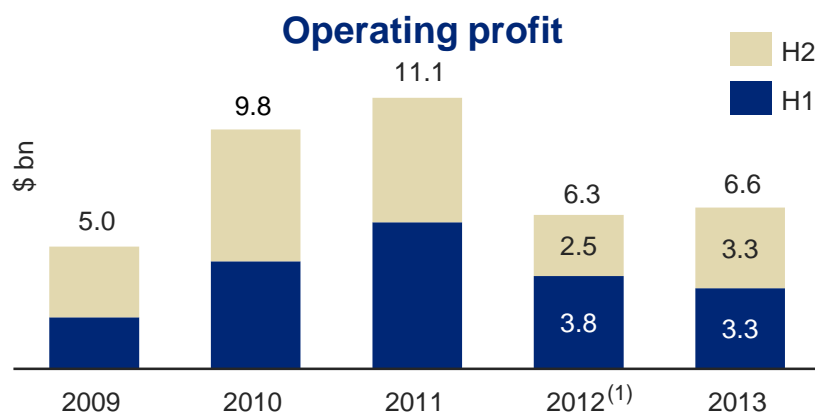
## Good performance on sustainability issues is good for our business

- The mining industry as a whole suffers from negative perceptions which both limit opportunities for investment and leave us subject to unduly onerous regulation and taxation
- Poor management of environmental and community issues can create community and permit-related delays and disruption
- Not just a risk issue: states increasingly want an enduring socio-economic dividend from development of their natural resources, as evidenced by OECD, World Bank, African Union etc policy work:
  - Creates an opportunity for companies that can demonstrate that they can effectively deliver socio-economic benefits to become a preferred partner, especially in developing nations
- Efficiencies in resource usage and new markets also create commercial benefits
- We are facing these issues head on, often approaching from a new perspective, such as through our external engagement with faith groups



# HIGHLIGHTS

The benefits of our improvement work are starting to come through...



- Group underlying operating profit of \$6.6bn, up 6%
- Underlying earnings down 7% to \$2.7bn; EPS \$2.09
- Operating profit improvement driven by improving production performance, as FX offsets price weakness
- Increased contribution from Platinum and Diamonds, partially offset by price declines in Coal
- Operational improvement, particularly in Q4, driven through focus on mining processes, costs and margins
- 2013 dividend maintained at 85 US cents per share

(1) Throughout the document FY 2012 restated for adoption of new accounting standards including: IFRIC 20 (stripping costs), IAS 19R (employee benefits) and IFRS 11 (joint arrangements)

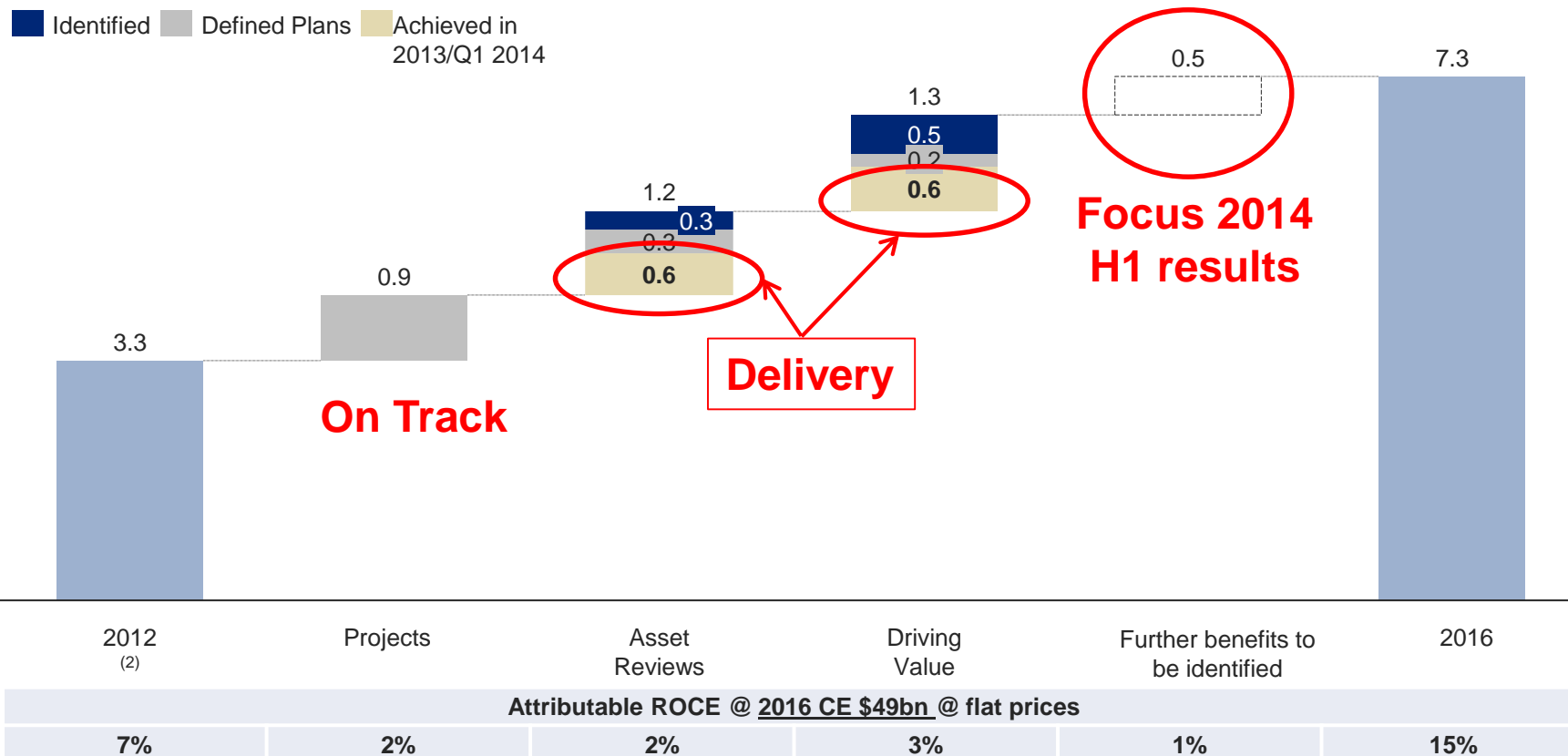
...but we have a lot more to do to realise our full potential.



# FOCUS ON RETURNS - ATTRIBUTABLE ROCE

## TARGET IS 15% ROCE BY END OF 2016...

Attributable ROCE<sup>(1)</sup> (%) and EBIT (\$bn) 2012 to 2016 Target (\$m) @ 30 June 2013 prices and FX



...requires a doubling of EBIT.

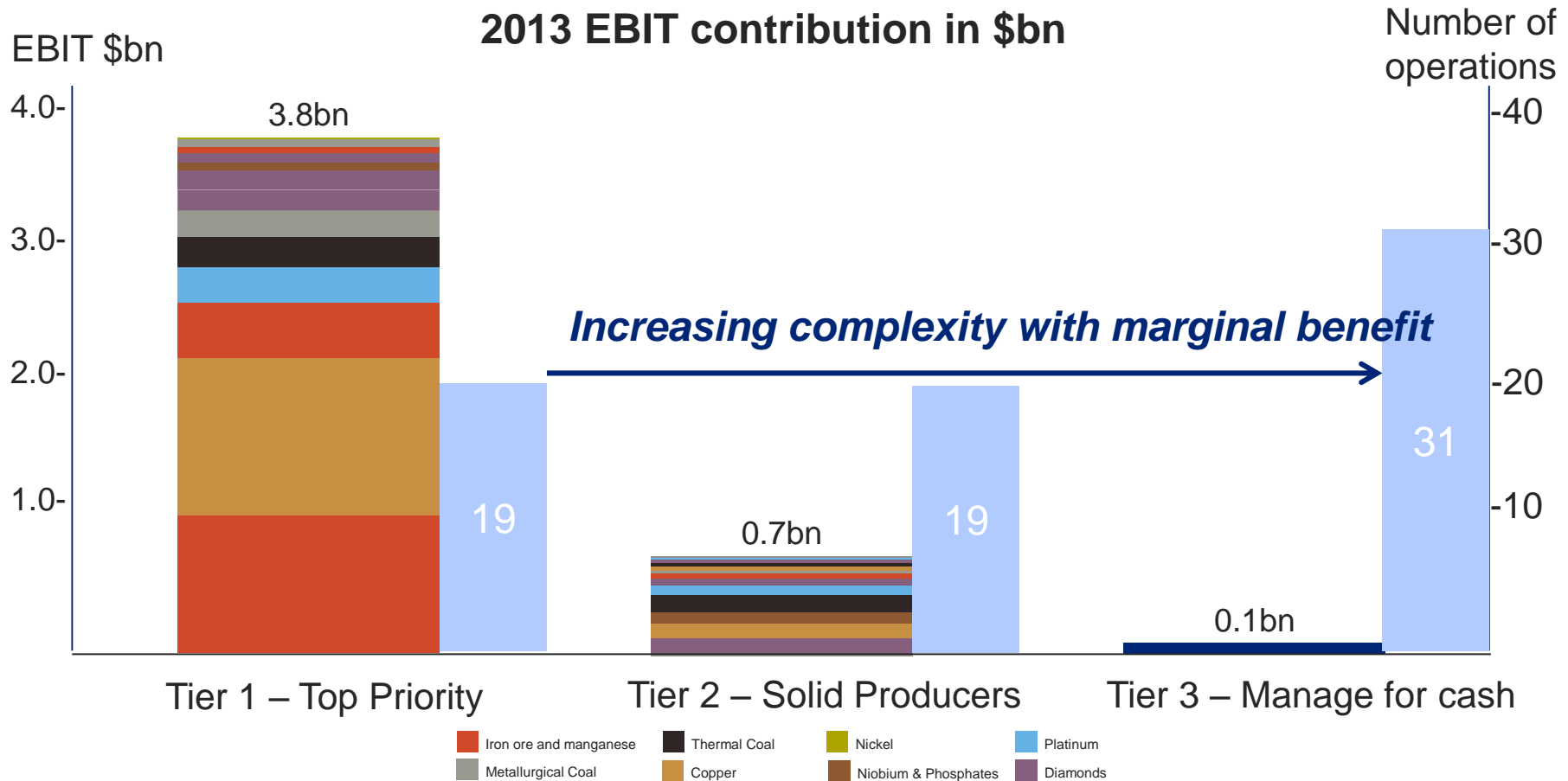
(1) Attributable ROCE defined as operating profit attributable to AA plc shareholders divided by attributable average capital employed

(2) ROCE based on commodity prices and exchange rates at 30 June 2013 and including structural changes to portfolio



# MANAGING THE PORTFOLIO

Focus on Tier 1 delivery and potential...Tier 2 consistency and potential...



...and Tier 3 discussions are strictly “cash or (don’t) carry”.

# IDENTIFYING MATERIAL ISSUES

We validate our material sustainability issues with an external stakeholder panel

Material Issues	Our Approach
Workforce health and safety	Continued focus on implementing Anglo American standards. New operating model for mines will further enhance safety performance
Human Rights	We recognise that our business can have an effect on multiple human rights and we have a responsibility to prevent negative impacts. New human rights policy in preparation to reflect UN Guiding Principles
Water	More than 70% of our mines are in water-stressed areas. Continued deployment of WETT to manage water consumption and quality
Climate change	ECO <sub>2</sub> MAN roll-out continues to ensure energy efficiency on-site. Investing in low carbon R&D in platinum and coal
Socio-economic development	Updated approach to development interventions launched in 2014, focused on leveraging Anglo American value chains and expertise and partnerships
Workforce management	New organisational model being implemented to ensure: clarity on our structure and individual accountabilities; the work and authorities of each role; and consistent excellence in execution of core operational processes
Permitting and licence to operate	Permitting minimum requirements being developed to ensure a consistent, risk-focused approach to securing and retaining permits
Social and political stability	Engaged at national and international level on governance issues for the sector. Approaches to stakeholder engagement, development, security, human rights and local capacity development aim to build prosperous and stable host communities

# OUR PEOPLE

## People are the business...

- New organisational model and structures to support our business objectives, removing duplication of work and creating clarity
  - Grouping of commodities to recognise synergies
  - Centralising our marketing activity into hubs in key markets
  - Redesigning our Group and business unit corporate centres
- Diversity:
  - Attracting women to work for the company at all levels and establishing a culture and working environment that encourages a positive gender balance
  - In South Africa, 64% of our management are now 'historically disadvantaged South Africans' (HDSAs)
- Occupational health:
  - Continued focus on rolling-out stringent policies and standards
  - HIV and TB remain major focus areas in SA
  - Health information management systems are the missing component in local health systems: we are making our HealthSource system more widely available
- Platinum labour dispute



**...the new organisational model will cut bureaucracy and improve decision making.**

# SAFETY

## Improved operating practices will drive the next step-change in safety

- Fatality rates – we have a critical focus on management of major hazards
- Total recordable rates continue to improve, reflecting good work on leadership and culture
- In Q1 2014 Anglo American, for the first time ever, recorded zero fatalities on-site
- Sadly, we have subsequently recorded three fatalities year to date
- Biggest safety issue for our workforce is currently road transport. We have begun a new work programme to address the transportation of employees and contractors on public roads

Five key programmes to drive continued improvement:

- Leadership and promotion
- Planning work and implementation of standards
- Hazard and risk management
- Incident management and follow up
- Supervisor behaviours

### Performance 2010 – 2014 (May)

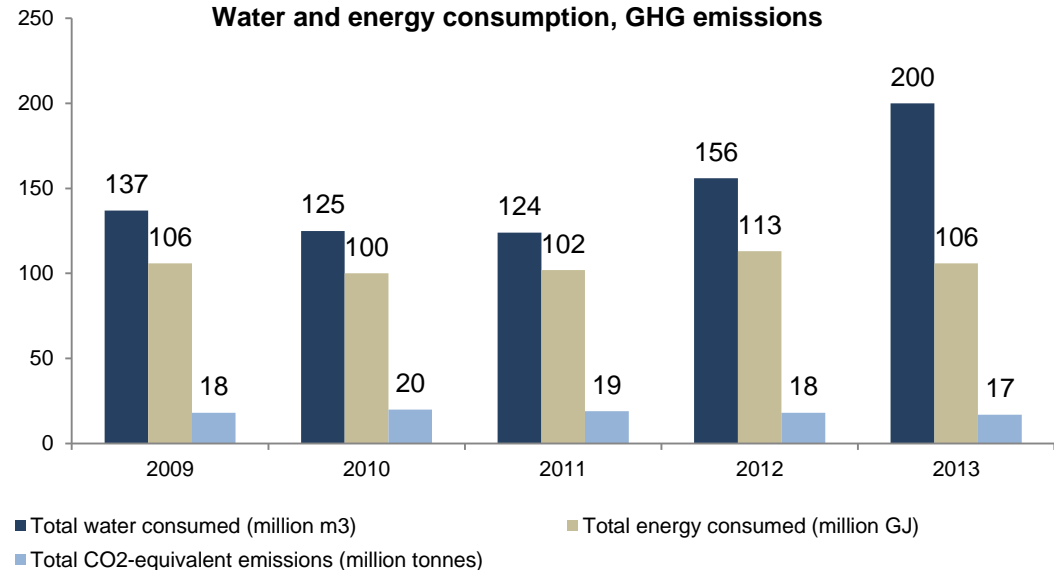
Fatal injuries and total recordable case frequency rate



# ENVIRONMENT

## Successful management of environmental issues is yielding business benefits

- Biggest environmental risks are water security, releases of pollution, tailings dam failure and the economic and physical impacts of climate change
- Key progress points:
  - On track to meet or exceed our water, energy and GHG savings targets
  - An increased focus on environmental incidents
  - Technology pathways established for designing a carbon and water neutral mine by 2030
  - Received external recognition for our performance
- The way forward, focusing on the business gains from effectively managing environmental risk:
  - Continue to drive improved operational efficiency from our savings programmes
  - Continue to improve awareness and management of environmental risk
  - Continue to build our reputation for responsibility

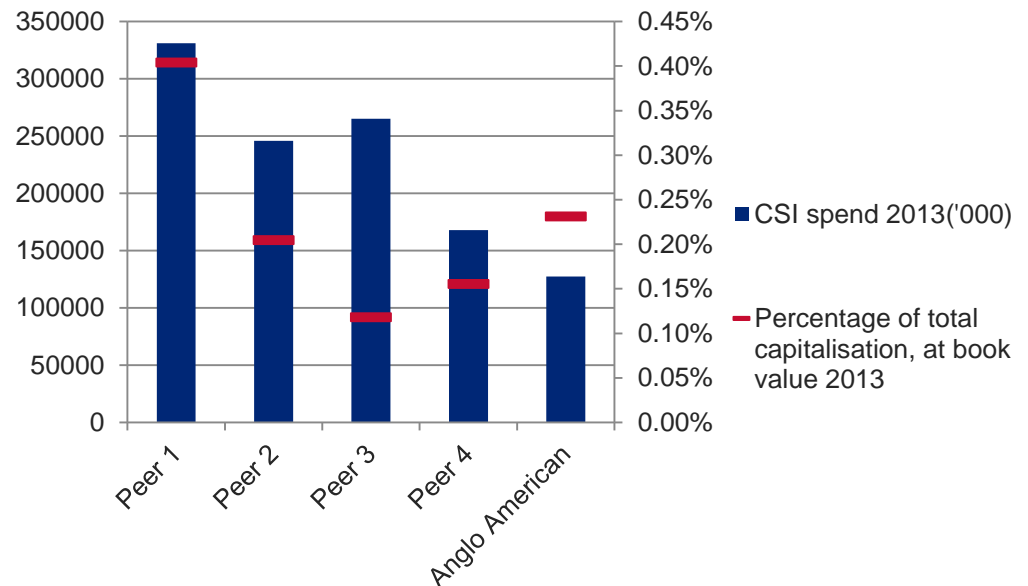


The increase in water consumption in 2012 and 2013 is largely due to the acquisition of De Beers

# SOCIAL PERFORMANCE

## Industry-leading social performance...

- Seeking to address all aspects of social performance:
  - Capacity and capability at site level
  - Implementation of effective management systems, with a focus on human rights, engagement, metrics
  - Socio-economic development
- New enterprise development programmes launched in Botswana, Brazil and Peru
- Our approach to local development delivers outputs at low cost relative to peers
- Continued success in external rankings indicates our position as a leader in this area



**...delivered in a cost-effective manner, with a strong focus on value and risk.**

# SOCIO-ECONOMIC DEVELOPMENT: LEVERAGING OUR CORE BUSINESS FOR MORE EFFECTIVE AND EFFICIENT IMPACT

**A focus on leveraging our core business limits CSI cost...**

## Economic value distribution\*

	\$ million	%
Suppliers	16,137	52
Employees	5,078	19
Reinvested in the Group <sup>1</sup>	3,547	12
Company taxes	3,232	10
Dividends	2,237	7
Providers of capital <sup>2</sup>	720	2
<b>Total</b>	<b>30,951</b>	

<sup>1</sup> Capex

<sup>2</sup> Interest

Local Procurement

Local Training and Recruitment

Sharing Skills / Employee Volunteering

Governmental Capacity Development

Enterprise Development

Synergies from Mine Infrastructure

Social Investment

- Leveraging our \$16.1 billion supply chain (over 100 x CSI budget)
- Ensuring that host communities have the best possible chance of securing the increasingly skilled jobs on our operations
- The skills of our employees, from artisans through to professionals, can help host countries and communities to address key challenges
- Focusing in particular on how local municipalities can use tax revenues to provide effective public services
- Offering equity and loans on a commercial basis to support local entrepreneurs, both within and outside our supply chain
- Design projects so that mine infrastructure (water, power, health etc) can be shared use to spread costs and broaden benefits delivered
- Increasingly targeted on those actions not achievable through value chain-focused approaches

\*Source: 2013 data from Sustainable Development Report

**...but will lead to a more meaningful, sustainable developmental contribution.**



# CONCLUDING REMARKS

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- Our performance is improving across the key dimensions of sustainability
- Sustainability considerations have been built into the Driving Value transformation programme:
  - Efficiencies in how we manage sustainability issues are being identified and realised
  - Sustainability issues are being factored into BU and functional planning
- We are clear that excellence in this area yields value, is in the long-term interests of the business, and can be a differentiator, particularly for host governments and communities
- Despite considerable progress, there remains a requirement to continue to build and maintain relationships with key stakeholders

# Q&A