



Maplecroft  
Maplecroft House  
Bath Road  
Bradford on Avon  
BA15 2PE  
United Kingdom

T +44 (0) 1225 863 882  
F +44 (0) 1225 864 950  
<http://www.maplecroft.net>

**Company report review**

**Anglo American**

**Report to Society 2004**

**Presented by: Maplecroft**

**May 2005**

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### Note

This review is based on information contained in the hard copy version of Anglo American's Report to Society 2004. An electronic version of this document is available online at <http://www.angloamerican.co.uk>. This review is intended as a summary only and does not provide full and complete discussion of all the issues contained in the report.

# 1 Introduction

## 1.1 Company background

Anglo American, founded by Sir Ernest Oppenheimer in 1917, is today amongst the world's largest mining and natural mineral resources companies. Anglo American extracts, processes and distributes materials such as gold, platinum, diamonds, coal, base and ferrous metals and paper through eight independent divisions. The Group is geographically diverse, with operations in Africa, Europe, North and South America and Asia. Most significant operations are based in Africa, home to 70% of the company's 209,000 employees, but fastest growth is currently taking place in South America.

## 1.2 Structure of the report

The report opens with messages from the Chairman, Sir Mark Moody, and the Chief Executive, Tony Trahar. Sir Mark Moody-Stuart identifies four strands of activity within the overall sustainability programme he considers to be of particular interest. These areas are also highlighted in this review (see below). Tony Trahar in his message refers to the Group's achievement of a more balanced portfolio, the need to focus on employee safety and the Group's 'determined leadership position' in tackling HIV/AIDS in South Africa, increased investment in training, the challenges of water availability, energy costs and supply security and recent recognition given to Anglo American for its work in the sustainable development field. 'It comes as no surprise to the board that those operations which are handling their safety, environmental and social issues well are invariably also those that deliver excellent financial value to the group,' he concludes.

The scope and assurance of the report, an overview of the sustainable development programme, performance against 2004 targets and new targets for 2005, maps of operations and financial highlights are also presented in the introduction.

The main body of the report opens with a section on governance and ethics. It is then structured according to a 'five capitals model' which is used by the Group as its framework for sustainable development analysis:

- Governance and ethics (Changes to board and committee structure, whistle-blowing, political donations and government relations)
- Economic capital (value added, tax payments, sharing of economic benefits, South African Mining Charter)
- Human capital (health and safety, training and development)
- Social capital (corporate social investment, HIV/AIDS programme, human rights and ethics, indigenous peoples)
- Natural capital (air quality, energy use, water use, land stewardship, biodiversity)
- Man-made environment (waste reduction, R&D, cultural heritage)

## 1.3 Reporting and assurance

Anglo American's 'Report to society' applies the Global Reporting Initiative's (GRI) 2002 guidelines as well as the Draft Boundary Protocol. GRI indices are presented on the company website. Independent assurance for selected sustainable development performance indicators and targets is provided by KPMG.

# 2 Governance

The Anglo American 'Good Citizenship' principles set out the Group's view regarding the rights and responsibilities of international companies and how it aims to conduct business in a responsible and sustainable manner. The principles cover issues of business integrity, obligations to stakeholders, human and labour rights and safety, health and environmental issues. They include an explicit commitment to the Universal Declaration of Human Rights. The principles are available at <http://www.angloamerican.co.uk>.

The report discloses a number of developments in 2004 in the area of corporate governance that are of particular interest:

- 716 employees were dismissed or resigned and 15 contracts terminated following breaches of the business principles reported to the Group's independently managed whistle-blowing facility, 'speak-up'.
- Anglo American joined the UN Global Compact and continued to advocate the Extractive Industries Transparency Initiative (EITI), serving as the industry representative for an EITI visit to Peru.
- Political donations were made in support of all the major parties participating in the South African elections (\$1.7 million in total) – an exception to normal policy justified by the perceived importance of supporting a relatively new democratic system.
- Current government relations issues in the main countries of operation.

### 3 Key areas of activity 2004

In 2004, four strands of activity within the overall programme are of particular interest:

#### 3.1 Sustainable development risks and opportunities assessment system

During 2004, Anglo American established a Group-wide project for identifying and ranking short, medium and long-term sustainable development risks and opportunities and ensuring consistency across the Group. The first assessment recognised a number of risks including market access, industrial action and rapid change due to growth. The following risks are discussed in greater detail, together with management response, in the relevant sections of the report:

- **Employee health and safety:** The report creates an immediate impression of the priority given to employee safety by disclosing the deaths of 49 people in the opening paragraphs of the message from the Chief Executive, Tony Trahar. Anglo identifies safety as its first priority and presents data on work-related fatal injuries and lost-time due to injury, as well as detailed information on management actions at Group level and within particular business units. A review of policies and practices, detailed in the Group's previous reports, has led to the conclusion that the framework is in place and attention must focus on implementation. A key cause for concern in the area of employee health is the HIV/AIDS prevalence rate of 23% amongst the South Africa workforce, accounting for 70% of the Group's total. Anglo's leadership role in combating the disease is discussed in greater detail below.
- **Skills' shortages:** Several case studies in the report profile ways in which Anglo American is bridging education gaps where they exist in different areas of operation. Examples include apprentice training for Chilean school-leavers; literacy training in Morocco, China, Jordan and Tunisia; and an Anglo Coal graduate programme.
- **Breadth and pace of legal change in Europe and South Africa:** This risk is highlighted in relation to the environment. Failures to secure correct permits accounted for a significant proportion of \$107,000 paid in fines in 2004 – a 170% increase on the previous year.

Anglo American acknowledges that significant further work is required in this area, in particular to improve the quality of opportunity assessment and simplify the assessment of risks that are difficult to measure and quantify.

#### 3.2 Energy efficiency

Energy use and efficiency as well as carbon dioxide emissions, water, air quality – particularly sulphur dioxide emissions – and biodiversity are covered in the 'natural capital' section of the report. Environmental data tables are presented separately for Anglo American companies at the end of the report, and further tables are available on the Group website.

Group companies have made commitments to an aggregated 12% reduction in energy intensity and a 10% reduction in carbon emissions over the next ten years, working off the 2003 baseline. The improvement in energy efficiency is the principal focus of Anglo's efforts to meet this objective and two developments are highlighted in the report. First, an energy efficiency programme launched in early 2004 through which Anglo American, in partnership with the Rocky Mountain Institute, have identified over 200 energy-saving projects, now been categorised and prioritised. Some specific projects are discussed as case-studies in the report.

Second, Anglo is developing an internal structure at the corporate level and a carbon trading strategy. Around 68% of emissions are generated by operations in developing countries where there are incentives, under the clean development mechanism (CDM) of the Kyoto Protocol, for emissions savings projects. Anglo has introduced a screening tool to help identify such projects and will be taking further measures in 2005 to familiarise managers with the CDM process.

In addition to improving energy efficiency, carbon emissions are also managed directly. The incorporation of a cost of carbon into the appraisal of all proposed investments is an important development in this regard.

Other highlights include progress towards a target of 100% third party audits for ISO 14001 and Forest Stewardship Council certification schemes – the current figure is 83%. Anglo American has also set targets for the reduction of water use and the development of biodiversity actions plans (BAPs) at all sites where biodiversity is a significant factor. During 2005, the focus will be on ensuring that these are integrated into the ISO 14001 systems.

### 3.3 HIV/AIDS programme in South Africa

Anglo American was among the first companies to consider HIV/AIDS a management issue. This year, Chief Executive Tony Trahar received the award for Leadership in the Global Business Coalition on HIV/AIDS. Anglo states in its report that: 'A good response to HIV and AIDS is synonymous with good management, good business and a good investment.'

Anglo estimates that 23% of its 145,000 strong workforce in Eastern and Southern Africa are HIV positive. Since the late 1980s, the Group has been developing an HIV/AIDS programme based on preventative efforts, Voluntary Counselling and Testing (VCT), and a Wellness Programme for on-going care and support. VCT is a key entry point and the most important strategic thrust of the Group's response. VCT uptake in 2004 was 21% which Anglo American acknowledges is too low to be effective – a target for 2005 has been set at 50%.

In November 2002, Anglo American began to provide antiretroviral therapy (ART) for employees with HIV/AIDS. Some 2000 employees are currently receiving ART, 94% of whom are completely well and able to carry out normal work.

The recent focus has been to widen access to treatment to dependants, contractors and communities through the Anglo American Community HIV and AIDS Partnership Programme, an international public private partnership supported by the Global Fund to fight AIDS, TB and malaria, the US government, the Nelson Mandela Foundation among others. In its first year, the programme has been rolled out to seven sites in six provinces in partnership with six Anglo American companies. Some 38 government primary health care clinics are participating in the National Adolescent Friendly Clinic Initiative funded by the programme, amongst a number of projects described in the report.

### 3.4 Socio-economic assessment toolbox (SEAT)

The Anglo American Socio-Economic Assessment Toolbox (SEAT) was developed during 2002-3 to assist mature operations that have not previously conducted a Social Impact Assessment. The SEAT process is a mechanism for building internal capacity at site level to address social and community challenges and for improving management of social and environmental impacts. The four-stage process begins by identifying key issues through analysis of company operations and dialogue with associated communities; assessing key issues, impacts and existing measures; developing management responses; and finally, sharing the results of the assessment internally and with associated local communities. To date, 13 SEATs have been undertaken, with a target of 45 by the end of 2005. Case studies of SEATs carried out by Anglo Coal South Africa and Chagres Smelter in Chile are presented in the report.

## 4 Our comment

Rating: ★★★★★

Anglo American has produced an outstanding sustainability report – the first to receive a five star rating. The report can be praised on numerous counts. First, the presentation of the report is engaging, with a good use of colour and balance of text, photographs and diagrams. The structure of the report is clear and logical, following the Group's own framework for analysis of sustainability issues. A reply card is included at the back of the report which can be posted from anywhere in the world, as well as contact details for key personnel.

Second, Anglo American's sustainable development programme itself makes for a very interesting read. This review has highlighted four strands of activity within the overall programme, namely Anglo American's leadership role in combating HIV/AIDS in the workplace and indeed beyond, its energy efficiency programme based on work with the Rocky Mountain Institute, the Socio-Economic Assessment Toolbox (SEAT) to assist mature operations improve the management of their social and environmental impacts, and finally moves to strengthen risk management processes. However, the report includes numerous other areas of interest that it has not been possible to cover in this review, notably current government relations' issues, the distribution of the Group's economic value, the promotion of black empowerment and development of SMEs in South Africa and accession to the round-table process of the Voluntary Principles on Security and Human Rights.

Finally, the credibility of the report is established by third-party assurance, the inclusion of Global Reporting Initiative indicators and the clear use of data. Indeed, Anglo American has set a new standard in its disclosure of data not only pertaining to environmental performance, but also to political contributions, tax payments to governments and dismissals on the grounds of breaches of the Group's business principles.



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