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Mining's new way forward

Thank you, Christopher, for those kind words.

Alumni of the Windsor Leadership Trust, distinguished guests, ladies and gentlemen... good evening.

It's an honour to be invited to deliver the Trust's Annual Lecture – and a pleasure to spend time with such a bright and diverse group of people.

I'm a big believer that sharing ideas is crucial to successful leadership.

As Chief Executive of a truly global company, I believe it is not enough simply to lead my organisation. I must ensure Anglo American shows leadership within the mining industry and that the mining industry plays a leadership role in global society. At all three levels, results are what matter.

But before talking about leadership in industry let me tell you something about my approach to leadership.

I believe leadership is about setting the pace, having a vision, setting standards, putting the right people in the right place, not compromising and, above all, discipline. When I became Chief Executive of Anglo American in 2007 I found a company without a set of guiding values, a poor safety performance, no clear strategy of where it wanted to go, performance well below benchmark, no universal standards and people frightened to speak up.

So I made some changes.

First, within a month of taking on the job I shut down the world's largest platinum mine, in South Africa, due to its poor safety record. This had never been done before in the mining industry. That meant retraining 28,000 people.

Mining can be a dangerous business, but I do not accept any of my workers should not be able to go home safe each and every day.

Second, I got rid of a layer of management and brought in new people who share my philosophy and set about putting in place a strategy.

Third, I got out into the field to meet and listen to people - our employees, government officials at the national and local level as well as people living close to our areas of operation. I regard stakeholder engagement as a critical element in securing and maintaining our licence to operate.

This is the approach I bring to the mining industry.

So tonight I hope it's useful to talk about my industry and what we've learned about taking leadership.

There's a traditional and conventional view about mining. The world still thinks of an industry of picks and shovels, dirty miners and massive holes in the ground.

I know my work will truly be done when the world pictures advanced technology, efficient extraction and clean – or, relatively clean – sites.

So this evening I want to concentrate on two things...

The first is economic growth – and why you can't achieve it without miners. The second is the way we show leadership through partnerships to make a real, positive and lasting difference to the communities and countries that play host to us.

First, let me put Anglo American in context... We employ 150,000, including contractors, in 45 countries.

Our focus is iron ore, metallurgical and thermal coal, copper, nickel, platinum and diamonds.

We operate on six continents – and about 90 per cent of our operations are in emerging countries. We are ranked in the top 15 of the FTSE100 Index, with a market capitalisation of around \$50 billion.

I mentioned conventional wisdom a moment ago.

Conventional wisdom doesn't necessarily make for good leadership.

Conventional wisdom can lead governments to court popularity by treating mining as a necessary evil – and miners as irresponsible profiteers who deserve to be subject to windfall taxes.

Conventional wisdom may encourage mining companies to regard governments and communities as obstacles rather than as partners.

And, yes, conventional wisdom certainly would suggest that women can't work in mines, can't work underground and certainly cannot run mining companies.....

So let's look beyond conventional wisdom.

And address a more interesting proposition...

...that we in the mining industry are looking for a new way forward – one that builds relationships on partnership and understanding, rather than on cynicism and suspicion.

We start from the reality that modern human life is not possible without mining.

For thousands of years, mining has been one of the key engines propelling the development of civilisation. Now, in the 21st century, it is more important to society than ever.

The commodities we produce are vital both to fuelling growth in developing countries and to enabling the technological revolution. Without mining there are no mobile phones, no flat-screen TVs, no computers, no cars.

There's phenomenal growth in the demand for commodities. It comes from the massive industrialisation and urbanisation under way in China, India and in the 'next wave' economies of Brazil, Indonesia and many others.

China is laying down 36,000 kilometres of roads between 2010 and 2015. This year alone it will develop another 600 million square metres of floor space, and – if all goes to plan – some 10 million affordable housing units.

Twenty million people move to China's cities every year – imagine a population the size of Australia's abandoning rural life each year.

Last year, China alone absorbed 38 per cent of the world's copper, over 50 per cent of its iron ore, and more than 60 per cent of its metallurgical coal production. It consumed twice as much steel as the EU, US and Japan combined; it bought more cars than the US.

Yet even after the last decade of pulsating growth, China's \$5 trillion economy is only a third of the size of America's, while its per capita GDP is less than a fifth of that in the United States. On this measure, China is now where Japan was in 1950, just before its living standards really began to catch up with those in the US.

And behind China, there's the next great BRIC player, India, with infrastructural investment plans of well over a trillion dollars between 2012 and 2017. And behind India, there's Brazil, Indonesia, Vietnam...and then Africa.

These opportunities are not confined to the developing world. We are consuming huge volumes of metals in this part of the world too. Your car will typically contain about 20 kilograms of copper – and double that if you drive a hybrid. It will have an autocatalyst to capture noxious gases – 95 per cent of the world's new cars do these days – and that means platinum.

It all adds up to lots of metal, and it means a very much bigger and more globalised mining industry in the future...a future that will see the mining industry affect people's lives in an increasing way – from the metals and minerals they consume directly, to the stakes their pension funds invest in mining companies, to where mines are located.

So there's not much doubt about the need for mining.

But how do we mine in a way that not only secures supply, but also benefits society as a whole? And where does leadership come into the picture?

I believe the answer lies in strong partnerships between the mining industry and its stakeholders – whether they are host governments, the communities that live alongside our operations, shareholders, customers, suppliers, NGOs or joint-venture partners.

This is leadership through collaboration. This is not an approach mining has been known for in the past.

Let's consider the role of government as a critical enabler and then I want to talk about how we bring partners together to tackle big issues.

The first thing we should acknowledge is the long-term nature of the mining industry. The mines we plan today will serve not just our children, but also their children and their children's children.

We need to be able to plan with confidence 20, 30, even 50 years ahead.

So we need to know that host governments have the right regulatory frameworks in place to ensure our property rights and commercial agreements are respected.

Another key building-block is economic policy. Governments that promote enterprise and follow stable fiscal policies create an environment that fosters growth.

We need taxation and royalty regimes that allow us to earn a fair return on our investment. We can't work with arbitrary and unpredictable change.

Recently, several governments around the world have been tempted to respond to short-term fiscal pressures by increasing taxes and royalties on the mining sector. Sometimes they seek to justify their proposals by coating them with a misleading environmental veneer.

They tend to think the mining companies will continue as before. They are wrong. International businesses have choices to make between investment opportunities in different jurisdictions. Capital is mobile. Countries which maintain stable and fair fiscal regimes will inevitably be more attractive.

Governments also need to ensure their nations have the infrastructure they need to grow. Societies cannot flourish without effective health and education systems and sound governmental administration.

We in the mining sector need energy, water supply, railways, roads, ports and airports. But we understand that the governments with which we work are often still developing the physical and institutional infrastructure of society, often in the face of a legacy of problems and conflict.

So while we are clear with government about the conditions we need to succeed, it's essential that we act as true partners with government in putting those conditions in place.

What do I mean by partnership?

Well, first, mining makes a huge contribution to the economies of resource producing countries.

As an industry, mining constitutes 8.6 per cent of South Africa's GDP, 7.8 per cent of Australia's and 19.2 per cent of Chile's.

In the case of South Africa, Anglo American alone contributed around 4 per cent of GDP last year.

In 2010 alone we spent \$9 billion in taxes and wages across our areas of operation. That's the equivalent of the total Gross Domestic Product of Mozambique.

But it's more than that. In exploiting a finite, non-renewable resource, we in the mining business want to put something back.

Our corporate responsibility should go far beyond the taxes we pay to governments and the direct jobs we create – and it should last far beyond the time when the mine gate finally closes.

There are limits, however, to what we as miners can do alone. The realistic way forward is for our industry to recognise that, wherever we operate, we must forge genuine, lasting partnerships across the whole spectrum of stakeholders if we are to deal successfully with challenges such as water availability, energy security, and healthcare.

Let me tell you some of the ways in which Anglo American has brought partners together to tackle big issues.

- In South Africa, three years ago, we launched the Anglo American Tripartite Safety Initiative. We brought together the government, the trade unions and our South African business in a way that would once have seemed impossible.

We travelled around the world together to see what best practice looks like. This experience and relationship has made a major contribution not only to safety in our own company, but also in the South African industry as a whole. Mining can still be a dangerous business, but fatalities in Anglo American have declined by almost 70% since 2007 and by 25% in South Africa more broadly since the initiative's launch.

- Then there is health. We have a world-leading HIV/AIDS programme in South Africa that provides free, voluntary testing and treatment for all our employees and their dependants – we tested about 100,000 employees last year.

It has been recognised by the United Nations' Global Business Coalition for Health as the best workplace programme in the world.

- And alongside our commitment to safety and health is our commitment to environmental responsibility. This isn't just minimising our footprint; it's generating positive environmental benefits. For example, in South Africa and in partnership with our fellow miner BHP Billiton, we have built a water recycling and treatment project on the Witbank coalfield that delivers safe drinking water to many thousands of people. Before us, they had only limited access to safe water.

We are also a major participant in a water project in Limpopo province that will provide almost two million people with a clean, safe and reliable source of water for the first time.

And to solve environmental challenges, you need technological expertise.

- In Queensland, Australia, for example, we have invested in two gas power stations to capture methane from our coal mines. They deliver annual greenhouse gas savings equivalent to taking about 700,000 cars off the road.

And we innovate in other ways.

- Twenty years ago, we started the Zimele enterprise development initiative in South Africa. When I became Chief Executive there was a single hub based in South Africa. Now there are 32 hubs, 17,000 people employed and the initiative expanded to areas around our operations.

We give both funding and support to entrepreneurs around our operations. We lend development finance, and we give training, mentorship and advice. We help them join companies' supply chains. We explain how to win tenders on a competitive basis. We don't just throw money around: we help to build profitable, commercially viable and sustainable businesses.

And we are the only global mining company that was asked to respond to the United Nations' Call to Action where we committed to creating and supporting 25,000 jobs by 2012.

This is the model we are bringing to our host countries. Our Emerge programme in Chile now supports well over 7,000 people working in small and medium sized businesses, we are already supporting thousands of jobs in Brazil and we are establishing a new initiative in Peru.

Am I starting to make you see mining a little differently? I hope so.

But let's not kid ourselves that everything is great. Not all miners have acted responsibly in the past. Some still don't today.

But, as an industry, I don't think we do ourselves justice.

As CEO of Anglo American, I passionately believe that the responsible players in the mining industry should show leadership by being more proactive in challenging ideas and demands that are wrong or unreasonable.

We must insist on the highest standards, so that the reputation of the responsible many is not damaged by the actions of the irresponsible few.

The mining industry has a great and true story to tell – about being the lifeblood of the 21st century; about the benefits we bring to society; about our great long-term future.

But it's a future that requires the industry's stakeholders to work together in partnership to achieve success.

So let's come back to leadership - the values I've worked hard to embed at Anglo American, the leadership that I believe Anglo American is taking in the industry.

We are very clear that sustainability and partnership go to the heart of what we are as a company. Our commitment to sustainability and partnership is not a 'nice to have' or the price of doing business. It's at the core of our values, it's embedded in our DNA, essential to how we conduct and talk about our business.

We care about the environment, we care about safety, we care about the communities with which we work and, most of all, we care about people.

I believe that we can justifiably claim to be leaders in our industry in making a real, positive and lasting difference to the countries in which we do business.

It has become the way forward for Anglo American and I believe it is the way forward for mining.

Thank you very much.