

# RE-IMAGINING MINING TO IMPROVE PEOPLE'S LIVES



As a major supplier of metals and minerals vital to the world's transition to a more sustainable future, Anglo American has a special obligation to operate in a safe, responsible way so that our environmental and societal footprint is a positive one, both during the lifetime of our mines and beyond."

**Stuart Chambers**  
Chairman



During 2019, Anglo American built upon its remarkable business turnaround of the previous three years. I am pleased to report that the foundations are in place for a further step-change in operational and financial performance. The Group is taking an innovative approach by combining technology, digitalisation and sustainability to re-imagine mining. Why? To improve people's lives – for our employees, our stakeholders and for society as a whole.

## Mining with purpose

Anglo American was well advanced in the formulation of its Purpose when I joined as chairman in 2017. A thorough process involving employees and numerous stakeholders brought us to an outcome which could hardly be more pertinent for our industry and for the challenges that the world is facing today.

As a major global mining company with a deep sense of responsibility, it is entirely appropriate for the Board, the executive team and all our people to be guided by such a clear Purpose. It is our duty to be true to it.

That means staying at the forefront of business sustainability – which for us means changing many of the basic physical processes of producing metals and minerals, improving how

our stakeholders experience us, and building the ever greater relevance of mined products in society's mind.

## Safety

Starting with safety, in 2019, the Group's injury rate continued its positive trajectory trend to a new record low but, agonisingly, in our managed operations, we lost four employees in work-related fatal incidents: two people died at our Copper assets in South America, one at our Metallurgical Coal in Australia and one at our Thermal Coal business in South Africa.

No company can claim to be sustainable if it is not doing its utmost to safeguard and enhance the well-being of the people who work for it. Zero harm, therefore, has always been the paramount consideration of the Board, and we must continue to strive to raise our safety performance so that we do get to, and stay at, zero.

Our *Elimination of Fatalities Taskforce* has completed assessments of all the sites we manage. The Taskforce's findings and recommendations are helping us to prioritise actions to prevent incidents with the potential for loss of life and ensure that everyone who works for us returns home safely at the end of their working day.

## Sustainable mining

In terms of sustainability more broadly, we are taking a distinct approach by adopting new, and combining existing, technologies to solve

mining's challenges – with safety first, and spanning energy, water, noise, dust and emissions, to name a few.

Wrapping together technology, digitalisation and our ambitious Sustainable Mining Plan, our FutureSmart Mining™ programme has shown us the significant potential that innovation has to transform the environmental and societal footprint of our business – in many cases also embracing circular economy principles, which the Board wholeheartedly supports.

Our Sustainable Mining Plan commits us to a series of ambitious goals relating to three major areas of sustainability aligned to the UN's 2030 Sustainable Development Goals: to be a *trusted corporate leader*; to create a *healthy environment*; and to foster and sustain *thriving communities*. The technologies and digitalisation that I have referred to are clearly critical enablers to our stretching *healthy environment* goals, particularly in relation to climate change, greenhouse gas (GHG) emissions, and water usage. I am pleased to report that we are now seeing certain of these being rolled out at scale in our operations – in Chile, in Brazil and South Africa.

Just as significantly, other technologies are helping us cater to consumers' understandable desire to trust the provenance of the raw materials they are ultimately buying, by using blockchain, for example, to trace our diamonds all the way back through the value chain to the mine. The development of such ethical value chains is an important part of our *trusted corporate leader* ambition.

## Our portfolio and performance

In 2019, we continued to reap the benefit of the root and branch transformation of the business that Mark Cutifani and his team have led. Our much-upgraded asset portfolio and our focus on efficiency and productivity are underpinning a strong operational and financial performance.

At the operating-asset level, the turnaround has been remarkable. By way of illustration, and by comparison with 2012, physical production has increased by 12%, despite the number of assets halving, while production per employee, on a copper equivalent basis, has more than doubled.

Looking forwards, Anglo American has one of the clearest growth pathways in the sector, benefiting from a number of options within the portfolio. Our growth profile also brings the benefit of continuing the trajectory of our portfolio towards those products that are essential for a fast growing global population and a more sustainable future.

We are continuing to generate strong cash flows that we are using to invest in the future of the business and deliver sustainable returns to our shareholders. In 2019, revenue increased by 8% to \$29.9 billion and underlying EBITDA increased to \$10.0 billion. Profit attributable to equity shareholders was \$3.5 billion, in line with 2018, and net debt increased from \$2.8 billion to \$4.6 billion, reflecting the current investment phase in our flagship Quellaveco project and other smaller value-adding projects.

Given our strong balance sheet, cash flows and our confidence in our funding of value-accretive growth opportunities, we deemed it appropriate at the half year to return excess cash to shareholders through a share buyback programme. This additional return of up to \$1 billion recognises the resilience of our business and builds upon the \$3.9 billion of cash that we will have returned to shareholders by May 2020, since reinstating the dividend in mid-2017.

Despite 2019 being a mixed year for certain product prices, the Board is recommending a final dividend of 47 cents per share, bringing the total for the year to \$1.09 per share, in line with our 40% of underlying earnings payout policy and representing an increase of 9% over the total distribution for 2018.

I am pleased that the shareholder experience was again a positive one in 2019, with a Total Shareholder Return (TSR) of 31% against a FTSE 100 TSR of 17% and a FTSE 350 mining index TSR of 18%.

## A still uncertain economic environment

In 2019, markets reflected the effects of ongoing global trade tensions, with the uncertainties posed by tariffs between the US and China weighing on global economic confidence. India's growth flagged, with the Eurozone remaining flat for the year. Manufacturing production has slowed, as have exports, with big exporting economies such as Germany and Japan being caught up in the fall-out. And, in 2020, we have seen the destabilising effects of the coronavirus outbreak.

In order to ensure that the business is resilient to what we expect to be continued geo-political uncertainties and societal change, we must also continue to focus on the high quality of our products and the value that our Marketing business is able to derive from them through its prized customer relationships.

## Governance

Rightly, business is moving beyond the idea of seeking only to serve 'shareholder value' and is forging a wider purpose that serves the interests of all stakeholders. With trust in business at reduced levels, and as governments are seen by many to be failing to address crucial social, economic and environmental issues, and particularly climate change, broader society increasingly expects business to step up and to assume a leading role in finding solutions to the world's pressing challenges.

These expectations are clearly evidenced by the increasing amount of capital that is being diverted into environmental, social, and governance (ESG) funds. We welcome this shift, it being aligned to our company's Purpose and the full impact decision-making that Anglo American's Board encourages. (See *Section 172 Statement* on page 10.)

In 2019, as a Board, we have again considered the interests of a wider group of stakeholders than shareholders alone in the performance of our duties. During the year, we supplemented our existing means of employee engagement by forming a Global Workforce Advisory Panel, comprising some 12 employees drawn from across our business, and chaired by our senior independent director Byron Grote. The Panel held its first meeting in October in South Africa.

Anglo American has also conducted an in-depth global survey of our roughly 60,000 direct employees and we have intensified our efforts to align the everyday experience of Anglo American to our Purpose and our Values.

## Our Board

It is vital that we have an appropriate mix of skills, experience and overall diversity around the Boardroom table. The Board must then support management in fostering a more inclusive business that reflects the Group's footprint and the diverse workforces in our operating jurisdictions. Board members also need to be exposed to the full breadth of the business that they govern, including appropriate engagement with as broad a spectrum of our stakeholders as possible, as well as proper familiarisation with the operational and commercial aspects of the business.

In 2019, there were several changes to the Board as part of the continuous refreshment cycle. At the start of the year, Byron Grote was appointed our senior independent director, while retaining his chairmanship of the Audit Committee. In April, Marcelo Bastos, who has extensive operational and project experience in mining, particularly in South America, was appointed to the Board and the Sustainability Committee. Jack Thompson, to whom I paid tribute last year, retired from the Board at the end of the AGM and was succeeded as chair of the Sustainability Committee by Ian Ashby. In August, Nolitha Fakude stepped down to become chairman of our management board in South Africa and joined the Group Management Committee. Hixonia Nyasulu, who has highly relevant experience in the natural resources, financial services and consumer industries, joined the Board in November. Finally, Nonkululeko Nyembezi, an engineer with extensive experience spanning mining, steel, financial services, and technology, was appointed with effect from 1 January 2020.

## Thanks

Finally, I would like to thank all of Anglo American's employees, the senior management team and our Board members. Their hard work and determination to continue to drive improvement and to act in accordance with our Purpose and Values are central to how this company continues to perform and to improve people's lives.

## Our Strategic Report

Our 2019 Strategic Report, from pages 2 to 83, was reviewed and approved by the Board on 19 February 2020.



**Stuart Chambers**  
Chairman