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Anglo American

A century of change

From the depths of the earth to pioneers of
SA's transformation and empowerment

A COMMUNITY BUILT ON TRUST. THANK YOU.

This year we are celebrating 100 years of working in partnership with communities around the world, and here in South Africa. With our sights set on the next 100 years we'd like to say to everyone who has made better jobs and stronger, working communities possible, thank you.

Together, we build our future.



OVERVIEW

A pioneer of change in the business world

Post-democracy in SA, the company embarked on huge change to refocus on its core expertise of mining

● Imagine, for a moment, downtown Johannesburg in June 1986.

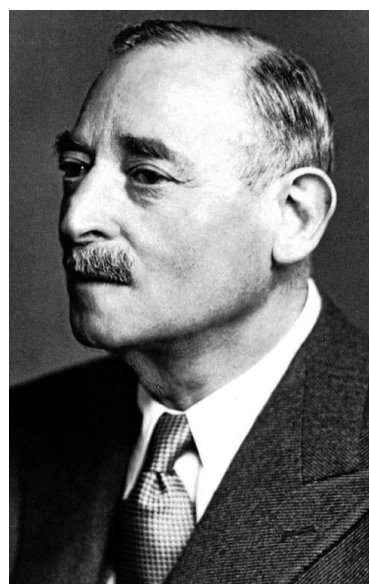
The Carlton Centre and the neighbouring Carlton Hotel are abuzz with well-heeled shoppers and visitors, business conversations are dominated by talk of heightened sanctions against the apartheid government.

Around the country, the United Democratic Front campaigns for “people’s power”. On June 12, government declares another national state of emergency.

A few blocks down the road from the Anglo American-owned Carlton Centre sits 44 Main Street, the head office of Anglo American, which was founded in 1917 by Ernest Oppenheimer, to invest in the country’s gold minerals.

What it means:

A century of innovation and pioneering trends that continue to sustain and grow the industry



Sir Ernest Oppenheimer, founder of Anglo American

Restricted by sanctions and exchange controls, Anglo American has used its financial muscle over the years to expand its operations inside SA, and by 1986, it is by far the biggest and most influential company in the country with more than 600 companies under its

control. Its influence stretches beyond mining to touch nearly every part of South Africans’ lives, from their shopping at OK super-markets, Edgars or CNA, to the fertilisers used by farmers or their pension investments, with Anglo American companies’ shares accounting for half the dealings on the Johannesburg Stock Exchange.

Writing in *South Africa Inc. The Oppenheimer Empire*, David Pallister, Sarah Stewart and Ian Lepper try to explain the scale of Anglo American by using employees as a benchmark.

According to its 1986 estimates:

- Anglo American employed about 305,000 people in the gold mines;
- 25,000 in diamond mines;
- 100,000 in other mines – notably platinum and coal;
- 150,000 in manufacturing;
- 140,000 in the food, beverage and retail industry; and
- 50,000 in other businesses.

Fast-forward to 2017, the streamlined Anglo American, though employing 87,000 people today, is still a leader in SA’s business sector.

Years of change followed the fall



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of apartheid to refocus the business on its core expertise of mining.

The Oppenheims' more enlightened world view was demonstrated by Anglo American's strategies in the 1980s and early 1990s around the empowerment of black entrepreneurs, granting workplace recognition to the National Union of Mineworkers, and a progressive workplace policy programme to test and treat HIV/Aids, long before legislation required action on these fronts.

Anglo American chief executive Mark Cutifani often speaks about the need for mining companies to keep striving for improvement and progress in a fast-changing world.

"The common characteristic that resilient companies have is a relentless focus on innovation, matched with a firm commitment to sustainability while investing with the future in mind, even during tough times," he told delegates at the Mining Indaba in Cape Town earlier this year. "From establishing the company in

1917 to diamond trading during the Great Depression in the 1930s, we have often made tough choices and persevered and adapted in the face of enormous change around us."

Anglo American may no longer be the "dynamo of the SA economy", as it was described in *South Africa Inc. The Oppenheimer Empire*, but many of the companies historically in its stable remain well-known names today, including SA Breweries (now owned by AB InBev), Tongaat Hulett, Mondi and Gold Fields.

Anglo American's restructuring and empowerment efforts have also led to the birth of a number of new companies on the JSE, including Exxaro Resources, African Rainbow Minerals and Royal Bafokeng Platinum.

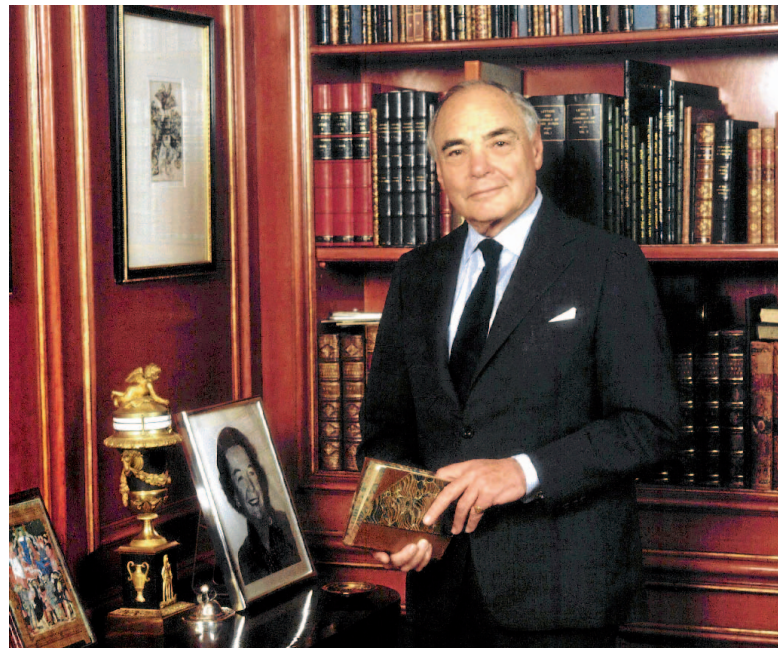
Today, the Oppenheims own less than 0.5% of Anglo American, and there hasn't been a family representative on the board since Nicky Oppenheimer, Ernest's grandson, stepped down in 2011.

Yet the philosophy for Anglo American, as established by Ernest Oppenheimer in 1954, remains the same today. "The aims of this group are – and will remain – to make profits for our shareholders, but to do so in such a way as to make a real and lasting contribution to the communities in which we operate," says Cutifani ✕

Anglo American chief executive Mark Cutifani



Where it all began: 44 Main Street, original head office of Anglo American



Continuing the legacy: Harry Oppenheimer in his study

TRANSFORMATION

In it for the long haul

A century later, a streamlined Anglo American believes SA still offers much opportunity for further growth and investment

● One wonders what went through Ernest Oppenheimer's mind as he went to the UK and US during World War 1 to raise capital for a new mining investment company in SA, an exploration hotspot at the time following the discovery of diamonds and gold in the latter half of the 1800s.

A diamond trader by profession, Oppenheimer, the scion of a relatively wealthy German merchant family, already owned some gold and coal properties, but – much like SA's mining companies today – needed offshore capital to develop these resources.

From the start, Anglo American was a profitable venture, Duncan Innes wrote in his 1984 book *Anglo*. Its rich mines allowed it to ride out problems – including the

strikes of 1920 and 1922 – better than some others, he wrote. One of the struggling mining companies was De Beers, and with the support of foreign backers, Anglo American was able to acquire effective control of the diamond miner at the start of the Depression in 1929.

The acquisition of De Beers was one of the early examples of Oppenheimer's genius when it came to spotting – and successfully exploiting – opportunities, in good times and bad. Using the financial muscle afforded to it by its mining operations, Anglo American invested in SA's booming manufacturing sector in the 1930s; the new gold fields on the West Rand and in the then Orange Free State in the 1950s; and the rapidly

growing industrial sector during the 1960s.

At its roots, however, Anglo American remained a mining firm, and its offshore expansions, which started in the 1960s, focused largely on the mining sector.

By the 1980s, Anglo American was by far the biggest company in the country, accounting for an estimated 60% of the value of the JSE. Again, the company – by then led by Ernest's son Harry Oppenheimer – predicted the coming winds of change. It became a pioneer on many fronts, ranging from its policies around HIV/Aids and workplace recognition for trade unions to leading the way on empowerment transactions and supporting black entrepreneurs.

BEE pioneer

At the time, there were no BEE regulations in place, and Anglo American pioneered a number of different types of transactions and joint ventures. "We looked for opportunities that would be able to grow scale, step away and do something on their own, like Royal Bafokeng Platinum, like Exxaro, like African Rainbow Minerals (ARM)," says Norman Mbazima, a long-time Anglo American executive.

"There wasn't a single regulation that said 'this is the way you should do transformation'. I remember the thinking was that we want to do this, and we want to do it well, and we want to do it sustainably. We wanted to build something that we could show to our grandchildren one day."

Anglo American's BEE efforts have certainly paid off. In addition to the companies above – all now listed majors in their own right – the company's deals also helped create empowerment companies that have since been unbundled to shareholders, or taken over by other groups, notably Mvelaphanda Resources and Shanduka. It continues to participate in a

number of joint ventures, such as Modikwa Platinum, a 50/50 joint venture with ARM. Anglo American also concluded a number of empowerment transactions related to companies outside the mining sector which have since been unbundled from the group, including Tongaat Hulett, Mondi and Hulamin.

As part of its latest restructuring, when it streamlined its portfolio to focus on world-class, low-cost assets, a new series of empowerment transactions are under way. The group is selling its Eskom-tied coal mines to empowerment group Seriti Resources, and its 85% stake in its Union platinum mine to black-controlled Siyanda.

In addition, Anglo American has concluded BEE transactions to the value of more than R67bn over the years, with subsequent dividends of more than R40bn accruing to the BEE shareholders. Capital growth for the BEE shareholders is estimated to be in the tens of billions of rand.

As one of the first companies to offer shares to communities and employees as part of an employee share ownership programme (ESOP), Anglo American subsidiaries have since paid more than R860m in dividends to employees, and more than R3.5bn in dividends to community trusts and community shareholders. At the end of 2014, the closing date for the sec-



Support system: Anglo American also had a stake in Exxaro Resources as part of its BEE deals

ond mining charter, Anglo American exceeded the target for black ownership, after black shareholders acquired more than 26% of Anglo American's businesses in SA.

Investment climate

The mining industry is often accused of not doing enough on transformation. However, without a growing industry, further transformation efforts will be hampered. For the industry to grow, much work needs to be done around creating an attractive investment climate.

A lack of capital remains a major constraint, particularly in an environment where commodity prices are subdued. "In order to enable us to be more inclusive, we need to crack the problem of capital. That's really the long and the short of it," says Mbazima, who serves as deputy chairman of Anglo American SA and chairman of the Anglo American Chairman's Fund. The fund was established in the 1970s to focus on charitable giving, and is particularly active in supporting primary education initiatives in SA's poor, rural areas.

"This economy cannot produce the amount of capital that we need to build the next generation of mines; we're going to need some

external help."

In order to attract investors, the political rhetoric in the country needs to be addressed. "I think the political rhetoric is loud and very negative. We need to think about the message we want to send to the world, and what we want to achieve. SA is in danger of giving empowerment a bad name, saying it is bad for investment. We can't allow that, given where we started. So we have to think about how to make empowerment compatible with a good investment climate."

SA mining stocks were sent plummeting earlier this year following the publication of the third mining charter, which set increased targets for black ownership and introduced a 1% levy on revenue, payable to black shareholders, among other issues, and was published with minimal consultation with stakeholders.

Uncertainty also remains over the "once empowered, always empowered" principle and the implied imposition of additional conditions for retaining existing licences. Investors were left jittery after the minister of mineral resources unexpectedly imposed (and then withdrew) a moratorium on the transfer and sale of mineral rights following a legal challenge of the third mining charter, led by the Chamber of Mines.

"If you look at the reviewed

Norman Mbazima: Industry needs commitment from government for growth



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Anglo American Chairman's Fund project manager Zorina Dharsey with Grade 6 maths & science pupils from Westbank Primary School in Delft, Western Cape

charter, and you were somebody who had money but who wasn't a historically disadvantaged individual, what would you do? I can't find anything in the reviewed charter that will enable or encourage a person like that to start any mine in SA," says Mbazima.

"We must change that. I'm tired of hearing that SA has huge mineral riches. It's absolutely useless to everybody if it's sitting in the ground. We must find a way of getting it out of the ground. The manner in which you do this needs to be good for empowerment and the country."

The proposed targets in the mining charter and the uncertainty that it created around the legal framework of mining rights would require "stratospheric" returns on projects before investors would commit capital, Mbazima says. This includes the 30% black ownership target for new rights, which effectively needs to be regarded as "free" as any outstanding debts related to the repayment of the stake must be forgiven after 10 years; a 1% revenue levy to go directly to black shareholders; and no certainty that the 30% ownership target won't be increased again in future.

"I can assure you 100% that under these conditions, there will be no mine. That cannot be right for the black guy, it cannot be right for the white guy, and it cannot be right for the country," he says. "We

need a charter that is sensible and allows mining to take place. In the meantime, we're just sending pieces of paper around, and it is damaging."

A major contributor to SA

As one of the big conglomerates that moved its primary listing to London in the late 1990s, Anglo American has also been accused of forsaking the country after the dawn of democracy.

Mbazima says the move offshore gave Anglo American access to cheaper capital, and led to a net inflow of R54bn into SA as foreign

shareholders bought shares from South Africans.

"It was never going to be sustainable that we'd be owning more than 60% of the JSE; that anything that moves in SA is owned by Anglo American. So we had to get back to being a focused mining group, and in order to do that, we needed capital," Mbazima says.

Today, about 25% of Anglo American's operating assets are in the country. As part of its transformation imperative, the group had to sell off some assets and investments.

"We've had to do a lot of dis-

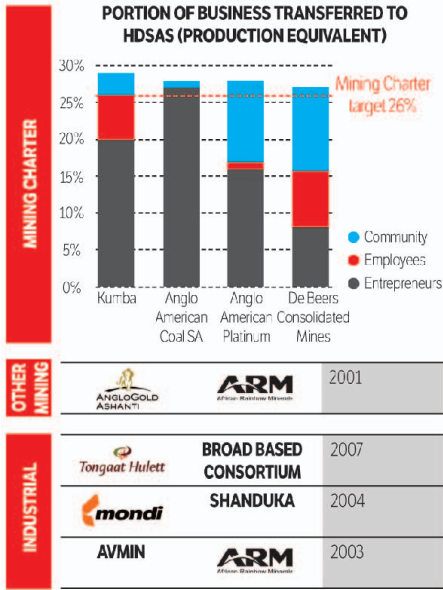
posals. Transformation from an ownership point of view means taking some of our equity in mines and selling it to somebody," he says. "There is no other way of doing it, you have to take equity and sell it, or sell the mine, or do a joint venture. That means becoming smaller in terms of physical footprint. That's what we've done, and that's where we still are today. The transformation imperative hasn't come to an end."

That doesn't mean, however, that Anglo American isn't interested in building new mines in SA in future. De Beers recently lamented the difficulty in getting exploration permits in the country, which it believes remains one of the most promising geographies for new diamond discoveries.

"We've been operating here for 100 years. We know the country, we know what's in the ground. We know that at some point this mining industry will start to grow again, and we want to grow with it, right here in SA," Mbazima says.

"But for that to happen, we need to get our investment climate right; we need a regulatory regime that encourages rands, dollars, pounds and every other currency to flow into this industry. When that happens, we'll be right here, ready to invest more capital." ✕

ANGLO AMERICAN HAS EMPOWERED BEYOND MINING CHARTER TARGETS



	2006	Exxaro acquired 20% of Sishen Iron Ore Company from Kumba Exxaro (Eyesizwe) acquired a range of mines from Anglo American Coal SA
	2007	Anglo American Coal SA sold 27% to Inyosi to create Anglo American Inyosi Coal ("AAIC")
	2008/2009	Anglo American Platinum sold a 22% interest in Northam and 100% of Booysendal to Mvelaphanda
	2002	Restructured the joint venture at Bafokeng Rasimone Platinum Mine between Amplats and RBH, to create BPF which now controls BRPM
	2001	Anglo American Platinum contributed properties to form the 50:50 Modikwa joint venture with ARM
	2008	Anglo American Platinum sold 51% of Bokoni to Atlatsa
	2006	Ponahalo purchased a 26% holding in De Beers Consolidated Mines

TIMELINE:

A journey through 100 years

1917 - 2017

1917



1917 | WE OPEN OUR DOORS

Entrepreneur Ernest Oppenheimer establishes Anglo American. The company was built and grown on the principle of creating lasting, sustainable value for all stakeholders.

1926



1926 | OUR DIAMOND STORY BEGINS

Anglo American becomes the largest single shareholder in De Beers Consolidated Mines, a prosperous association that was cemented in 1929 when Oppenheimer became chairman of De Beers.

1938



1938 | THE FIRMEST FOUNDATIONS

The foundations of the company's SA headquarters at 44 Main Street in Johannesburg are laid. The "Jewel of the City" still stands as a landmark of our partnership with the city of Johannesburg.

1954 | A VISION FOR THE FUTURE

"The aims of this group are — and will remain — to make profits for our shareholders, but to do so in such a way as to make a real and lasting

1954



contribution to the communities in which we operate." Sir Ernest Oppenheimer's philosophy remains embedded in our DNA to this day.

1974



1974 | THE FUND FOR THE PEOPLE

Through its investments in education, health-care and job creation, the Anglo American Chairman's Fund has contributed positively to the development of many SA communities.

1985



1985 | ADVANCING WORKERS' RIGHTS

We become the first major SA company to formally grant black trade unions recognition.

1989



1989 | ZIMELE SUPPORTS ENTREPRENEURS TO GROW

Over the past 28 years, Zimele has created in excess of 50,000 direct jobs and funding of more than US\$100m (R1.8bn) to well

1994



1994 | HISTORY IN THE DEALMAKING

In 1994, we split Johannesburg Consolidated Investments to sell Johnnic and JCI to the National Empowerment Consortium and the African Mining Group. At the time, it was the biggest black empowerment deal in SA's corporate history.

1999



1999 | THE GLOBAL ANGLO AMERICAN

We combine Anglo American SA and Minorco to form Anglo American Plc. With its primary listing in London, we also enter the FTSE 100 index, marking the start of a significant global chapter of our business.

2002



2002 | PEOPLE ARE THE BUSINESS

In partnership with the department of health, Anglo American becomes the first major employer in SA to provide free antiretroviral medicine to our HIV-affected employees. We have since expanded this free

2003



2003 | A POSITION IN IRON ORE

We acquire a stake in Kumba Resources, building our iron ore capability. In 2006, the company is restructured to become Kumba Iron Ore, SA's iron ore champion, in which Anglo American holds a majority share.

2008



2008 | PARTNERS IN SAFETY

A partnership between Anglo American, labour organisations, and the department of mineral resources forms the Tripartite Health & Safety Initiative. Together we are finding solutions to address the health and safety challenges facing the mining industry.

2017



2017 | CREATING A MORE RESILIENT BUSINESS

We are creating the new Anglo American, centred on our leading positions in De Beers, PGMs and copper, with the benefit of high-quality assets across the bulk commodities of iron ore and coal as well as nickel. x

HEALTH & WELLNESS

Leading the fight against HIV/Aids

The company started the first HIV study in SA's mining industry in 1986, when four of its 18,450 mineworkers tested positive

● Companies, government and other stakeholders should ramp up communication efforts to increase prevention and combat new HIV infections.

“Targeting vulnerable groups such as young women is also important,” says Dr Charles Mbekeni, health lead for Anglo American SA.

During 2016, 88% of employees in high HIV-burden countries participated in voluntary testing and screening, up from 68% in 2015.

The emphasis on testing has contributed to the detection of unknown cases, and the success of treatment programmes has diminished the number of deaths.

“To some extent the messaging around HIV nationally and globally has reduced,” Mbekeni says.

“Part of the reason is that being infected with HIV is no longer a death sentence, it is now as manageable as a chronic disease. An element of complacency has set in.”

With a track record beginning in 1986 of supporting HIV/Aids research, progressive workplace policies around the disease and offering education, testing and counselling services beyond the workplace in mining communities, Anglo American has long been at the forefront of the HIV/Aids battle.

The company became the first in SA to adopt a human rights-based policy around HIV/Aids. In its initial policy, the company stated that HIV testing would not be a



UNAIDS executive director Michel Sidibé and Anglo American chief executive Mark Cutifani. The two organisations announced a public-private sector partnership to promote HIV testing worldwide

requirement of pre-employment medical examinations.

Anglo American's policy ensured no pre-employment HIV/Aids screening.

In 2002, the group started offering free treatment to employees, becoming the largest treatment programme in the world initiated by a private company at the time.

It was expanded in 2008 to also cover employees' dependants. Today, most employees are on medical aid, and HIV treatment is now a prescribed medical benefit.

Initially, the uptake of voluntary counselling and testing was low, with fewer than 20% of employees participating. Prevalence of the disease was also still low. It was only by the late 2000s that uptake of the testing started to grow.

“We did a lot of things to try to do away with the stigma, to ensure that employees felt safe to get tested and that their results will remain confidential, and that they will not be discriminated against,” Mbekeni says.

Destigmatised: Anglo American was the first private company in SA to adopt a human rights-based policy around HIV/Aids, promoting voluntary testing and free treatment

The results speak for themselves. The HIV incidence rate across Anglo American in SA has halved since 2006, and the incidence of tuberculosis, a common infection in people with HIV, has declined by 70%. In 2016, the group formally committed to the United Nations' 90/90/90 vision: by 2020, 90% of all people should know their HIV status; 90% of those who are positive should be on anti-retroviral treatment; and 90% of those on treatment should have undetectable viral loads and as such be unable to infect others anymore.

“In SA, we continue to partner with government to tackle HIV/Aids on an industry-wide scale.

One way to continue efforts to destigmatise the disease is by using “champions” – many of these are people living with the disease at different levels of the company – to successfully drive awareness campaigns and advocate the benefits of testing, Mbekeni says.

Anglo American offers HIV/Aids testing as part of a wellness pack-

age where employees are also screened for various other diseases, such as TB, diabetes, hypertension and high cholesterol.

“These other conditions are becoming a serious public health issue,” he says.

While Anglo American is spending a “substantial” amount on its HIV/Aids and other wellness programmes, the business rationale behind it is clear.

Various academic studies have found that workplace provisioning of anti-retroviral treatments can be cost-saving for companies in high HIV-prevalence settings, as it reduces health-care costs, absenteeism and staff turnover.

“Company-sponsored HIV counselling and voluntary testing with ensuing treatment should be implemented universally at workplaces in countries with high HIV prevalence,” according to a study published in the academic journal *PLOS Medicine* in 2015.

“The cost-benefit analysis is a no-brainer.” ✕

ANGLO AMERICAN KEY HIV/AIDS STATISTICS (2016) (GLOBALLY)

	2016	2015
Employees in high HIV-burden countries	51 430	73 909
Estimated HIV prevalence rate (%)	16,0	15,8
Number of employee voluntary testing and counselling (VCT) cases	45 279	50 223
HIV counselling and testing participation (%)	88	68
Number of new HIV cases	611	349
Estimated number of HIV-positive employees	8 331	11 689
Estimated HIV+ employees on anti-retroviral therapy (ART) (%)	68	72
AIDS deaths (including tuberculosis cases)	68	91
Number of contractor VCT cases	38 376	39 643



Adelaide Ruiters
Adelaide Ruiters Mining & Exploration

Over Anglo American's 100 years of operation, our people have walked the journey with us. People like Adelaide Ruiters. She had minimal funds, but was determined to enter the mining industry.

"I am just a working woman, but I was able to research mineral deposits, find locations and apply for prospecting rights. When I was granted the rights, I approached Anglo American's Enterprise Development Initiative, Zimele.

They funded the exploration phase, to be followed by feasibility studies to build a phosphate mine and a processing plant in the Western Cape.

"I am proof that a black woman with very little can start a mining company. If more women can own rights and beneficiate our raw materials, we can create jobs for the good of the continent."

At Anglo American, we are proud to be partners in building businesses for the future, making a positive difference, now and for the next 100 years.

To find out more visit
www.angloamerican.co.za

**100 YEARS OF
MAKING A DIFFERENCE
TOGETHER.**



Anglo American Zimele provided the funds to jump start this catering company, DNL Foods



Zethu Tanzi with baby Iminati during the Lambasi Harvest at Lusikisiki in the Eastern Cape, a project funded by Anglo American Zimele



Donald Masinga, owner of the oil filtration plant at Khwezela Colliery, funded by Anglo American Zimele

SMES

Boosting small businesses

Fine-tuned for nearly three decades, Anglo American Zimele offers a blueprint for enterprise development

● Thousands of small businesses have benefited over the years from the financial support and business acumen provided by Zimele, Anglo American's renowned enterprise development programme.

Founded in 1989 – long before legislation in 2004 imposed requirements that mining companies support black-owned local suppliers – Zimele's aim has been to promote small- and medium-sized enterprises (SMEs), with a particular focus on empowering black entrepreneurs.

In 2016 alone, R121m was disbursed to 110 companies that collectively employed 3,992 people and generated a turnover of R692m.

"When we assist a small business, we don't just

offer funding – but integrated support," says Hlonela Lupuwana-Pemba, MD of Anglo American Zimele, which means "to stand on one's own feet" in the Nguni languages.

SMEs get access to technical skills and expertise, and are helped to access potential markets and customers, government incentives and other sources of capital.

The main focus is on assisting SMEs that can provide services to Anglo American's operations around the country, or create jobs in mining

communities and key labour-sending areas. Its network of walk-in centres around the country enables entrepreneurs to easily access knowledge, funding and support.

"We're not a commercial bank. We won't disqualify an SME that may be listed at a credit bureau, and don't ask for collateral. Loans are issued at subsidised rates, and we give payment holidays or extensions if required, to help the business become sustainable, alternatively we'll take an equity stake to lower the exposure to debt," she says.

The African Development Bank (AfDB) hails Zimele as a best-practice model of how large corporates can spur the growth of SMEs. Zimele is successful because its core focus is on assisting local entrepreneurs to make a success

of their businesses, according to an AfDB case study. Zimele also leverages public/private partnerships where possible. In recent years, it has had partnerships with likeminded institutions – such as the National Treasury Jobs Fund, Tiger Brands and Shanduka Black Umbrellas – on scalable interventions aimed at growing SMEs in sectors such as agriculture, manufacturing and services.

One example is a R15m agricultural initiative near Lusikisiki in the Eastern Cape, where 900 ha of arable land was aggregated into a single commercial farming entity that represents 490 landowners.

Over the years, Anglo American has adapted the model for some of the other countries in which it operates, including Chile, Brazil and Botswana. ✕

ANGLO AMERICAN ZIMELE'S IMPACT FROM 2008 TILL 31 DECEMBER 2016

Number of transactions	Number of people employed	Turnover	Number of companies funded	Funding provided
3 360	50 651	R8.824 billion	2 306	R1.807 billion

Success stories

A legacy of economic empowerment

Kanyi Ilanga Trading is an agriculture company involved with forestry services in the Bushbuckridge region. Anglo American Zimele provided funding of R1.8m to help it procure equipment for expansion, enabling it to sustain 442 jobs and add 123 new jobs in 2016.

115 Solutions, headquartered in Midrand with offices in Rustenburg, Nelspruit and Polokwane, is an

engineering consulting company operating in a number of sectors, including infrastructure and development, electricity and energy, construction, mining and manufacturing.

In 2015, Anglo American Zimele granted the company funding of R1.4m to complete a project in the Eastern Cape. A further R1.5m was advanced in 2016 to purchase two trucks. The project created 17 new jobs. ✕

Hlonela
Lupuwana-
Pemba, MD of
Anglo
American
Zimele



GLOBAL TRENDS

Allure of the new millennials

New consumer trends presented an opportunity for De Beers and Anglo American Platinum

● Diamonds may be forever, but consumer habits keep changing – and De Beers' savvy marketers know just how to tap into the trends. With millennials (defined as people born between the early 1980s and late 1990s) accounting for nearly half of the total retail value in De Beers' four largest markets – the US, China, India and Japan – adapting to their shopping preferences is crucial.

In the US, which accounted for slightly more than half of global polished diamond sales last year, millennials represent about a third of the population, but account for more than 40% of value, says Stephen Lussier, executive vice-president of marketing for De Beers and CEO of Forevermark, its high-end diamond jewellery brand. "In China, they're really the drivers of the market," he says.

There are three key trends influencing millennial sales: the broader trend of female economic empowerment; the way millennials consume media about products and services; and their desire to buy goods that have been responsibly sourced and make a positive contribution to the world, says Lussier.

One aspect of female economic empowerment is that people are getting married later, and that they have much clearer ideas of what they want than was historically the case. "They're much more interested in unique designs," says Lussier.

Tied into the trend of female economic empowerment is the rise in self-purchase. "Particularly in the West, it's not about gifting only; it's also about 'if you really like that diamond ring, buy it'. Women – both single and married



Forevermark: Today's discerning woman wants more in a wedding band, with much more value and sentiment

– increasingly buy for themselves."

The millennial market also consumes media about products and services in a different way. "This is the digital generation; they're living in this world of social media, a world of experiential media and marketing. So we have to market to them differently than we have before. We have to tell them stories about our products, rather than just tell them that they exist, and we have to show how influencers are using our brands and products."

The third big differentiator is millennials' desire for products that were responsibly sourced. "This is particularly important in luxury because nobody needs luxury goods, and if you want to enjoy the joys that come with owning them, you want to be pretty sure they're

doing good as well. And that's a new era of marketing," says Lussier.

The platinum link

There is also scope for closer collaboration between Anglo American Platinum and De Beers to market platinum diamond jewellery. "We believe a diamond is best set in platinum, so there is a lot of opportunity for collaboration," says Kleantha Pillay, head of market development, precious metals at Anglo American Platinum.

Marketing efforts, which initially focused on developing a market for bridal jewellery in China, where wedding bands are not traditional, are now focused on nonbridal jewellery and entrenching platinum in some of the smaller tier 3 and 4 cities, Pillay says.

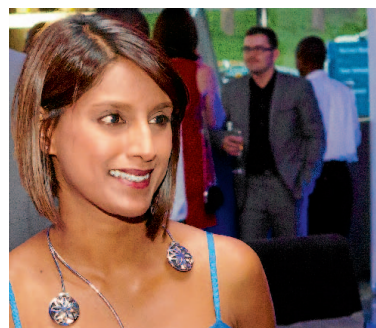
"The Chinese associate platinum with love, so platinum is popular for gifting – not in the corporate sense, but boyfriend-to-girlfriend; husband-to-wife; parents to a daughter who lands her first job."

Pillay says some significant work is under way in China and India, both countries that have been more familiar with gold than platinum.

Platinum Guild International (PGI) – an industry-funded organisation that promotes platinum jewellery – moved its head office from London to Hong Kong in 2015 to reflect the growing importance of Asia for platinum producers.

In gold-loving India, PGI launched the Evara brand to grow demand for platinum jewellery. Evara, which means eternal blessings in Sanskrit, created a range of bridal jewellery in platinum.

"What's interesting is that it isn't just about the jewellery that the bride would wear on the day; it also encompasses male jewellery, which is still a fairly big deal in India. It also includes gifting sets from the in-laws to the bride and/or groom; the two sets of parents to give to one another; and gifts for the extended family. "Exchanging of gifts between families that are coming together is part of the wedding," says Pillay. ✕



Kleantha Pillay: Platinum is gaining popularity in Asian countries



Stephen Lussier: Millennials have different tastes that need to be tapped into

INNOVATION

A new approach to mining

The industry needs innovative solutions to address its challenges around safety, productivity and sustainability into the future



Kumba Iron Ore's Sishen pit, where technology has improved mineral resource production

● The mining industry needs to radically rethink the way it operates if it wants to be sustainable, as merely scaling up current equipment or automating operations will no longer be sufficient. What is needed, believes Anglo American, is a completely new approach to mining, one that applies innovative thinking, enabling technologies, and broad collaborative partnerships to address mining's major challenges, including safety, productivity, energy and water.

Speaking at the Society for Mining, Metallurgy and Exploration conference in New York in May, Anglo American's group technical director Tony O'Neill outlined the company's innovation-led approach to sustainable mining – FutureSmart Mining.

"When talking about innovation at Anglo American, I always start with what we're solving. In the year 1900, to produce 40 kg of Cu, 2 t of rock was mined. Today, as a result of declining grades, to produce the same 40 kg of Cu, material movement and energy consumption has risen 16 times and water consumption has doubled (per unit). Clearly, this trajectory is unsustainable. Mining innovation has to address precision to target only the metal or mineral, with radically less waste, water and energy, and a smaller footprint."

As part of its own innovation-led approach to sustainable mining,

FutureSmart Mining, Anglo American is testing and adapting a number of new and existing technologies across its operations looking for safer, more efficient and more sustainable ways to mine, process, move and market its products.

One example is its Rapid Mine Development System (RMDS), an advanced drilling and cutting system which was developed by Anglo American and Atlas Copco, to tackle the challenge of precise, continuous mining at depth. It is currently being tested at its underground Twickenham platinum mine in Limpopo.

The RMDS safely excavates low-profile tunnels with rapid access to ore. It causes less damage to the overhead walls, thereby reducing the risk of collapse, and enables greater ore excavation time, as there is no time lost for explosive blasting.

At Anglo American's subsidiary Kumba Iron Ore, the group has developed a new ultra-high dense-medium separation (HDMS) technology in partnership with Exxaro Resources, which has allowed it to convert "waste" material to product by lowering the ore body cut-off grade at its Sishen mine. The ability to re-process vast quantities of waste has allowed the company to release new reserves and increase the life of the mine, which is currently estimated at 15 years.

The technology has improved to

a stage where an additional 210 Mt of mineral resource could be declared at Sishen, according to Kumba Iron Ore CEO Themba Mkhwanazi. The expectation is that the resource potential could be increased to more than 1bn t.

FutureSmart Mining is developing other solutions to address the challenge of precision mining with minimal energy, water and capital intensity. The Concentrate the Mine concept is a fully integrated mining systems approach pioneered by Anglo American. It integrates a number of enabling technologies to extract more metal, with less waste. At its centre is Coarse Particle Recovery (CPR). CPR allows parti-

cles to be floated at sizes two to three times larger than normal. This has two main benefits. First, it uses less energy and can therefore increase production rates; and second, it allows for easier extraction of water from the process, leaving a waste stream that is dry and stackable.

Dry stacking is an important focus area for Anglo American because water sent to tailings ponds often represents the largest water loss at a mine. FutureSmart envisages a future in which tailings ponds will disappear and be replaced with dry tailings stacks.

Early indicators at their CPR pilot plant in Chile point to a 30% increase in throughput, with 30% less water, 20% less energy and 2% – 3% recovery loss.

"The difference is this: FutureSmart Mining is about more than just delivering technology solutions; it uses technological and broader innovation to directly mitigate some of the sector's social and environmental effects, including reducing water and energy usage. In this way, it not only has the potential to transform the way we mine, but the way we contribute to society. This is what makes our approach unique," says O'Neill. x



Coarse particle recovery is at the heart of Anglo American's Concentrate the Mine programme

100
YEARS
1917 - 2017



In a world of rapid change, the future belongs to those who can redefine it: innovators who embrace disruptive technologies and collaborate with a broad range of partners to solve real industry challenges.

Today, building on 100 years of technology and innovation leadership, we are taking a fresh approach to innovation.

FutureSmart Mining™ applies cutting-edge technological advances and broad innovative thinking to find safer, more efficient and more sustainable ways to mine the metals and minerals that the world needs. We connect people to find solutions and pioneer the future of mining.

At Anglo American, we are redefining our future – today.

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THE FUTURE IS FUTURESMART MINING™ .

INTO THE FUTURE

Forever and beyond

In order to thrive, the industry needs to sustain its innovations into the future

● For Anglo American, and the mining industry at large, the pressure is certainly on. Worldwide productivity declines over the past decade are estimated at around 30%, driven in part by mineral scarcity and declining ore grades, outdated processes and technologies, and capital overruns.

As the global mining industry remains the world's most important industrial activity, providing the essential raw materials that enable our modern lifestyles, finding solutions to the industry's challenges is paramount.

Mining represents around 10% of the world's economic activity as measured by revenues from the commodity mining, quarrying and petroleum sectors.

Anglo American, with a long history of innovation in areas such as deep-level underground mining and exploration, has renewed its focus on finding solutions for the productivity challenges facing the industry. Its focus areas go beyond finding ways of extracting metals and minerals more efficiently and with a reduced environmental footprint. A good example of this is the company's Emalahleni Water Reclamation plant, in Mpumalanga, which – through reverse osmosis – turns mine water into fresh water for over 80 000 people.

Further to this, the gypsum sludge residue is then turned into gypsum bricks, which have allowed the company to build 66 3-bedroom houses for its employees working in the SA coal business unit."

For SA, the future for platinum group metals and diamonds is of particular interest, as the country



Promise Sambo, a pupil at Sibongamandla Secondary School in Kriel, Mpumalanga, during the School Water Fountain launch, a project sponsored by Anglo American Coal

remains richly endowed with these metals and minerals, and Anglo American remains by far the biggest producer of both platinum and diamonds locally.

On the platinum group metals side, Anglo American is focusing market development efforts in three areas: finding new industrial applications for the metal; growing jewellery and platinum investment demand; and investing in the fuel cell value chain.

Anglo American Platinum believes fuel cell vehicles show strong growth potential, and will be a key driver for platinum demand in future. The group is forecasting demand from fuel cells of about 500,000 oz of platinum by 2025, equivalent to roughly 20% of Anglo American Platinum's current annual output.

Anglo American Platinum's venture capital fund has also invested in a number of companies in the fuel cell value chain. It has, for example, invested in Hydroge-

nious Technologies, a German company that focuses on the safe storage and transport of hydrogen, which is used in fuel cell vehicles.

Recent achievements include the successful development of an ethylene scavenger – a small label containing a catalyst – that is used in packaging to help keep fruit fresh for longer, thereby reducing food waste, and a carbon monoxide oxidation mask, which is used by emergency responders in tackling fires.

For De Beers, which revolutionised the diamond market when it adopted the clever advertising slogan "A diamond is forever" in 1948, the demand challenge remains largely a marketing one. With increased competition from a wide range of luxury goods and a preference for experiences rather than material goods among younger consumers, new approaches are required to keep millennials interested in diamonds.

Playing the long-term game

Speaking at the Mining Indaba earlier this year, Anglo American CEO Mark Cutifani said disruption – whether social, political, technological or economic – will either make most companies obsolete or propel them into the future.

He says to thrive and become more resilient, companies like Anglo American would have to pay careful attention to innovation and sustainability.

"Resilience, as an end-goal, needs pillars to lean on. If we can assume that you have a sound

asset base, an appropriate business model and strategy, then, in my view, creating a culture of innovation and thinking differently about sustainability are two areas that can help define a new future for ourselves and our industry," he says. The focus on sustainable innovation as a foundation for resilience is particularly important for the mining sector – an industry which is prone to the market being unpredictable.

There is also the challenge of cultivating better relationships with host communities and protecting the natural environment – two areas the mining sector is routinely criticised for. For this Cutifani refers to the need for "a renewed social contract".

"There is the need for a renewed approach. A partnership built on trust and the common good. We must become good neighbours, where every community demands a local mine because people know it will mean a better opportunity for that community to develop and grow its commercial infrastructure," he says.

"This is not enough. When we are better stewards of our natural environment, mining safely and responsibly, and operate within thriving communities that own our success and have open and co-operative relationships with our stakeholders, the end result is a company that has a competitive edge – one that will thrive." x

Advertising executive:
Michael Anthony



New entrant: Hydrogen fuel cell electric vehicles show strong growth potential, and will be a key driver for platinum demand in future, adding another growth dimension for the industry

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We want to make a lasting, positive contribution to the people we work with and to communities in which we operate.

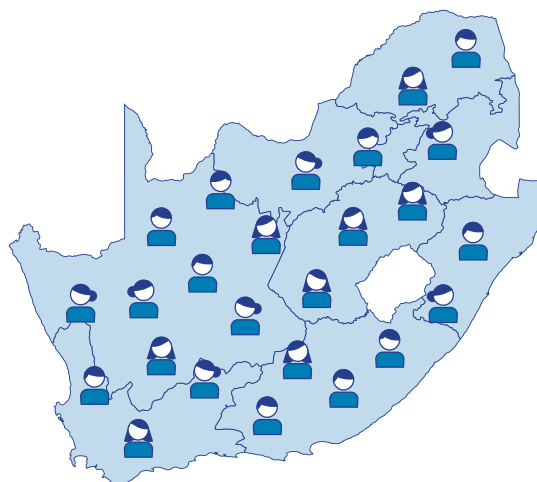
OUR FOOTPRINT IN SOUTH AFRICA



29%
OF OUR OPERATIONS ARE
BASED IN SOUTH AFRICA



23
MINES IN
SOUTH AFRICA



42%
OF OUR REVENUE IS GENERATED
IN SOUTH AFRICA



**MAJOR INVESTOR IN
SOUTH AFRICA**

Amount of capital expenditure
invested in South Africa since 1999

R241.7 billion

* Figures as at 2016 year-end

100
YEARS
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TOGETHER, WE MAKE A REAL DIFFERENCE. THANK YOU.

This year we're celebrating 100 years of community partnerships. From schools and houses to clinics and community centres, together we've built stronger communities. Thank you for being our partners in South Africa. Here's to the next 100 years of making a better future possible.

Together, we build our future.