

**LOCAL PROCUREMENT AND
ENTERPRISE DEVELOPMENT**

THURSDAY, 23 JUNE 2011

SANDTON CONVENTION CENTRE

**TRADE
FAIR****Andrew Hinkly, Head of Supply Chain of Anglo American plc****Address during Anglo American's Local Procurement and Enterprise Development Trade Fair**

For those of you who don't know me, I'm Andrew Hinkly and I'm responsible for the Supply Chain activities at Anglo American.

I'm delighted and very encouraged to see so many of you supporting our first Local Procurement and Enterprise Development Trade Fair.

I'm looking forward to meeting many of you during the course of the day.

We intensified our supply chain transformation throughout Anglo American three years ago. I'm pleased to be able to tell you today that, after a lot of hard work, we've transformed our organisation from a fragmented set of disparate entities, to a fully integrated team. The members of my team now work across all our business units and functional disciplines towards a common purchasing and supply chain strategy.

We've put in place a comprehensive governance structure to ensure appropriate awareness and participation in sourcing decisions. And we've implemented processes, methods and tools to execute our buying activities in a more efficient and consistent way.

We are continuing to transform to better reflect within our organisation the demographics of the communities in which we operate. I believe this transformation is critical for ensuring the sustainability of the local mining industry and our host communities.

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We've also invested heavily in our Supply Chain team's capabilities, building the new skills required to operate in this environment in the 21st century.

The Group's small and medium enterprise development and empowerment initiative — Zimele — is making a vital contribution to Supply Chain work by assisting us to identify potential BEE suppliers and matching business opportunities with black-empowered SMEs. Zimele's Supply Chain Fund invests in equity and advances loans to these businesses.

Our focus on local procurement within Anglo American has never been more intense. Local procurement has the capacity to create a positive impact through job creation, skills development and investment in local infrastructure — all of which are essential for establishing thriving, healthy communities.

Anglo American's Local Procurement Policy defines our commitment to local procurement. This includes allocating appropriate resources and ensuring that each operation and site has a strategy for local procurement in place. We're developing guidelines and tools to support implementation and minimising barriers to participation by simplifying and clarifying our procurement processes and drawing on a range of preferential sourcing methods. We're expanding our SME supplier development offerings and adjusting our payment terms to accommodate the special needs of small enterprises.

All of this is to support the development of commercially viable local businesses, so they in turn can support us. Anglo American's commitment to optimising local procurement is now integrated throughout supply chain decision-making across the Group.

Underpinning our approach to local procurement are four fundamental principles:

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The first principle is called “**multi-faceted**”. Our entire supply chain offers potential opportunities for local procurement in all of our areas of operation. These opportunities present themselves from the exploration stage right through to post-closure; operational and capital expenditure; goods and services; and small, medium, large and multinational suppliers and contractors

The next principle guiding our global local procurement policy is called “**inclusive**”: We pursue development outcomes through local procurement at multiple levels, including host communities, indigenous and previously disadvantaged communities, at municipal, provincial, national, and regional levels.

Good governance is the third principle – sound business principles and governance underlie all transactions. There is no compromise on quality, delivery, service, safety, health and environment, or any other technical requirements. The appropriate Anglo American policies and procedures always apply.

Finally, **Working in Partnership** is our fourth principle. This entails creating an enabling environment for local procurement. This requires collaborative ways of working, across functions within Anglo American, with our major suppliers, and with communities, governments and development institutions.

Realistically, we cannot achieve these commitments and responsibilities in isolation. We’re committed to working with, and we need the support of, our major suppliers to create the enabling environment for local procurement. We need our larger suppliers to work closely with us to improve local procurement outcomes across our value chain.

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We believe such transparent actions are transforming our approach to local procurement and uplifting the communities where we work.

I would like to see all our stakeholders, and especially our suppliers and representatives from our host communities — and I see many of you with us here today — to work with us towards this goal in a collaborative and supportive way. Your support is essential in shaping joint vision of building a better and more sustainable business environment for all of us.

The past few years have seen Anglo American and its suppliers achieve outstanding things. We have all changed the way we do business and I am tremendously proud of what we have all achieved. You will no doubt agree that there are many changes known and unknown that lie ahead of us, but I am confident that, **together**, we have the ability to turn these challenges into positive milestones on the journey to achieving our vision for local procurement.

And finally, a big thank you to all of you for the tremendous support you and your teams provide to Anglo American, day in and day out.