

A full-length photograph of two men in business suits standing in a modern hallway. The man on the left is wearing a dark suit and a colorful patterned tie. The man on the right is wearing a grey suit and a blue patterned tie. They are standing in front of a brightly lit doorway with a wooden frame. The hallway has a polished floor and teal-colored walls.

Taking the baton: new chairman Sir John Parker (left) takes over from Sir Mark Moody-Stuart

*The BBC's Jon Sopel asks the outgoing and incoming chairmen of Anglo American for their thoughts on sustainable development, the 'resource curse' and the company's future.*

Portraits by Charles Best

**A**t Anglo American's London headquarters, two men rich in experience have come together to reflect on how the company's work impacts on and is affected by local communities, national governments and the environmental, economic and business landscape.

It is clear that there is mutual respect and encouragement between Sir John Parker and Sir Mark Moody-Stuart, who between them have around 90 years of industry experience, which, Anglo American aside, includes stints as chairmen of National Grid and the Shell Group respectively.

With Sir John having been in the post of Anglo's chairman for only a matter of weeks, there have been scarce opportunities for both men to discuss the business without the company of a full boardroom. And with Sir Mark having stepped down from the role after seven years, this might be the last such occasion.

Jon Sopel, BBC presenter and former Political Journalist of the Year, asks the two men frankly about the authenticity of Anglo American's environmental pledges, how the company manages its reputation and whether the industry is emerging from the economic downturn.

Sir John and Sir Mark are equally candid about how enthusiastically the Anglo American Group is tackling its various business challenges, from culture shifts and climate change to prospects for the mining industry.

As the company relaunches its Business Principles, both men are insistent that sustainable development and co-operating with the people and societies where it operates are integral to Anglo American's activities and not merely a 'nice to have' add-on.

"We've made huge progress in building sound relationships with communities and governments," says Sir Mark. "We're a mining company, so we need to build a portfolio of resources; but part of the attraction of working here is this drive to improve methods of converting natural resources into wealthy societies."

"It's clear that Anglo American has a line of sight and is monitoring and discussing the right big-picture issues," adds Sir John. "In order for us to earn our licence to operate, the commitment to sustainability has to be at the heart of what we do – and that starts in the boardroom and any sub-committee that deals with sustainability."

**Jon Sopel: Sir Mark, you've had a high profile over issues of sustainable development governance. Why is it so important? And is it real or is it window dressing?**

**Sir Mark Moody-Stuart:** No, it's certainly not window dressing. The resources we develop are, generally, owned by governments in trust for their people. They may be recycled, but, in some countries, the resource is finite, so the government and the company have to convert those

resources into other forms of capital, from infrastructure and developments to human capital and education. That form of sustainability is absolutely fundamental to our industry. How we relate to the people and the societies whose resources we're working with is core.

**Sopel: Sir John, I can see that in good times, it's easy to believe in sustainable development, but, when the economy turns down, does it become an expensive luxury?**

**Sir John Parker:** This is a long-term investment business and you have to take a long view. Your behaviour should be absolutely consistent throughout the cycles, whether you're in good times or bad times. Over the long term, consistent, fair, decent and moral behaviour will always win out.

**Sopel: How do you manage people's judgements?**

**Moody-Stuart:** The first people who judge us are the communities next to our operations and the societies in which we work. If we can establish that we have sound programmes that are clearly commercial and good for the country, we will have opportunities elsewhere, because countries look at each other.

**Sopel: Are there examples of that?**

**Moody-Stuart:** Take our potential project in Alaska, the Pebble Project, which is controversial because it's near

a major salmon fishery. People who fish are worried about the quality of water and the interaction we will have with the local community. We took groups from that area to Chile and Peru to talk to people there who had experience of our operations, and they were enormously impressed by the trouble we were taking to work with those societies. It began to build trust and that's what you need: trust.

**Parker:** It takes a consistent effort over many years. What heartens me about Anglo American is that deep in our culture is this sense of being a responsible citizen, involving communities and investing in them, with the aim that, when we leave there at the end of a mine's life, there is a new jurisdiction that is in much better health than it would otherwise be.

**Sopel: Is that commitment to citizenship what attracted you to Anglo American?**

**Parker:** Anglo American had a lot of the ingredients for me. I'm an engineer by training and the industrial aspect appeals to me. Anglo has a raft of world-class tier one assets, as well as exploration expertise, rich research and development capabilities and engineering know-how. Those disciplines at the front end of our business are critical to developing a pipeline of options for investment and turning those options into future earnings.

**Moody-Stuart:** I agree. Building on that potential is appealing and rewarding. As a mining company, the question we must keep asking ourselves is, how do we build a portfolio of resources? We've made huge progress in developing sound relationships with governments and communities. We have to take the



### Timeline

## The career of Sir John Parker

- 1942** Born, County Down, Northern Ireland
- 1964** Joins the ship design team at Harland & Wolff as a naval architect and engineer
- 1978** Joins the board of British Shipbuilders Corporation
- 1983** Returns to Harland & Wolff as chairman and chief executive, leading a transfer from the public to the private sector
- 1986** Joins British Coal Corporation as a non-executive director
- 1993** Joins Babcock International as CEO (becoming chairman the following year)
- 1997** Becomes a non-executive director of British Gas, which leads to him becoming chairman of the Lattice Group when it demerges from BG Group
- 2002** Appointed chairman of National Grid Transco when the Lattice Group and National Grid merge. Becomes chairman of RMC Group, Aggregates and Cement. He is also knighted for services to the defence and shipbuilding industries
- 2004** Appointed chair of the Court of the Bank of England
- 2005** Appointed chairman of P&O, leading the sale to Dubai's DP World
- 2009** Joins Anglo American as chairman

assets, expertise and partnerships we have and progress them further. That is part of the attraction in working for a company, this improvement of methods of conversion of natural resources into wealthy societies.

**Sopel: What's your opinion, Sir Mark, on the theory that a country with a lot of resources is almost cursed by them?**

**Moody-Stuart:** In the oil and mining industries, there are good examples and bad examples. In some areas, the wealth has been converted to help build a society, build other industries and change communities in a positive fashion. In others, it's had a negative effect. The big difference is governance and the structure of society. And country leadership is hugely important – having a government committed to those sorts of things, rather than, in the worst case, stealing that money.

**Sopel: How much of a priority is safety for Anglo American?**

**Parker:** On any board I chair, safety is absolutely the number one agenda item. My philosophy has always been that the people who come to work for you each day have the right to go home safe to their families each night. I believe that a safe company is an efficient company. I'm never satisfied with safety performance in any company I work for until injury rates are down to zero – and consistently at zero. That is a tough goal to achieve, but we have operations in Anglo that have achieved zero accidents for a considerable period of time. With safety and sustainability, you can never ease up. Some of your success could be good luck rather than good management. Sometimes you have to ask, are we lucky? Or is it by good management that we've achieved these results?





**Sopel:** I imagine your reputation is also based on good governance. How do you take that forward?

**Parker:** We've just relaunched our Business Principles. We are committed to transparency, accountability and, of course, removing any form of corruption from our activities and making it clear that we are a responsible company and a responsible corporate citizen.

Anglo is not an arrogant company. It doesn't boast. But are we promoting our strengths as positively as we should? We have great managers running operations, many of them world class, and we should be able to tell everyone about this. We need to be more confident about explaining the strengths of Anglo's people, the quality of its assets and the value that can be unlocked from this company over the next decade.

**Sopel:** What is the company doing now to prepare for the future?

**Moody-Stuart:** Anglo has been going through a process of focusing on mining, and divesting companies. We've been concentrating on the areas, metals and projects that are really valuable. In addition, as a coal producer, we must respond to the global challenges around energy use and climate change.

**Parker:** I'm very optimistic about the future. Anglo has three major projects in progress – in nickel in Brazil, in copper in Chile, and we have our very large Minas Rio Brazilian iron ore project, which has the potential to be one of the largest iron ore mines in the world. In total, our \$17 billion project pipeline is expected to lift organic output growth by a third by 2013. And there is more in the pipeline that we have not yet sanctioned.

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Pablo Moser

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Anglo American

**01** Sir Mark visits Scaw Metals in South Africa as a member of Anglo American's Safety, Health & Sustainable Development Committee of the Board

**02** Sir Mark (pointing) at Collahuasi's Ujina pit in the Altiplano, Chile

## Timeline

### The career of Sir Mark Moody-Stuart

- 1940** Born, Antigua, West Indies
- 1966** Completes doctorate in geology at Cambridge and begins work for Shell as an exploration geologist. He goes on to work in Europe, Oman, Brunei, Australia, Nigeria and Malaysia
- 1976** Leads North Sea exploration teams for Shell UK Expro
- 1997** Appointed president of the Liverpool School of Tropical Medicine, a post he keeps for 11 years
- 1998** Appointed chairman of the Shell Group
- 2000** Becomes a Knight Commander of the Order of St Michael and St George
- 2001** Awarded the Institute of Petroleum's Cadman Memorial Medal for outstanding services to the petroleum industry
- 2001** Appointed to the UN Secretary-General's Advisory Council for the Global Compact; subsequently joins the board of its successor, the UN Global Compact
- 2002** Appointed chairman of Anglo American
- 2009** Retires as chairman of Anglo American

**Sopel:** What other challenges does the industry face?

**Moody-Stuart:** Over the next 25 years, world primary energy demand is projected to increase by around 50 per cent. In the 15 years between 2005 and 2020, around 40 per cent of all power-generation capacity will be newly built or replacement capacity. To provide sufficient clean power to meet this burgeoning demand will require us to tap into a broad range of energy sources. Yet most of the new technologies, such as solar, wind, marine, biofuels and hydrogen as a carrier of energy, remain costly and their commercial viability at scale unproven.

**Parker:** Coal, oil and gas – which now supply around 80 per cent of global energy consumption – will continue to form a large part of the mix for many decades. In the UK, for example, coal still accounts for 35 per cent of the generating fuel mix. But we need to find technological and engineered solutions to minimise its impact on the environment.

Carbon capture and storage (CCS) technology, which is still not proven on a full scale, has a number of development phases to go through. The UK government has set aside funding for pilot schemes. A coal-fired station with CCS started operating as a pilot in the US a few weeks ago and Anglo is looking at carbon capture projects in Australia. This could be a huge industry if we get it right. Gas used to only come into the UK from the North Sea. Now it's supplanted by liquefied natural gas shipped in from all parts of the world, as well as gas coming from Norway. This means there are redundant pipelines out to some of

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the northern gas fields, and we're looking at whether we can capture CO<sub>2</sub> and ship it back out through these gas lines to the gas fields' reservoirs in the North Sea.

**Sopel: Sir Mark, what is Anglo American doing around climate change that's concrete? Has the company got an agenda?**

**Moody-Stuart:** Absolutely. Since the early part of this century, we've had a climate strategy to watch what is happening and make steps in investigating CCS. In Australia, Anglo is a member of an industry consortium on CCS and we're doing some interesting work in that area. Our coal business there has some terrific methane-capture projects in Queensland. We are also involved in putting a price on carbon and working within trading frameworks being developed in Europe and Australia. So we are learning by doing and by working on good energy-efficiency programmes.

**Sopel: Is technology the only answer in dealing with climate change? Or do people's activities and actions have to change?**

**Parker:** Climate change for me starts with controlling energy consumption and in changing behaviours. In factories and mining and industrial operations, you can save significant amounts of energy and make a positive contribution to climate change. We'll start from this habit-changing and move into technological developments, such as carbon capture, and consider what we might be able to do in order that we can continue to burn coal.

**Moody-Stuart:** I visited an operation in South Africa that made



an essential energy reduction after the supply from their energy provider went down. Most of their improvements had been in operational practices – for example, turning off equipment when it wasn't being used – and the kind of things an individual can do at home. It's good housekeeping.

**Sopel: What are the prospects for China and India, which look set to loom large over the next decade?**

**Parker:** These countries' economic growth will be significantly ahead of the developed world, as will Vietnam's and South America's, to name two other regions, while the consumption per capita in these countries is running considerably below that of the developed world. The headroom to increase that is significant. That is an important driver for the mining industry because mineral wealth is essential for creating tomorrow's infrastructure, be it railway lines, roads, bridges, factories or housing.

**Sopel: Sir Mark, people talk about resource nationalism. How do you see that going forward?**



Anglo Platinum

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**Moody-Stuart:** It relates back to what a society sees as the benefits from the development of its resources, overseas technology and internationalism, and how the society views a company coming in from the outside. When prices go roaring up, as they did for four years, it's understandable that countries will be anxious to maximise their take of that, particularly in the mining industry, which often operates on a normal taxation basis. In many ways, the oil industry's example of having taxation regimes that flex with price is quite clever, but it's never been adopted in the mining industry.



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**Sopel:** During the past commodities boom, Anglo was criticised for not being quick enough off the mark regarding mergers and acquisitions. When the downturn came, it was berated for taking on too much debt with the Minas Rio iron ore development in Brazil. What is the company's strategy now?

**Parker:** In a highly cyclical industry, getting the timing right of your new investments or entry to a particular market is unfortunately not an exact science. If you make investments when the market's down, the prices are generally much lower. If you make them towards the top of the cycle, you pay a very high price. However, remember that when you buy or proceed with an asset, you're talking about a 30-year-or-more life. Some of our assets are built with a 100-year life. There is no one on this earth that can predict with accuracy the pricing of such commodities over a long cycle. I think the most important thing is to get the cost structure of a venture into a world-class cost-competitive position so you can live with the lowest price in the market and reap

**01** At Kumba's Sishen iron ore mine in South Africa, geologists Nicolene van Wyk and Joseph Tshoniswa discuss the mine's planned westward mining operations with Sir John

**02** Sir John, Anglo Platinum head of mining Pieter Louw and engineering manager Cobus Terblanche inspect a roof-bolting machine at Anglo Platinum's Rustenburg mining complex in South Africa

**03** Sir Mark goes underground during a visit to Anglo Platinum's Amandelbult mine in South Africa

the value, via the earnings, when the prices of the commodity go up.

**Sopel:** You come to the job when the economy has been going through a global nosedive. How do you see the outlook for the mining sector?

**Parker:** World trade has hit the lowest point for 60-odd years. We are, I believe, turning a corner, but we have to be mindful that we have been down quite deep and it will take a while to get back to the surface again, but there are encouraging signs of normal growth for our industry. China in particular has continued to consume minerals at a significant rate and we have seen prices gradually rise from the collapse. We're in a much better place now than we were even four or five months ago.

**Sopel:** Is there anything you'll do differently from Sir Mark?

**Parker:** I'm fortunate to have inherited the by-products of Sir Mark's leadership. He has really embedded sustainability, and Cynthia Carroll, as chief executive, has pushed forward on those frontiers, particularly safety. I find it easy to align with those

principles and Cynthia can count on my support. Clearly, every chairman leaves his own mark on the company. I come at a time when we've had an unsolicited approach, so it means a different form of leadership and intense communication with shareholders to understand how they view the company and where they would expect me to put the emphasis. I would hope that when I leave here, people will say that I added some value and left Anglo American better than I found it.

**Sopel:** Sir Mark, do you have any parting words?

**Moody-Stuart:** One of my, and the board's, achievements was finding Cynthia. She's done a remarkable job. Cynthia and the whole company have come under attack on certain issues. A fresh set of eyes will encourage shareholders. The great contribution that Sir John can make, coming in from the outside with a solid reputation in industry, in the City and among shareholders, is to look at the situation, pick it up and say, OK, this is right and this is what we need to change. He comes with a fresh outlook and can make an honest and objective evaluation. I look forward to seeing the progress that will be made.

**Parker:** The board's job is to set the drumbeat for the business, empower management to execute the strategy and hold them accountable for a successful delivery. The board needs to have the right range of skill sets to tackle any issue that comes through the boardroom door. If we all work together, we can turn Anglo American into the world's leading mining company. It's all about teamwork. Whatever my views are, you can do nothing without good people at every level in Anglo American. 