



KEYNOTE ADDRESS

"Leading global change: climate change – dealing with systemic change"

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ACKNOWLEDGEMENTS

I understand it is important to acknowledge the Traditional Custodians of the local region and more specifically we recognise their connection to the land, waters, and communities of the local areas. I would like to pay my respects here in Melbourne to the traditional custodians, the Wurundjeri people of the Kulin nation and to their elders past and present.

The seeds of discussion for this note have come from work we started at AngloGold Ashanti in response to delivery on our commitments to Sustainable Development Goals in 2011 and was further evolved and progressed with Anglo American. As part of the Anglo American engagements, we became partners with Steve Howard and the team at the Global Foundation as we recognised the like-minded thinking and the broader constituency Steve had developed was

supporting the building of a critical mass in new conversations for business, with business and social stakeholders.

In more recent times the conversations around big ticket items like Climate Change have become better informed and more targeted. A good example of this more focussed approach was initiated by Steve Howard and sponsored by John Denton, Secretary of the International Chamber of Commerce (ICC). The discussion took place in the offices of the ICC in Paris in November 2022 and dealt with how the broader financial community should be involved in designing and leading Climate Change focussed financial reporting.

In this Climate Change context, a special mention must also be made for Steve Waygood of Aviva. Steve's work on the Assisi Accord, a framework

for how International Finance Institutions and the Global Financial Framework should be re-imagined, supporting the modernisation of the global financial framework and in response to Climate Change related actions was the starting point for the broader “Global Framework for Change” discussion.

In these conversations it also became quite clear that a discussion on Global Financial structures was necessary, but in of itself not sufficient, to support the level of systemic change required to shift human activities in the Climate Change context. It is around these matters that we discussed the role business can play in supporting long dated and broad based positive social change.

OPENING REMARKS – SETTING THE SCENE

The debate around Climate Change and the associated science strikes me as being a rather academic conversation about a phenomenon that is possibly driving a material change in weather patterns. I say possibly, not because I don’t believe the sheer weight of data that supports the view, but to acknowledge we can never be certain these conclusions are definitively correct. So, whatever the mechanisms may be that are driving weather patterns – the data appears to be clear that we are in a global warming cycle that will have devastating impacts on people and planet. From this starting point I ask a simple question – what would we need to do to reduce warming or improve our ability to deal with these likely outcomes on a global scale?

In my view the science has done enough to show we have a serious problem, the recognition of possible solutions and their effective development and implementation must then become the guiding principle that drives our collective behaviours. While some may argue the

application of the “precautionary principle” already reflects this view – I would argue the data and consequences we are already seeing demands we go beyond the relatively benign “precautionary principle” and we shift into “doing what has to be done” to protect both lives and livelihoods.

Going too hard too early may get us ahead of the curve and it would be argued we wasted resources in that pursuit. However, going too slow has consequences that remain too onerous to allow us to rest on hope as a strategy.

As a miner I understand the concept of resources, so let me use the concept of resources to make an important point. If we simply process all the carbon that sits within fossil fuel energy sources using current infrastructure and technologies, the increase in carbon in the atmosphere will result in the need to migrate 75% of the world’s population to areas where the midday temperatures are habitable for humans. This is the future we are looking at for the year 2300, based on our current trajectory in dealing with Climate Change.

While I acknowledge the actions of people as we speak will help mitigate that possible outcome, it is never-the-less too real to hope someone else will do what it takes to create a different outcome for future generations.

INTRODUCTION – THE KEY CONSIDERATIONS

In driving large scale global change, a logical argument, a compelling data set or a great story are simply not enough to mobilise broad and effective actions that are timely and efficient. If I borrow a phrase that Tom Clancy used from the United States Judicial System – evidence of “Clear and Present Danger” stumbles on the understanding of time and the complexity of

actions necessary to avert serious consequences beyond, let's say, a 12-month timeframe. When less than 90% of the world's population don't naturally process the consequences for actions beyond 12 months, the challenge becomes more clearly scoped in terms of defining for what we are solving. That is, most people will not feel the imperative to act on something that simply doesn't register on their natural forward view of the world.

Mobilising key global players to help bring broad-based and effective change into play needs a far more targeted and deliberate approach. In our experience in working to change society's understanding and acceptance of mining, we have had to work on 5 critical fronts to materially improve and build support for the work we do.

In all our conversations we must start with an understanding of our physical states and what it takes to survive in our world. A "sort of" Maslow's Hierarchy starting point. Our starting point for the debate on mining was to help people understand the role of mining in society. That is, helping people understand that if something isn't grown, it is mined. As the Ancient Greeks clearly understood – the role of "Earth" in all that we do is essential to our survival and progress as a species. In this context, the sciences help us understand how to get the best from mined products to make the world a better place.

The role of "businesspeople" in creating products and services is as old as civilisation and the progressive transformation of society. Businesspeople and the relentless pursuit of returns is the energy that drives competition and continuous improvement. And the concept of returns goes beyond a capital conversation, at least most people get the "pay if forward" concept.

To balance the tendency to over-achieve by high capability individuals and businesses, the business of government has evolved to help ensure social equity and stable social constructs. So, while bureaucrats may be considered a political invention, they are no doubt a power unto themselves in a world where the inertia of institutions helps keep us from disrupting people and their lives more quickly than they can reasonably cope with.

And with politicians we hope comes diplomacy and the need to bring the key players together to support the change that needs to occur.

The final link in the transformation chain starts with a question - who is going to pay for the physical changes that need to occur? The role of all the key players can only be facilitated if we can find the funds to invest in those projects that will make a difference.

So, in summary - the science of human survival, development and growth, the role of business and leading practical and affordable change and the business of government and connecting the work of 8 billion people must be work for social institutions giving the disadvantaged a voice in a way that promotes and delivers coherent global development, and the role of politicians to try and connect all these moving parts requires both nurturing and the occasional policy shift to encourage long term investors to allocate the funds to support our "grand transformation".

At the Global Foundation we are trying to make sense of these moving parts and their complexities, and where we see an opportunity to make a positive difference, we try and nudge certain possibilities forward in the hope they just might make a positive difference. And our work is focussed on how we can support business play its part in these important endeavours.

DISCUSSION - CONNECTING THE MOVING PARTS

To give you a little more insight how we think about these moving parts and what we are working on let me unpack our thinking.

Platform 1 – The Science

The role of academia, the natural sciences, and the understanding of the impact of human activities on the world is the starting place for conversations regarding where we are, how we got here and where we need to go in the future. As I have learned in our conversations around the importance of mining to the world – simply observing all materials that we work with in our daily lives are either grown or mined – people still don't get mining is critical to sustain life for 8 billion people on the planet, while also ensuring we are creating sustainable environments at the same time.

So, how do we help the scientists land their messages? And those messages don't have to be absolute or right or wrong. What they need to do is ensure we understand the range of outcomes we are likely dealing with, to help inform us of the risks and potential consequences of the decisions we make.

The “elevation of complexity to simplicity” seems to be the order on this menu.

Platform 2 – Business and Bureaucracies

In Business and how we connect with Bureaucracies, determines how and at what cost goods and services are provided to society. The efficiency of markets and the regulations that govern those markets, determine how well we serve society in delivering daily needs that do not compromise the future for children and planet.

And while Businesses in their broadest sense carry the bulk of the financial resources to support positive social developments, the work of bureaucrats is key in deciding where and how “social redistribution” occurs in the pursuit of sustainable social developments.

In terms of Businesses and representative Business Associations, in my experience being Purpose led is a good indicator of whether an organisation is focussed on its next quarterly result as a business, or if the number of members it has on the register is what it could be for an association. Purpose led businesses tend to better understand the importance of their role in society and what numbers they need to deliver beyond the next quarter's results. And associations defined by a Purpose, and not the lowest common denominator member issue, tend to serve their members better when helping connect them to society and the explanation of their broader role in society.

And whether we are dealing with Local Governments, through to Global Multi-Laterals – the regulation of markets should only represent a transitory negative impact on efficiency as the quest for social “fairness” and associated cohesion is a much longer term driver of sustainable growth – or so the theory goes.

And whether we like it or not, we are in this together and building more effective partnerships in this context is about how we serve society as much as it is about who gets what.

An interesting case study for thinking about how the energy transition can be conceptualised has been developed by Enrico Giovannini and his colleagues. Enrico is the former Head of the Ministry for Sustainable Infrastructure and Mobility for Italy. In the model Enrico and the team have developed a best practice approach to

rethinking national travel to support efficient movement of people in a low carbon future. This work is global leading practice thinking.

Platform 3 – Social Institutions

While the alignment of Academics and the Institutions of Business and Bureaucracy are fundamental to building a globally coherent case for change, science and economic logic will struggle when confronting “Values and Beliefs” of the greater bulk of global populations. In terms of promoting a dialogue that resonates with people from “different walks of life”, the engagement of a broad range of social leaders in contextualising the need for change is important in understanding how to connect that dialogue to people.

In 2011, most major faith-based organisations opposed mining on the basis that a broad case for the benefit of society was not clear, and that local issues and impacts were a greater concern for their grassroots constituencies. In their world and in their words, mining was a threat to social cohesion and needed to be opposed and/or removed to help rebuild that social cohesion. Following more than 10 years of consistent engagement and dialogue, both the Catholic and the Anglican Churches have acknowledged the importance of mining in society and their support for mining when it is done responsibly and in partnership with local communities.

That is, two groups that represent populations larger than China and India, are “qualified supporters” of the mining industry. Through the “Day of Reflection” and other processes, forums for dialogue have been created that provide an opportunity to share conversations about values and beliefs that are the prerequisites to understanding and finding accommodations that help make society work. And just to be clear, these are not conversations about religion.

And when we talk about social institutions, we think about Traditional Leadership structures in different communities and a whole range of other players that need to be engaged, depending on the issue and their reach in forming different dialogues. The English Monarchy, the Zulu Kingdom and North American First Nations are simply forms of traditional leadership models that reflect different values, beliefs, and social constructs. As Australians start to listen to the voice of our own earlier occupiers of the continent, we learn of their culture, their science, and the hopes they have for their children. In these conversations, the more we learn of our differences, the more we understand we are the same in terms of long term hopes and aspirations.

On Organised Labour, Frans Baleni, the former head of the National Mineworkers Unions once said to me, we don’t like the term Business Partners – but if you want us to partner with you on broad-based social change to improve the lives of South Africans, then I am happy to be described as a Social Partner working in business to make South Africa a better country for all.

Platform 4 – The Politics of the Change Dialogue

As societies have evolved, the emergence of politics and diplomacy have provided a mechanism to deal with conflicts without necessarily reverting to violent conflicts. As we have more increasingly relied on politicians to solve our most intractable social challenges, the more we have expected them to solve our social problems. As business leaders we know we have a responsibility to our shareholders to deliver returns. We have a responsibility to employees to pay them fairly for the work they do and to help them realise their individual potential. We have a responsibility to both our business and social

stakeholders to act ethically and in the best interests of society, in its broadest sense.

When economists observed that the only role of businesspeople was to ensure they made returns to their investors, they likely didn't consider how much everything we do is interconnected. As our tiny planet is now home to 8 billion people, the unintended consequences of actions of businesspeople that control businesses with economic outputs more significant than most countries requires a new paradigm in the way we think about politics and the dialogues of diplomacy that will determine how we navigate a future for 8 billion citizens.

We need to remake our political institutions, we need to remake the way we think about business and how we navigate multi-lateral policy frameworks that address these emerging and new social imperatives. And we must also recognise these reconstructions are a combination of organic evolution and deliberately constructed interventions by respective stakeholders.

Platform 5 – Financing the Transformation

Funding the transformation will fall to governments, businesses and the broader pool of funds that sit with individuals and Private Equity institutions. Investors will only commit funds at scale if the key Platforms for change are reasonably aligned and the risk to investments are not seen to be excessive relative to the returns that can be delivered. Aligning support for investments and making sure friendly policies are reasonably accommodating to these investments are important risk mitigants.

In the Assisi Accord – a financial reporting framework re-imagining how we engage and hold key actors accountable for their actions in the

context of future consequences – the thoughts of scientists, social leaders, business leaders and bureaucrats have been aligned to frame how financial measures can be used to drive business behaviours to address today's basic physical needs, economic sustainability, and long term social needs. However, we also recognise that such a proposal requires political sponsorship to move these discussions forward in any meaningful way.

The great challenge that confronts us in building these platforms is the need to link them in a way that facilitates effective and rewarding investments for those that are willing to risk their assets in the energy transition.

SUMMARY AND WRAP

In bringing the pieces together in terms local experiences I have found it useful to reflect on the Anglo American experience over the last 10 years to explain why our thinking leans towards these key facilitators of change.

In 2012, even with close to record commodity prices Anglo American had suffered from a range of poor investment decisions and declining operations performance, bleeding cash, delivering single digit returns on capital and the prognosis looking forward was grim. We had a government that couldn't forgive our move to London and so they constrained our ability to develop new assets and businesses outside SA and their pledge was to break us up and have the parts distributed and run from South Africa.

In delivering a sustainable turnaround on production and productivity, efficiencies and costs, and capital discipline and returns, we focussed on portfolio, innovation and people. And so, we doubled productivity while growing the business, we dropped our unit costs by 45% in

real terms and now our returns are north of 25% on an apples for apples basis. Those changes were based on the science of resource management and improving production and cost efficiencies. We more than doubled our value to shareholders based on these changes. But what helped us double our value again was even more instructive:

- We explained and worked with government to help them understand the role mining played in the economy and how we could improve on what we were doing.
- We worked with Faith-Based groups and local communities and to better engage and partner communities through our Collaborative Regional Development programs.
- We developed a new energy transition for Anglo American and South Africa, which prompted major policy changes and the recognition of how the country could start to navigate a real energy transition that didn't have to bankrupt the state.

Today, the government has removed all cash movement constraints on Anglo American, they have continued to improve our policy frameworks in mining which supports delivery of more consistent results and we have now been recognised as a champion for the country. So, a 40% discount on our share price compared to our major competitors back in 2012/13 turned into a 10% premium in April 2022.

And so, for us – doing the business of business is simply a starting point for building sustainable returns. And a conversation and action plan around how we connect with society to make a difference is the key to building a long term legacy that has your stakeholders committed to your successes.

If your successes are aligned with the successes of your stakeholders – self-interest becomes the great motivator for positive change. Helping people see their self interest in the context of what needs to be changed is the key to building grand coalitions for change.

CLOSING REMARKS

And so, to my opening remarks about the Global Foundation and our work.

We believe business has an unfulfilled leadership role that must be played to its potential to help society evolve and create an environment that delivers a future that is better for our children than the one we inherited from our parents.

Supporting good science and messages that need to be landed to help establish the imperative to act, and act in the right way, is the starting point for informed debate and alignment on the critical issues.

Aligning Businesses and Bureaucracies on what is important requires the building of an accountability framework that focusses on rewarding the right actions necessary to deliver the change we are all targeting.

Our Social Institutions reflect the concerns, the aspirations and the glue that reflect our humanity. The ultimate barometers of our success as leaders are reflected through their support for the directions we define and the actions we take.

Politicians as leaders in society only deserve that accolade when they bring us all together to work for positive and sustainable change. But our work as business leaders has become more critical to their ability to affect positive change. In this regard we need to think deeply about how we

advocate and support change, beyond individual company needs, beyond individual industry needs and even beyond individual country needs.

Financing the Transition will only hit the levels required if the perception of what is required is more broadly supported across society and the risks that go with that financing are perceived to be within acceptable limits for the providers of capital.

At the Global Foundation, we don't pretend to have the answers – but we believe that being a catalyst for the right conversations to drive constructive actions is a great place to start.

Mark Cutifani
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