

DELIVER A HIGH PERFORMANCE CULTURE

We foster a high performance culture through building an organisation where our operations and functions are structured to maximise the effectiveness of the Anglo American Operating Model, resourcing the Group with capable people and designing reward structures that differentiate performance without compromising our values or the health and safety of our employees.

HEADCOUNT⁽¹⁾ REDUCTION – DRIVEN MAINLY BY ASSET DISPOSALS

32,500

REDUCTION IN RECORDABLE INJURY FREQUENCY RATE

24%

REDUCTION IN OCCUPATIONAL DISEASES REPORTED

32%

 For more information See pages 31-33

PILLARS OF VALUE

 **Safety and Health**

 **People**

 For more on pillars of value and our KPIs See page 34

CENTRE FOR EXPERIENTIAL LEARNING

Anglo American's Centre for Experiential Learning (CEL) is a state of the art facility in Johannesburg, focused on embedding business improvement across the Group.

The CEL delivers programmes comprised of business improvement processes, tools and techniques that aim to achieve stable and capable processes that reduce variability and waste; and in coaching and facilitation skills to improve project execution. The courses are designed to support the roll-out of Anglo American's Operating Model and are aligned with technical and safety training initiatives to improve efficiency and effectiveness of individual and team development.

Both areas of work play a vital role in the delivery of Anglo American's strategy, helping to develop core business processes and deliver a high performance culture.

Learning is achieved through experiential activities related to the particular improvement initiative the delegate is working on. Participants are expected to reflect on the activity, develop a theory and then conduct experiments to test the theory's validity before attempting to initiate a solution, i.e. doing, reflecting, investigating, validating and then practising to enhance performance, with the assistance of an experienced business improvement coach. This approach provides employees with tangible skills and outcomes which can be effectively applied to real work processes and individual and team development.

In 2016, the CEL continued to support the Group in the delivery of its strategy and development of our people. In total, business improvement training – including inter-personal skills and Operating Model training – was conducted with more than 1,500 employees. These employees attended more than 90 events, representing teams from across the business – in both functional and operational areas – totalling more than 3,000 training days.

The focus for the CEL in 2017 will be to continue to support the roll-out of the Operating Model and collaborate with sites on leading business improvement practices.



Anglo American's Centre for Experiential Learning in Johannesburg offers a unique adult-learning business environment designed to drive business improvement throughout the Group.

⁽¹⁾ Includes employees and contractors from subsidiaries and operations over which Anglo American has management control; it does not include independently managed operations, such as Cerrejón and Samancor.

As Anglo American's portfolio evolves, we continue to create a leaner and more effective business that is built around strong, product-focused operating units, supported by functions that provide value-adding expert leadership, improve business performance and ensure effective governance.

ORGANISATION DESIGN THAT ENHANCES BUSINESS PERFORMANCE

During 2016, we continued the review of our organisation to structure work more effectively, establish clear accountabilities and authorities, and remove role duplication. The review has taken place in line with the principles of the Operating Model, which has been rolled out at nine of our operations. As we implement the Operating Model, we are adapting our operational structures in order to derive maximum benefit from its design. We are also reshaping our corporate functions to maximise the value of the relationships that exist between functions and operations, while reducing costs.

The resultant design, known as the Functional Model, intends functions to become more cohesive, for their work to become more integrated and for functions to have a higher level of accountability for business outcomes.

In practice, this means that, rather than having support staff based within, and supporting, individual business units or operations, each function is accountable for providing the Group with the most effective support and delivering it in the most cost-effective manner.

This new Functional Model is delivering benefits through our ability to:

- better promote the sharing of resources and the dissemination of best practice
- bring consistency and the highest level of functional expertise to all business units and their operations
- support the development and retention of highly capable people by creating career paths and opportunities that go beyond the boundaries of a single site or business unit.

While the primary focus has been on designing our functions to maximise the value they can provide, the streamlining of the Group's portfolio has also required the size of corporate structures and overheads to be reviewed to ensure they remain fit for purpose.

At year end, Anglo American's total headcount was 95,000, a reduction of 32,500 people from 2015. This was largely driven by the divestment of the Rustenburg platinum operations, the niobium and phosphates business, De Beers' Kimberley Mines and the Foxleigh and Callide coal assets in Australia, in addition to staff reductions across the entire portfolio. The number of people working in indirect roles (that is, not directly involved in production) across the Group reduced from 11,500 to 8,700, as our support functions were rightsized in line with asset divestments. We will continue to review the size of our support structures as the portfolio evolves over time.

MANAGING TALENT AND DEVELOPING SKILLS

Building capability

Equipping Anglo American with an engaged and productive workforce is essential for our success. In assessing capability, we consider technical skills and knowledge that have been acquired through experience and practice; mental processing ability; social process skills; and application (the degree of drive and commitment a person displays).

We continue to invest in developing a pipeline of future talent. As part of that process, we provide development and training opportunities to our managers and workforce, which are vital in encouraging our people to grow in their work. We have a range of external and internal development programmes in use across the Group, investing more than \$73 million on training in 2016. In an increasingly competitive market for skills, we continue to invest in developing a pipeline of future talent through our support of 2,700 graduates, bursars, apprentices and trainees.

Anglo American has numerous initiatives focused on supporting education and development, from schools through to tertiary institutions, as well as programmes targeted at building skill and leadership capability. In South Africa, the 2016 South African Graduate Employers Association (SAGEA) survey recognised Anglo American as the Employer of Choice in the South African Mining Sector for the fifth consecutive year.

Diversity

Anglo American embraces diversity. We seek a workforce that represents the regions within which we operate and we provide opportunities for broader development within those regions. A diverse workforce brings greater diversity of thought to tackle the challenges we face. We continually develop our workforce so that we will have this diversity among our leaders of the future. By year end, women made up 18% of our overall workforce (2015: 18%) and 25% of managers (2015: 25%).

In our South African operations, we continue to promote transformation. By year end, 62% of our management comprised historically disadvantaged South Africans (2015: 60%).

Encouraging sound industrial relations

Approximately 75% of our current permanent workforce is represented by works councils, trade unions or other similar bodies, and covered by collective bargaining agreements. We continue to seek to improve relations with our employees and their representative bodies, and have consulted widely with unions throughout our restructuring process. In total, in 2016, there were four instances of industrial action lasting longer than a week.

DELIVER A HIGH PERFORMANCE CULTURE continued**Supporting labour rights**

As expressed in our Human Rights Policy, and as signatories to the United Nations Global Compact, we are committed to the labour rights principles set out in the International Labour Organization core conventions, including the right to freedom of association and collective bargaining, the eradication of child and forced labour and non-discrimination. Observance of these rights is required of all our operations, irrespective of location, as well as for suppliers.

REWARD STRUCTURES WHICH DIFFERENTIATE PERFORMANCE

A high performance organisation hinges on strong leadership from line managers and a culture centred on rewarding successful business outcomes. It is critical that we provide appropriate remuneration to attract, retain and motivate the right calibre of employee, wherever we operate.

We implement a performance management and remuneration framework that is designed to reward our people on the basis of their performance, giving equal emphasis to delivery and behaviour through short term incentives. Our structured performance management and appraisal process is geared to support a values-driven, high performance culture.

Senior leaders within the organisation are incentivised with longer term awards which are provided upon meeting predetermined objectives that are in line with those of shareholders.

In total, 15% of employees receive formal performance and development reviews.

Code of conduct

In 2016, Anglo American launched a new Code of Conduct, which encapsulates what we stand for as a company. While we focus on building a results-focused culture (the 'what'), we will not be compromised on our values in doing this (the 'how'). The Code of Conduct explains the boundaries within which we must work every day and brings together in one place our material ethical principles and policies. It has at its core our shared values, which describe how we must behave consistently to continue to earn the trust that gives us our licence to operate.

EMPLOYEE SAFETY AND HEALTH

Protecting the safety and health of employees and contractors at work is one of the most fundamental human rights issues facing Anglo American and other mining companies. While protecting our workforce from harm is a moral imperative for us, our focus on 'zero harm' also constitutes a direct investment in the productivity of the business. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that prevents operational stoppages, and reduces potential legal liabilities.

Ensuring a safe working environment

The safety, health and well-being of our employees are a top priority and a core value at Anglo American. We strive to achieve our goal of zero harm by managing our activities in a way that eliminates incidents, minimises risk and promotes excellence in the performance of our operations.

The Group's safety performance is at the front end of the agenda at every Board meeting. Safety performance measures form part of the incentive-based remuneration for all senior executives.

In 2016, we regret to report that 11 employees and contractors lost their lives in work-related activities at operations managed by Anglo American. Seven of the fatalities were at our Platinum operations in South Africa. Eleven fatalities represents a very disappointing increase compared with the six lives lost in 2015.

Any loss of life is unacceptable and we remain unwavering in our commitment to achieving our vision of zero harm. Throughout 2016, we strengthened our control improvement programme by placing an emphasis on the effective management and use of critical controls. The programme is supported by the work management elements of our Operating Model. This work will continue during 2017, with the aim of achieving a consistent approach and standard across all our sites.

Our ongoing focus on ensuring safety in the workplace was positively reflected by a 24% decrease in our total recordable case frequency rate, compared with 2015. While there was a decrease in the number of regulatory stoppages at Platinum, the extent of those was wider and resulted in an increase in production losses.

For each incident resulting in loss of life or a critical injury, an independent investigation is conducted to understand the causes and remedial actions required. The lessons learnt from each are shared via our Group Learning from Incidents process and discussed at Board Sustainability Committee, executive and site management levels. Particular emphasis is placed on ensuring that actions relating to critical controls are implemented in a timely manner to prevent repeats.

Our operations continue to increase and improve reporting of, and learning from, high potential incidents (HPIs) as a preventative tool to improve safety performance. This has now been extended to include high potential hazards, as this allows gaps or control failures to be identified, and addressed, before an incident occurs. Transportation, falls of ground, moving machinery and isolation/lock-out remain the main areas where HPIs occur.

Our safety strategy and management approach is risk-based and concentrates on integrating safe working practices into every aspect of what we do. It is founded on three key principles: a mindset of zero harm; no repeats; and the application of simple, non-negotiable standards. During 2016, we added further impetus to critical control management and strengthening Visible Felt Leadership across the Group. These will remain priorities in 2017 and will be supported by additional programmes to further strengthen leadership and accountability for safety at every level.

Promoting health and well-being

Effective management of health risks protects our people, enhances productivity and is essential in minimising potential long term liabilities, as well as being critical in maintaining our licence to operate. Extending our health promotion activities to the broader community also supports our internal health drive in line with our values of care and respect

In 2016, the number of employees reported to be working in environments with noise levels in excess of the eight-hour exposure limit of 85 dB(A) reduced considerably to 26,280 (2015: 40,869) following the divestment of Platinum's Rustenburg mines. The number of employees reported to be working in environments where they were potentially at risk of exposure to inhalable hazards at levels in excess of the relevant occupational exposure limits also decreased to 3,705 (2015: 5,225).

While we have intensive programmes in place to ensure that employees and contractors working in such environments are trained to use personal protective equipment, our focus is on addressing the source of occupational health risk.

Our overall approach to occupational hygiene is aligned with the Anglo American Operational Risk Management (ORM) process, which requires that operations identify health risks, implement controls to mitigate those risks, monitor the effectiveness of controls, and learn from incidents in order to prevent repeats. We continue to focus on rolling out our health-critical control management process to facilitate proactive engineering and operational control solutions. Targets for the implementation of the ORM influence the performance-based remuneration of senior executives.

In 2016, the number of reported health incidents, which signify failing controls of health-hazard management systems, decreased significantly across all levels, indicating good progress in health-hazard prevention and control measures.

The number of new cases of occupational disease reported was 111 (2015: 163). The reduction in absolute numbers was largely a result of continuing progress towards eliminating noise-induced hearing loss.

Anglo American has recorded no cases of silicosis owing to exposure at our operations since 2011. However, despite the significant year-on-year decrease last year, we continue to report cases of coal workers' pneumoconiosis. Such cases are thoroughly investigated to better understand their causes, including the past and current occupational exposure profiles of those who become ill, as well as the potential sources of coal dust in the workplace. Our Coal business has set an objective with respect to exposure to coal dust of zero instances exceeding the permitted occupational exposure limit, and is introducing a number of initiatives in the year to help achieve this objective.

Through the industry work group that was formed by Anglo American and other South African mining peers, we continue to address issues relating to compensation and medical care for occupational lung disease in the gold mining industry in South Africa.

