# HOW WE DELIVER OUR STRATEGY

The delivery of our strategy implies a major transformation of the business. It is an exciting opportunity and challenge that will require an integrated effort from all our people.

## OUR AMBITION

To double our 2014 operating profit by 2020, consistent with our 15% ROCE target by 2016<sup>(1)</sup>.

To enable us to achieve this target we have continued to develop a Group strategy with an ongoing focus on capital discipline and costs, based on our industry position as the diversified miner.

## THE CHOICES THAT DEFINE OUR FUTURE

Our strategic elements

## Where we compete: optimising our diverse portfolio

We will focus management time and prioritise capital on the mining assets that offer us the most attractive long term value creation potential.

## How we win: maximising our performance

We will maintain a highly competitive mindset, with innovation and outstanding delivery at the forefront of how we drive change.

## Critical core skills: creating a capable organisation

We will ensure that our people and organisation have the critical core skills, supported by key people systems, to ensure we improve our returns.

## WHAT WE MUST DELIVER IN THE NEAR TERM

Our strategic imperatives

### 1. Deliver Driving Value

The delivery of this strategic imperative will help us rebuild our market credibility. We have already delivered a number of near term critical tasks:

- Minas-Rio first ore on ship and ramp up under way
- Restructure of Platinum business
- Operational turnaround at Copper
- Sishen mine optimisation
- Finalising the organisation structure.

## 2. Focus the portfolio

Our resource and asset participation will focus on positions where we believe we can deliver consistent margins to support high returns through the respective price cycles.

- Achieve full potential in Priority 1 assets
- Prioritise high value projects (e.g. Quellaveco)
- Exit select Priority 3 and Priority 2 assets to simplify our portfolio and reduce net debt

## 3. Develop core business processes

We aim to become industry leaders in critical areas, helping us to extract the maximum value from our assets and products.

## Exploration

Embed a self-funding model that positions us to compete for the next major undeveloped or potential resource in our selected commodities.

### Operations

Embed Anglo American's Operating Model in our Priority 1 assets by the end of 2016.

## Project delivery

Drive our project delivery skills to the next level to reduce capital expenditure and provide more certainty around delivery of project outcomes.

## 4. Create a high performance culture

Our people, across all facets of the business, are integral to the delivery of our strategy. We aim to provide the right environment in which to create a high performance culture. We are creating an organisation where all people are treated in such a way that they willingly give the best they have got.

## Create a high performance leadership team

A high performance culture starts with developing a high performance leadership team capable of developing a broader plan for our wider organisational culture.

<sup>(1)</sup> ROCE target is at 30 June 2013 exchange rates and commodity prices.



## HOW WE MEASURE OURSELVES

## Our seven pillars of value

## 0

## **Safety and Health**

To do no harm to our workforce



#### **Environment**

To minimise harm to the environment



## Socio-political

To partner in the benefits of mining with local communities and governments



## **People**

To resource the organisation with an engaged and productive workforce



### **Production**

To extract our mineral resources in a sustainable way to create value



## Cost

To be competitive by operating as efficiently as possible



## **Financial**

To deliver sustainable returns to our shareholders



## STRUCTURED TO REWARD SUCCESS

#### Remuneration

Anglo American's remuneration policy for executive directors is designed to ensure that senior management is encouraged to deliver the Group's strategy in a responsible and sustainable manner. In addition to the basic salary, the main elements of the remuneration package are the annual bonus and long term incentive plan (LTIP).

## **Annual bonus**

Annual bonus performance measures include:

- At least 50% on underlying earnings per share (EPS). EPS is one
  of the Group's key financial measures of performance and is set
  on an annual basis to ensure targets are demanding yet realistic
- The remaining measures are non-financial and include project delivery, capital allocation, business improvement, stakeholder engagement and employee development
- A deduction to bonus outcomes is applied if safety targets are not met.

To help ensure sustainable long term performance, 60% of any bonus that is paid to executive directors is deferred into shares for a minimum of three years. We are also able to reduce or claw back elements of the bonus in the event of a material misstatement of the Group's results, misconduct or a material failing in risk management processes.



Environment

Costs



\$ Financial

Production



## Long term incentive plan

The LTIP performance measures are aligned to our strategic objectives over a three-year performance period. LTIP awards that have vested must be held for an additional two years and there are similar claw back provisions to the annual bonus awards, helping ensure that executive interests are aligned with those of our shareholders.

The LTIP performance measures are:

- One quarter of LTIP awards is measured against the Group's TSR performance relative to the Euromoney Global Mining Index and one quarter relative to the constituents of the FTSE 100 index
- The remaining half is based on attributable ROCE to reflect the strategic focus on disciplined capital allocation. The initial ROCE targets have been informed by the Group's stated 2016 attributable ROCE aspiration.



Production



## Organisation redesign

Ongoing tasks:

Priority 1 assets

cost reductions

participation.

Marketing

mine to customer.

• Roll out Operating Model to

• Deliver \$500 million sustainable

• Implement business scorecard

and community relationships.

• Reset our South African government

Rescale our overheads appropriatelyRe-assess our value chain

Ensure maximum value creation

across the entire value chain - from

We aim to retain and appoint the right people in critical organisation roles. We will continue to develop the organisation in this way.

## Focused on delivery

We will measure our progress through an holistic business scorecard comprising both financial and non-financial indicators, including our seven pillars of value.

# DESIGNED TO BE MEASURED

### PILLARS OF VALUE(1)

## Safety and Health

To do no harm to our workforce

For more information see **People on page 36** 

## **3** Environment

To minimise harm to the environment

For more information see Performance on page 28

### **KEY PERFORMANCE INDICATORS (KPIs)**

Work related fatal injury frequency rate (FIFR) FIFR is the number of employee or contractor fatal injuries due to all causes per 200,000 hours worked

## New cases of occupational disease (NCOD)

Number of new cases of occupational disease diagnosed among employees during the reporting period

## Total recordable case frequency rate (TRCFR)

TRCFR is the number of fatal injuries, lost time injuries and medical treatment cases for both employees and contractors per 200,000 hours worked

## **Energy consumption**

Measured in million gigajoules (GJ)

## Greenhouse gas (GHG) emissions

Measured in million tonnes of CO<sub>2</sub> equivalent emissions

### **Total new water consumed**

Total new water consumed includes water used for primary and non-primary activities, measured in million m<sup>3</sup>

## Socio-political

To partner in the benefits of mining with local communities and governments

For more information see People on page 36

## **Corporate social investment**

Social investment as defined by the London Benchmarking Group includes donations, gifts in kind and staff time for administering community programmes and volunteering in company time and is shown as a percentage of underlying EBIT, less underlying EBIT of associates and joint ventures

## **Enterprise development**

Number of companies supported, and number of jobs sustained, by companies supported by Anglo American enterprise development initiatives

## People

To resource the organisation with an engaged and productive workforce

For more information see **People on page 36** 

## **Voluntary labour turnover**

Number of permanent employee resignations as a percentage of total permanent employees

## **Gender diversity**

Percentage of women, and female managers, employed by the Group

## Production

To extract our mineral resources in a sustainable way to create value

For more information see
Group Financial Review on page 18

## **Production volumes**

Production volumes for the year are discussed at a commodity level within each business unit section of the annual report (see pages 48–64). Quarterly production figures are shown on page 208

## **❸** Cost

To be competitive by operating as efficiently as possible

For more information see

Group Financial Review on page 18

## Unit costs of production

Unit costs of production are discussed at a commodity level within each business unit section of the annual report (see pages 48–64). Other factors that impact costs across the Group are discussed in the Group Financial Review (see page 18). See page 202 for the definition of real cash costs

## Financial

To deliver sustainable returns for our shareholders

For more information see
Group Financial Review on page 18

## Attributable return on capital employed

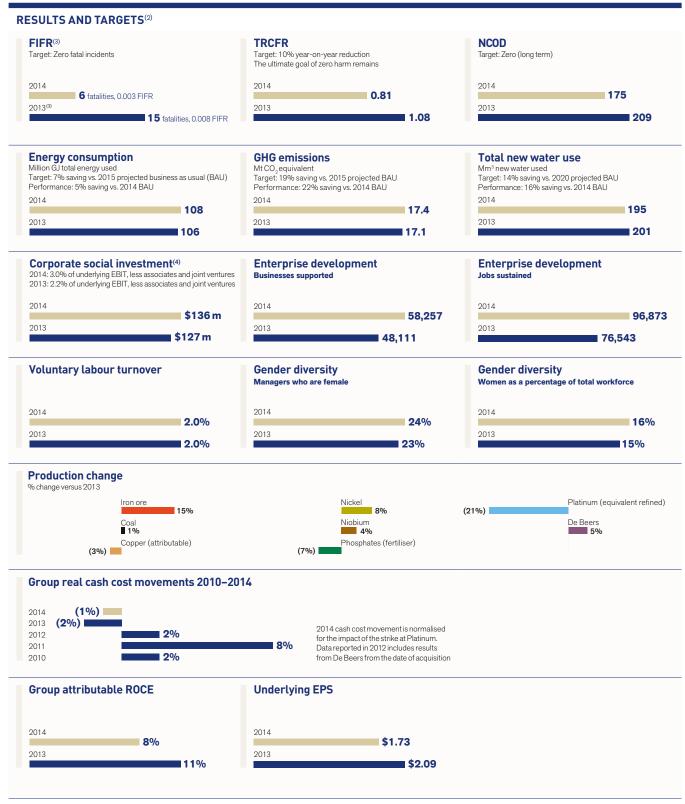
The return on adjusted capital employed attributable to equity shareholders of Anglo American. It excludes the portion of the return and capital employed attributable to non-controlling interests in operations where Anglo American has control but does not hold 100% of the equity. It is calculated as annualised underlying EBIT divided by adjusted capital employed

## Underlying earnings per share

Underlying earnings are net profit attributable to equity shareholders, before special items and remeasurements

<sup>(1)</sup> The table above reflects historically reported KPIs against our seven pillars. It does not represent our new business scorecard.

<sup>&</sup>lt;sup>(2)</sup> The results and targets in the KPI table above include wholly owned subsidiaries and joint operations over which Anglo American has management control.



<sup>(3)</sup> At the end of 2013 it was reported that two colleagues remained unaccounted for following the geotechnical event at the Port of Santana in which six people were involved. A certificate of presumed death has subsequently been issued for one person and the number of loss of life incidents in 2013 has been restated to 15.

<sup>(4)</sup> Included within the CSI expenditure figure for 2014 is expenditure relating to Zimele (\$10.1 million) and social programmes delivered as part of Iron Ore Brazil's licensing conditions (\$3.5 million). These items were not included in previous years.