

# TRANSFORMATION PERFORMANCE REPORT 2017

## BUILDING ON FIRM FOUNDATIONS DELIVERING A SUSTAINABLE FUTURE



# SCOPE OF THE REPORT

In this, our first Transformation Performance Report, Anglo American South Africa (AASA) measures its performance against the Broad-Based Black Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (the Mining Charter) of 2010. Provision for the Mining Charter was made in section 100(2)(a) of the Mineral and Petroleum Resources Development Act (MPRDA) of 2002.

AASA has been producing a Transformation Report since 2011. The stated aim of the Report was to review the progress made by the Anglo American Group in assisting South Africa to become a more equitable and inclusive society. However, it has become apparent over time that our achievements in this regard go above and beyond the parameters established by the original Report.

Progress against the Mining Charter will be documented in this our new, concise and simplified publication. The Report will also highlight where we have surpassed regulatory requirements.

The Report covers the business units that operate in South Africa, namely, Coal South Africa; De Beers Consolidated Mines (De Beers); Kumba Iron Ore (Kumba); and Anglo American Platinum (Platinum). The report also includes (where applicable) Anglo American's Corporate Division (Corporate Division) and Anglo American's EMEA Shared Services in South Africa (Shared Services).

Key data is included for AASA and its business units to illustrate performance against the Mining Charter pillars of ownership; mine community development; procurement and enterprise development; employment equity; human resource development; housing and living conditions; and beneficiation. Where appropriate, five-year performance data is also used to show trends and to emphasise that transformation is something that is built on over time and not just over a 12-month period\*.

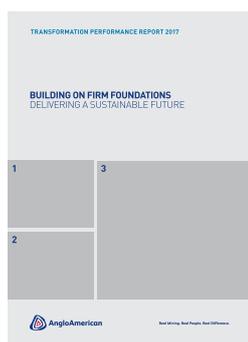
The Mining Charter's sustainable development and growth pillar is not featured in this report as health, safety and environmental (HSE) management in the South African mining industry is governed by strict and extensive legislation and regulation, which go far beyond the demands set by the Mining Charter. For information on how AASA has performed in the area of HSE, please go to our website to access the Group Sustainability Report.

All AASA mining operations adhere to the reporting pillar of the Mining Charter and develop Social and Labour Plans (SLPs) according to MPRDA requirements. SLPs are submitted to the Department of Mineral Resources (DMR) for approval, and companies report annually to the DMR on their compliance.

*\* There has been a material change in the portfolio size of the components of our business and therefore year-on-year comparisons are not on a like for like basis.*

## Cover images

1. Education and skills development are at the core of many of our transformation initiatives, and a particular focus of the Anglo American Chairman's Fund.
2. Anglo American keeps abreast of the latest technology and innovation trends in the market, particularly automation, robotics and artificial intelligence.
3. Anglo American believes in employment equity and diversity and strives to attract women to work for us at all levels.



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## LIVING OUR VALUES

### SAFETY

We take personal accountability to ensure that we work and live safely

### CARE AND RESPECT

We treat each other with respect and dignity in words and actions

### INTEGRITY

We walk the talk – our actions are consistent with our words

### ACCOUNTABILITY

Individual accountability drives team and business accountability

### COLLABORATION

We align and collaborate across functions to ensure collective high performance

### INNOVATION

Innovation is key to our future and is a central part of our drive for sustainability

# FOREWORD



This Performance Report is being published at a time when Anglo American South Africa is considering our understanding of what further transformation means to us as a company and, more importantly, what it means to our employees, to the communities in which we work and live, and to South African society as a whole.

For some of us, transformation means considering and addressing our past – a past that was often painful and divided. It is also about understanding the progress we have already made on this journey. For many of us, it is about looking to the future – one in which all South Africans have the opportunity to meet their needs and fulfil their expectations, not only for themselves, but for their children and grandchildren.

It is fitting, perhaps, and certainly opportune, that this period of introspection has coincided with the launch of Anglo American's new purpose: "re-imagining mining to improve people's lives". There is no doubt that this statement of purpose takes on a special meaning in South Africa, and is one that we can not only aspire to, but one that we can firmly embody into the DNA of our business.

This Performance Report provides some insight into Anglo American South Africa's recent progress in terms of our obligations under the Mining Charter. It also provides some insight into those aspects of our work that we believe are transformative, but are not necessarily contained in regulatory requirements. But it provides only a small snapshot of our broad and comprehensive strategies and performance in respect of transformation, and we encourage our stakeholders to look beyond the numbers and performance metrics that we are able to present here. We will continue our dialogue with stakeholders, to understand their views on transformation.

Again, it is fitting that our introspection comes at a time when our industry and our country are playing a constructive role in developing a new Mining Charter, or Mining Charter III. As we have done with Mining Charters I and II, we have engaged fully in Mining Charter III's development, and have made extensive submissions to the Department of Mineral Resources on what we think it could and should contain in order to achieve both transformation and growth.

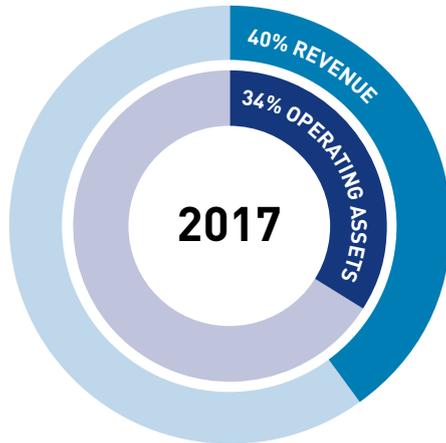
While the extensive engagements on Mining Charter III are continuing as we complete this report, I have no doubt that the outcomes of this inclusive process will continue to guide our industry's progress, and ensure its accountability, as it must. That said, it is up to us as a company, and as a citizen of this country, to revisit our own vision of transformation, and blueprint of how we will get there. And that we will do, and we look forward to sharing our ongoing progress in transformation with our stakeholders in years to come.

## **Andile Sangqu**

Executive Head of Anglo American South Africa

# ANGLO AMERICAN'S CONTRIBUTION TO SOUTH AFRICA

## PRESENCE IN SOUTH AFRICA 2017



2016	Revenue	42%
2016	Operating assets	29%



Investment in South Africa

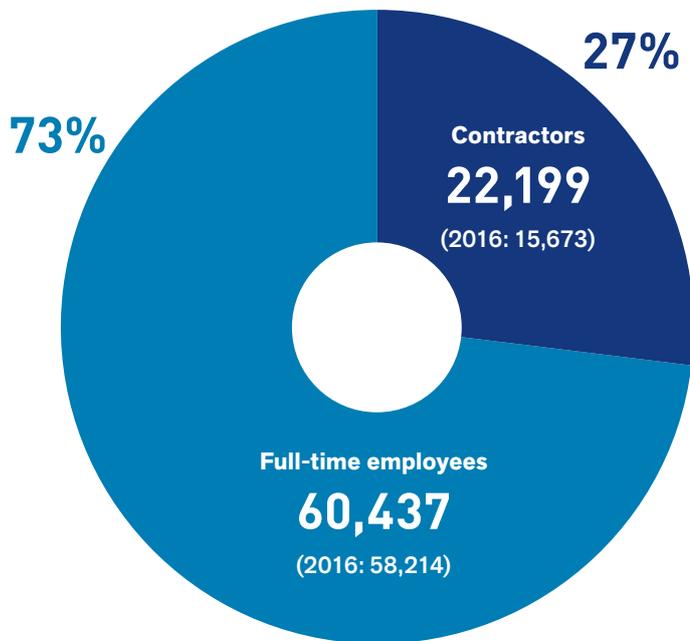
**R251.6 bn**



**2017**

Amount of capital expenditure invested in South Africa since 1999 (2016: R241.7 bn)

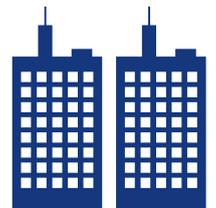
## COMMITMENT TO SOUTH AFRICA'S PEOPLE



Number of employees

**82,636**

in South Africa (2016: 73,887)



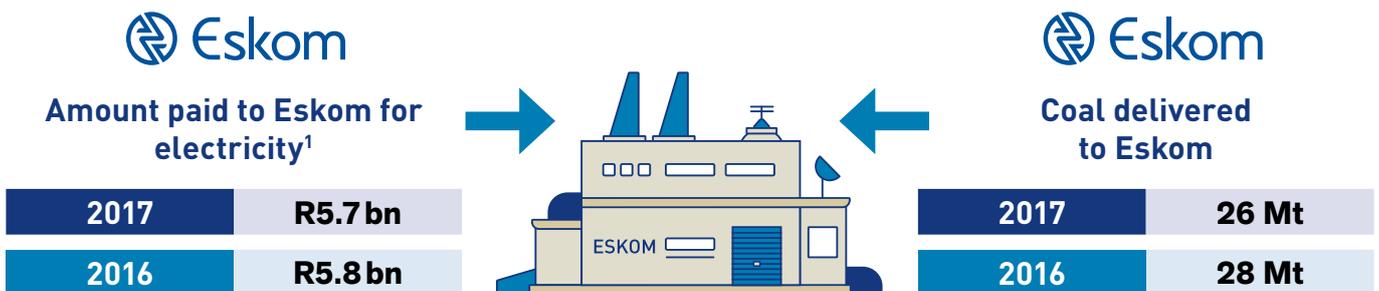
**2017: 4** (2016: 4)

Number of business unit CEOs based in South Africa/number of business units managed from South Africa

## CONTRIBUTIONS



## KEY PARTNERS WITH SOUTH AFRICA'S STATE-OWNED ENTITIES



<sup>1</sup> Amount paid to Eskom for electricity includes De Beers, Coal South Africa, Kumba Iron Ore, and Platinum



# OWNERSHIP



## CASE STUDY



### Image

CEO Mike Teke sits at the helm of 91% black-owned Seriti Resources – a company formed to purchase Anglo American's Eskom-tied mines.

### THE BIRTH OF SERITI RESOURCES

In March 2018, Anglo American concluded the sale of its Eskom-tied mines, and various life-extension coal resources and closed collieries, to Seriti Resources in a transaction valued at R2.3 billion. The three mines – the New Vaal, New Denmark and Kriel collieries – employ around 6,000 people directly and indirectly, all of whom have transferred to Seriti.

Seriti is a broad-based, 91% black-owned and -controlled company that was incorporated for

the purposes of this transaction. Its four anchor shareholders are: Masimong Group, Thebe Investments, Zungu Investments and Community Investment Holdings.

The acquisition positions Seriti as a major South African mining company responsible for supplying approximately 24 million tonnes per annum (Mtpa) of thermal coal to Eskom's Lethabo, Tutuka and Kriel power stations, which collectively generate about 23% of the country's electricity.



## THE 2010 MINING CHARTER REQUIREMENTS

The 2010 Mining Charter required companies to achieve a minimum of 26% ownership by historically disadvantaged South Africans (HDSAs), including entrepreneurs; communities; and employees, in the form of Employee Share Ownership Plans (ESOPs).

## OUR PERFORMANCE

Diversifying ownership to promote greater economic participation by black South Africans in the economy has been a critical objective of the Mining Charter.

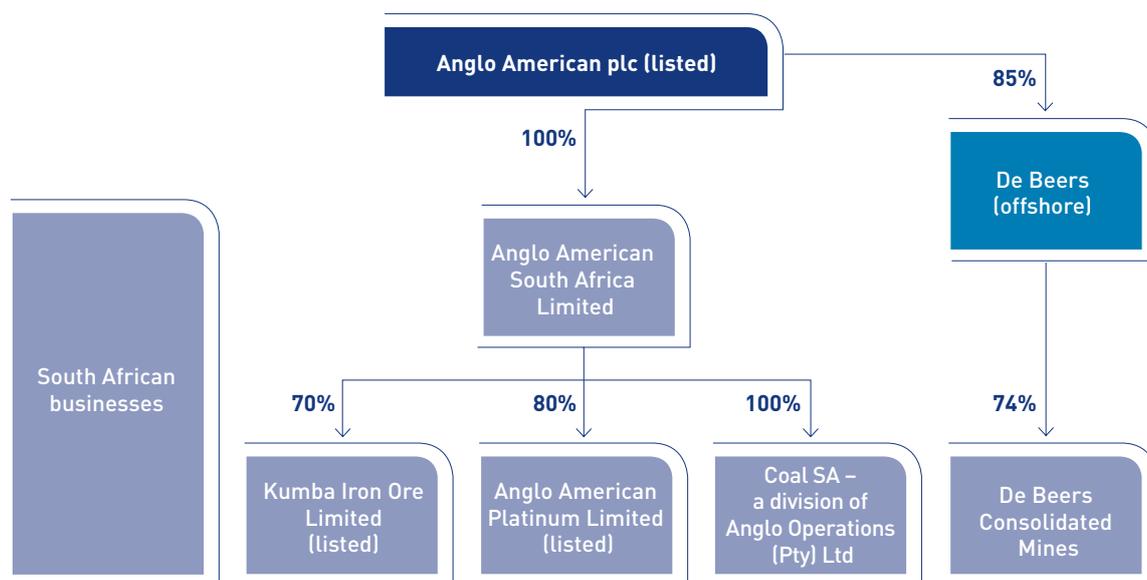
Anglo American has been instrumental in creating some of the most significant empowerment companies in the country, even before the Mining Charter came into effect in 2004. A number of these empowerment companies that have been created through these empowerment transactions – such as African Rainbow Minerals, Royal Bafokeng Platinum, Exxaro Resources, Mvelaphanda Resources (which has amalgamated with Northam Platinum), Ponahalo and, most recently, Siyanda

Resources and Seriti Resources – are leading companies in the mining industry today.

Since 1994, Anglo American has undertaken in excess of 40 empowerment transactions, collectively valued at more than R71 billion (at the time of the transactions). At the end of 2017, HDSAs had acquired more than 30% of Anglo American's businesses in South Africa. This includes the sale of Union Mine to Siyanda Resources and the sale of Eskom-tied coal mines to Seriti, which were finally concluded in February and March 2018 respectively.

While many of these transactions involved the sale of assets to create or bolster new entities, HDSAs continue to hold between 9% and 31% in the businesses that we continue to control – see below.

### Anglo American plc\* and its South African businesses



\* The parent company of AASA.

# OWNERSHIP CONTINUED

## MEASURING EMPOWERMENT

### Image

Some 43% of Anglo American's Platinum business has transferred to HDSAs through the sale of assets and joint venture transactions, as well as through the participation of community trusts and ESOPs.



We measure the levels of empowerment achieved in two ways:

- For the purpose of measuring our empowerment level against Mining Charter criteria, we calculate the portion of our business transferred to HDSAs or HDSA-controlled entities in the past.
- We also monitor and measure the current actual HDSA shareholding in the businesses that we continue to control.

The difference between these two measures is that the latter excludes the businesses sold outright and which are no longer controlled by Anglo American, and takes into consideration the fact that some HDSA shareholders have disposed of their shares since the transactions were concluded. This includes where ESOPs vested and employees sold their shares.

In calculating black economic empowerment (BEE) ownership for the purposes of the Mining Charter, we measure the portion of our South African business acquired by HDSAs. Where equity interests or portions of mines were sold, the equivalent production is calculated to provide a consistent measurement methodology across the Group. Measurement takes place just below the first BEE-controlled entity in a chain of companies. Where BEE entities acquired control of a mine's production, 100% of the production is counted as being transferred to HDSAs.

The current actual HDSA shareholding is the direct and indirect HDSA share ownership in listed shares in Platinum and Kumba, plus the effective indirect HDSA shareholding via Anglo American plc in each of the South African businesses.



## EMPOWERMENT THROUGH ASSET SALES

A main avenue for empowerment for Anglo American has been the sale of assets and, in so doing, we have been part of the genesis of new empowerment groupings. Most of the companies that have acquired our assets have flourished – some of them in mining, and some in other parts of the South African economy as they have diversified their interests.



ARM is today a leading South African diversified mining and minerals company with long-life, low-unit-cost operations. ARM mines and beneficiates iron ore, manganese ore, chrome ore, platinum group metals (PGMs), copper, nickel and coal. ARM also produces manganese and chrome alloys, and has an investment in gold through its shareholding in Harmony. The company's origin lies in the sale of the Freegold assets of the then Anglo American Corporation Gold and Uranium Division.

### As at 31 December 2017:

- Market capitalisation: R29.5 billion
- Revenue: 9.0 billion (12 months to 30 June 2018)
- Number of employees: 24,106
- Listed on the JSE in 2002 (as ARMGOLD)



RBPlat is a mid-tier PGMs producer. Operating near Rustenburg in South Africa's North West Province, RBPlat's mines are the Bafokeng-Rasimone Platinum Mine (BRPM) and the Styldrift mine.

The company originated as a joint venture between Anglo American Platinum and Royal Bafokeng Holdings in 2002.

### As at 31 December 2017:

- Market capitalisation: R5.4 billion
- Revenue: 3.5 billion
- Number of employees: 8,372
- Listed on the JSE in 2010



Exxaro is one of the largest and foremost black-empowered coal and heavy-mineral companies in South Africa, with other business interests around the world in Europe, the US and Australia. Its asset portfolio includes coal operations and investments in iron ore, pigment manufacturing, renewable energy (wind), and residual base metals. The company was created in 2006, when Kumba unbundled and Kumba's coal and other assets merged with Eyesizwe Coal to create Exxaro Resources. Eyesizwe itself was founded in 1999 in collaboration with Anglo American.

### As at 31 December 2017:

- Market capitalisation: R58 billion
- Revenue: 22.8 billion
- Number of employees: 6,500 permanent  
15,500 contractors
- Listed on the JSE in 2006



Northam Platinum today is an independent, fully empowered, mid-tier, integrated PGM producer with two primary operating assets, Zondereinde and Booyensdal mines. The Zondereinde lease area is also the location for Northam's metallurgical operations, which include a smelter and base-metals recovery plant.

Northam was created through the amalgamation of its original single-site asset, and the assets of Mvelaphanda Resources. The latter was created through a series of transactions facilitated by Anglo American Platinum.

### As at 31 December 2017:

- Market capitalisation: R18.3 billion
- Revenue: 6.9 billion
- Number of employees: 13,058
- Mvelaphanda Resources listed on the JSE in 2002, and, merged with Northam Platinum, in 2011



Siyanda Resources is a resources investment company formed in 2004. In February 2018, its assets were significantly bolstered following the sale to the company of an 85% interest in Anglo American Platinum's Union Mine and a 50.1% interest in MASA Chrome Company Proprietary Limited.



Seriti is a broad-based, 91% black-owned and -controlled South African mining company co-owned by four black anchor shareholders, Masimong Group, Thebe Investments, Zungu Investments and Community Investment Holdings. The company was incorporated to acquire the New Vaal, New Denmark and Kriel collieries from Anglo American, as well as various life-extension coal resources and closed collieries. This acquisition positions Seriti as a major South African mining company responsible for supplying approximately 24 Mtpa of thermal coal to Eskom's Lethabo, Tutuka and Kriel power stations, which collectively generate about 23% of the country's electricity. The transaction was concluded in March 2018.

### As at 31 December 2017:

- Value of assets under management: R2.3 billion
- Number of employees: 6,000

# OWNERSHIP CONTINUED

## EMPOWERMENT THROUGH ESOPS AND COMMUNITY TRUSTS

Through the sale of our mining assets, we have also achieved meaningful, sustainable and broad-based empowerment through the participation of communities and employees.

Between 2012 and 2015, all AASA permanent employees, excluding management who were incentivised through share options, participated in Employee Share Ownership Plans (ESOPs) or, in the case of De Beers' employees, through the receipt of Equal Allocation Trust units. Most of these schemes have now expired, and we are exploring models for new schemes to be implemented. In total, 70,048 employees have participated in these employee programmes since 2004.

Employee Share Ownership Plans						
Business	Scheme	Tenure	Total (R million)	Employees	Vested benefit per person to 2017	Actual benefit per person per year
					R'000	R'000
De Beers	EAT (hold 3.5% <sup>1</sup> of Ponahalo Holdings)	2006-2017	800 <sup>2</sup>	±14,850 <sup>3</sup>	54 <sup>4</sup>	4.5
Platinum	Kotula	2008-2015	433 Free shares 391 Dividends 42	40,000	11	2
Kumba	Envision 1 and 2	2006- November 2016	3,506 <b>Envision 1</b> Capital 2,670 Dividends 279 <b>Envision 2</b> Dividends 557	±7,000	501 <sup>5</sup>	50
Coal South Africa	Siyaphambili	2008-2019	139 free shares	8,218	17	2
<b>Weighted average</b>			<b>5,149</b>	<b>70,068</b>	<b>72</b>	<b>9</b>

<sup>1</sup> The De Beers Equal Allocation Trust (EAT), The De Beers Key Employee Trust 1 (KET 1), De Beers Key Employee Trust 2 (KET 2) and Ponahalo Capital RF (Pty) Ltd are shareholders of Ponahalo Holdings RF (Pty) Ltd. As at December 2017, EAT held 3.5% of Ponahalo Holdings and KET 1 and KET 2 an aggregate of 46.5% in Ponahalo Holdings. Ponahalo Capital holds the remaining 50% of Ponahalo Holdings. EAT held an effective 0.9% in De Beers Holdings indirectly through Ponahalo Holdings and Ponahalo Investments.

<sup>2</sup> De Beers: 58% of EAT unit holders accepted a voluntary offer to repurchase one-third of their vested units in 2013. The repurchase was implemented at the prevailing fair value of the time of R3,068 per unit, and a total of R54 million was paid out to EAT participants. The offer was extended to all vested units held by EAT, KET 1 and KET 2 participants, and an additional R15 million was paid to KET 1 and KET 2 participants. The planned repurchase of EAT units over the period 2016-2018 is estimated at R703 million, calculated based on the prevailing fair value per unit when the EAT unit repurchase is implemented. This estimate increases to R800 million should the R54 million for the 2013 voluntary repurchase as well as the R43 million ex gratia payment to non-EAT unit holders be incorporated. Vested benefit is based on an independent annual valuation performed by BDO.

<sup>3</sup> Approximately 7% of participants are active employees, with the bulk (almost 50%) of EAT participants being pensioners. The balance comprises past employees of De Beers South Africa.

<sup>4</sup> De Beers: R800 million/14,854 participants = R54,000 per person. Each participant received six EAT units in 2006. Participants who opted to encash their third of EAT units in 2013 had four EAT units remaining at the commencement of the 2016-2018 repurchase programme.

<sup>5</sup> Kumba: R3,506 million/7,000 employees = 501,000 per person.



Community trusts	Value of trust transactions	Financial flow into trusts since 2006
<b>Coal South Africa</b>		
Anglo Inyosi Coal Community Trust (which owns 15% of Inyosi Coal (Pty) Ltd, which in turn owns 27% of Anglo American Inyosi Coal)	R7.5 million	R66.6 million
<b>De Beers</b>		
Ponahalo Women's Trust – effective 8.75% of Ponahalo Holdings	R3.7 billion*	R 321 million
Ponahalo Disabled Persons – effective 9.75% of Ponahalo Holdings		R 183 million
Ponahalo Community Trust – effective 8.75% of Ponahalo Holdings		R 321 million
<b>Kumba</b>		
SIOC Community Development Trust	R458 million	R2.4 billion
<b>Platinum</b>		
Alchemy (which includes Lefa La Rona Trust; Rustenburg Community Development Trust; Dikuno Tsa Sechaba Community Development Trust; Zenzele Itereleng Non-Profit Company (NPC); Bohwa Bja Rena Community Development Trust; Ditholwana Tsa Rena Community Development Trust)	R3.5 billion	R 297 million (dividends, safety net and CSI), with R262.5 million allocated for projects

\* Since the R 3.7 billion empowerment transactions were fully funded by debt, the equity value of these trusts was R nil at the 2006 transaction date

**Image**

Over the past 25 years, Anglo American has played a part in partnering with and creating some of the most significant empowerment companies in South Africa, including Royal Bafokeng Platinum.

**PLATINUM AND ROYAL BAFOKENG PLATINUM: PARTNERSHIP EXCELLENCE AND TRANSFORMATION**



Platinum recently received resounding endorsement from Royal Bafokeng Platinum at the announcement of that company's interim results in August 2018.

As reported in South Africa's *Mining Weekly*, RBPlat CEO Steve Phiri told analysts and journalists, "Anglo American Platinum has been an excellent

partner to us. From the early days of RBPlat taking operational control, Anglo American Platinum has been extremely supportive in fostering this unique transformation vehicle."

In July 2018, RBPlat announced that Anglo American Platinum, its former Bafokeng-Rasimone Platinum American Mine (BRPM) joint venture partner, had agreed to accept R1.8 billion for the remaining 33% of the mine, giving RBPlat greater exposure to one of South Africa's highest quality Merensky orebodies.

Steve continued, "Our relationship with Anglo American Platinum remains excellent. The input, support and co-operation of the Platinum team has been invaluable in helping to develop our ambitions."

The CEO concluded, "I believe that we're a model for what a mining enterprise in South Africa should be, and Anglo American Platinum has played a big role in that. This provides ample evidence that our industry does not need heavy-handed laws to be forced to transform South Africa, but rather more collaborative partnerships, built around real transformation for sustainable growth and development."

# OWNERSHIP CONTINUED

## BLACK SHAREHOLDER OWNERSHIP OF ANGLO AMERICAN

Anglo American plc, Platinum and Kumba are listed entities whose shares may be traded on the Johannesburg Stock Exchange and, in the case of Anglo American plc, on the London Stock Exchange too.

Black shareholders have an economic interest in about 6.6% of the shares of Anglo American plc via mandated investments; furthermore, 2% of Anglo American Platinum

and 1% of Kumba are directly owned by HDSA interests in mandated investments. At the end of 2017, these shareholdings were worth approximately R26 billion.

The Government Employee Pension Fund of South Africa, whose interests are managed by the Public Investment Corporation (PIC), is one of Anglo American's largest shareholders – holding an interest of 13.7% in Anglo American, 2.9% in Anglo American Platinum and 1.1% in Kumba.

Ownership acquired by HDSAs				
Actual shareholding at the end of 2017	Kumba	Coal	Platinum	DBCM
Effective shares held by HDSA-controlled entities	9%	2%	2%	26%
Entrepreneurs (effective)	6%	2%	0%	7%
Employees (past and present – DBCM only)	0%	0%	0%	13%
Community	3%	0%	2%	6%
HDSA shareholding via mandated investments	4%	7%	8%	4%
Anglo American plc indirect effective interest	3%	7%	5%	4%
Direct interests	1%	0%	2%	0%
<b>Actual effective shareholding 31 December 2017</b>	<b>13%</b>	<b>9%</b>	<b>10%</b>	<b>30%</b>
Portion of business sold to HDSAs (Mining Charter)				
Portion of business acquired by HDSA-controlled entities	29%	61%	43%	26%
Entrepreneurs	20%	61%	23%	7%
Employees (past and present – DBCM only)	6%	0%	2%	13%
Community	3%	0%	18%	6%
HDSA shareholding via mandated investments	4%	7%	8%	4%
Anglo American plc indirect effective interest	3%	7%	5%	4%
Direct interests	1%	0%	2%	0%
<b>Total HDSA interest</b>	<b>33%</b>	<b>68%</b>	<b>51%</b>	<b>30%</b>

Notes on 2017/2018 transactions:

The disposal of Union platinum mine increased the portion of the Platinum business sold to HDSAs from 35% at the end of 2017 to 51%.

The disposal of the Eskom-tied coal mines increased the portion of the Coal business sold to HDSAs from 35% at the end of 2017 to 68%.

Over and above the figures illustrated above, HDSAs acquired approximately R15 billion of Anglo American's gold and industrial business units, which do not form part of the present business unit configuration. These include, for example, the sale of AngloGold Ashanti, Tongaat-Hulett and Hulamini.



**COAL SOUTH AFRICA**

By the end of 2017, Anglo Operations (Pty) Ltd, of which Coal South Africa is a division, had transferred at least 35% of its attributable production capacity to HDSA-owned and HDSA-controlled entities. The percentage increased to 68% after the sale of assets to Seriti in March 2018.

**Key empowerment transactions – Coal South Africa**



# OWNERSHIP CONTINUED



## DE BEERS

De Beers Consolidated Mines Holdings (DBCMH) is the entity that holds De Beers' South African mining operations, as well as the sorting, valuation and beneficiation of De Beers' diamonds in South Africa.

DBCMH is empowered through an ongoing relationship with its empowerment partner Ponahalo Holdings (Pty) Ltd, which holds a 26% shareholding in DBCM. Ponahalo Holdings is a BEE company which includes employee trusts, BEE entrepreneurs and community trusts focused on disadvantaged women, communities and disabled beneficiaries. In the 2006 transaction, which was valued at R3.7 billion, Ponahalo Holdings acquired the 26% interest in DBCM. Ponahalo Holdings' interest was made up of Ponahalo Capital (Pty) Ltd (which held 50% of Ponahalo Holdings), the De Beers Equal Allocation Trust (EAT, which held 35% of Ponahalo Holdings), the De Beers Key Employee Trust Number One (KET1, which held 9% of Ponahalo Holdings) and the De Beers Key Employee Trust Number Two (KET2, which held the remaining 6% of Ponahalo Holdings).

Some 15,000 employees and pensioners of De Beers South Africa became beneficiaries of the EAT when the transaction was concluded in 2006. Employee and pensioner holdings through the EAT have declined in recent years as these trust interests have been repurchased from beneficiaries. At the end of 2017, the EAT holding had declined to 3.5% of Ponahalo Holdings.



## KUMBA

Kumba's primary empowerment partner is Exxaro Resources, which was created out of the unbundling of Kumba Resources' iron ore assets in 2006. Kumba's coal and other assets merged with Eyesizwe to create Exxaro, in a transaction that was valued at R5.4 billion. Exxaro, which was listed on the JSE in 2006, also has a 20% interest in the Sishen Iron Ore Company (SIOC), a subsidiary of Kumba. In 2017, Exxaro renewed its BEE structure. As a result, the company is now 30% HDSA-owned.

As part of Kumba's efforts to extend ownership to employees and communities, the company ran one of the most successful ESOPs in the sector. Through the Envision I and II ESOPs, more than 7,000 employees held a 6%

interest in SIOC and benefited from the exceptional commodity-price-driven dividend flow during that period. The ESOPs were concluded in 2016.

In addition, the SIOC Community Development Trust holds 3% of SIOC. The value of this original transaction was R458 million, with beneficiaries having received extensive benefits, including through dividends over the past decade.



## PLATINUM

Anglo American Platinum has undertaken 11 significant transactions since 2000, and has been a vital catalyst for the changing ownership structure of the PGMs sector. In total, around 43% of Anglo American's Platinum business (measured on attributable production and effective interest basis) has transferred to HDSAs through the sale of assets and joint venture transactions, as well as through the participation of community trusts and ESOPs. The infographic on page 13 illustrates some of these major transactions.

In addition, around 40,000 employees in the Platinum business were participants in the Kotula ESOP, which ran from 2008 to 2015. Kotula held an effective 1.5% of the company's equity, and received benefits amounting to R433 million. More than 90% of the scheme's beneficiaries are HDSAs. The value of the transaction was R2.5 billion.

In 2011, Anglo American Platinum established Lefa La Rona, through which 2.3% of shares in the company were sold, at a discount, to communities around Rustenburg, Amandeubult, Twickenham and Mogalakwena and in labour-sending areas. These shares are held in community trusts and used to fund projects in these areas. The value of the transaction was R3.5 billion.

The following community trusts are in place:

- Rustenburg Community Development Trust
- Dikuno Tsa Sechaba Community Development Trust
- Zenzele Itereleng non-profit company
- Bohwa Bja Rena Community Development Trust
- Ditholwana Tsa Rena Community Development Trust.

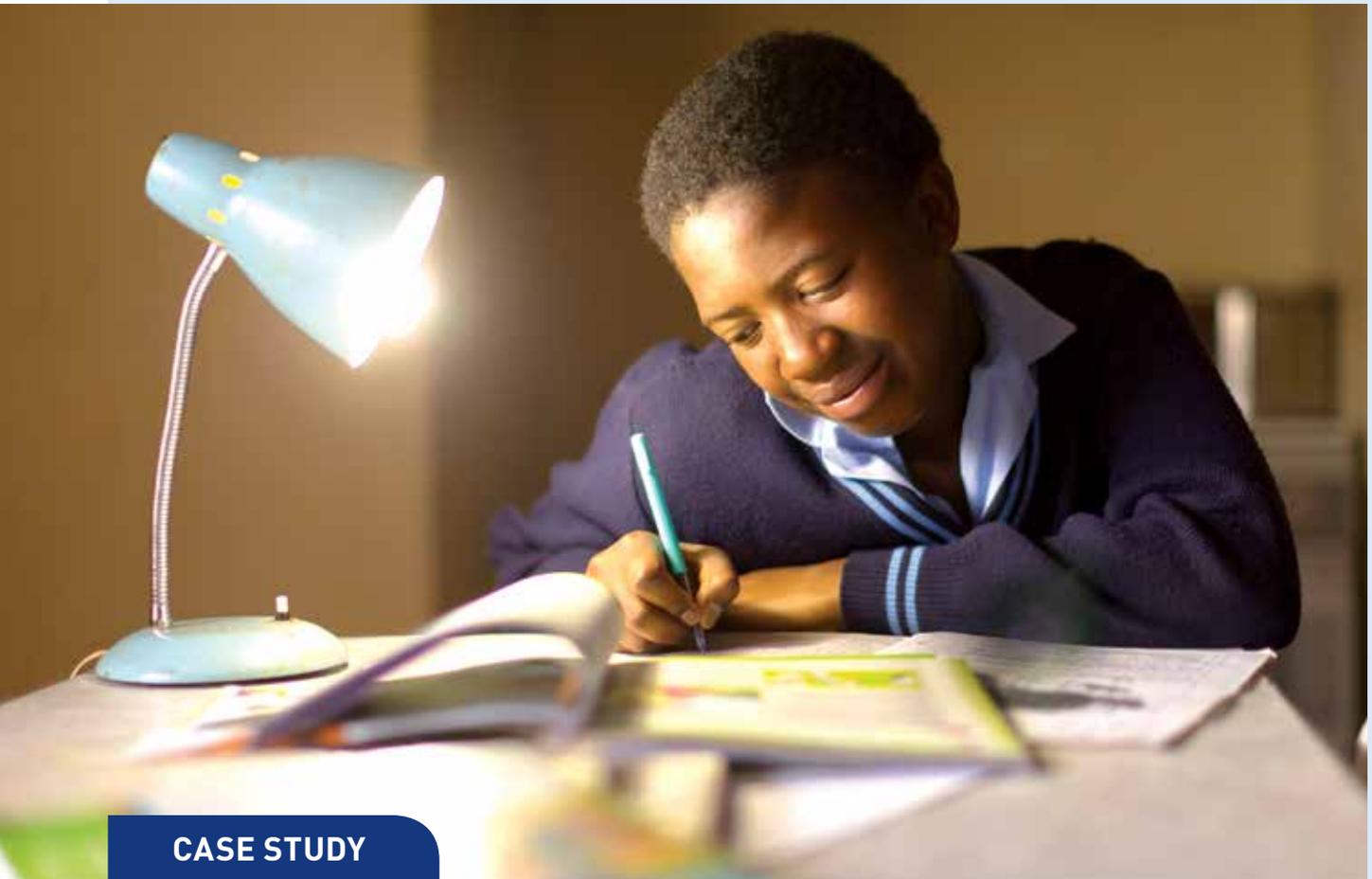
To date, R297 million (through dividends, safety net and corporate social investment) has flowed to these trusts, with R 262.5 million (88.3%) allocated for projects in various stages of implementation, of which R73 million has been paid out.



Key empowerment transactions – Platinum

<p><b>2000</b></p> <p><b>TRANSACTION</b></p> <p>Anglo American sold its 17.5% interest in Northam to Mvelaphanda Resources</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R8.5 billion</b></p>	<p><b>2001</b></p> <p><b>TRANSACTION</b></p> <p>Formation of Modikwa JV with ARM Mining Consortium</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R2.4 billion</b></p>	<p><b>2002</b></p> <p><b>TRANSACTION</b></p> <p>JV with Royal Bafokeng Nation (RBN) over the Bafokeng-Rasimone Platinum Mine (BRPM) and the Styldrift project area. BRPM JV was restructured in 2009, creating Royal Bafokeng Platinum Limited (RBPlat). Platinum currently holds a 12.6% equity interest in RBPlat, as well as a 33% direct interest in BRPM</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R3.1 billion</b></p>
<p><b>2006</b></p> <p><b>TRANSACTION</b></p> <p>Development of a chromite recovery plant at Union Mine</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R287 million</b></p>	<p><b>2004</b></p> <p><b>TRANSACTION</b></p> <p>Sale to Anooraq Resources Corporation (now Atlatsa Resources) of 51% of Lebowa Platinum Mine and additional interests. Management control of Bokoni transferred to Atlatsa in 2009</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R4.9 billion</b></p>	<p><b>2002</b></p> <p><b>TRANSACTION</b></p> <p>Formation of Pandora JV (with Lonmin), including participation of Bapo-Ba-Mogale mining company and Mvelaphanda Resources. Platinum contributed all the mineral rights to this JV</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R205 million</b></p>
<p><b>2006</b></p> <p><b>TRANSACTION</b></p> <p>Exchange for royalty transaction with Bakgatla-Ba-Kgafela, giving Bakgatla a 15% stake in Union Mine, and other interests</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R491 million</b></p>	<p><b>2008</b></p> <p><b>TRANSACTION</b></p> <p>Mvelaphanda Resources acquired 50% interest in the Booyensdal project and 22.4% interest in Northam. Mvelaphanda injected Booyensdal into Northam in return for Northam shares</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R3.7 billion / R8.5 billion</b></p>	<p><b>2008</b></p> <p><b>TRANSACTION</b></p> <p>Exchanged 37% interest in Western Bushveld JV for 26.6% equity interest in Wesizwe Platinum Limited</p> <p><b>TRANSACTION VALUE</b></p> <p><b>N/A</b></p>
<p><b>2018</b></p> <p><b>TRANSACTION POST-YEAR-END</b></p> <p>Offer accepted from RBPlat to purchase its 33% interest in the BRPMJV</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R1.9 billion</b></p>	<p><b>2018</b></p> <p><b>TRANSACTION POST-YEAR-END</b></p> <p>Sale of 85% interest in Union Mine and 50.1% interest in MASA Chrome Company to Siyanda</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R400 million</b></p>	<p><b>2016</b></p> <p><b>TRANSACTION</b></p> <p>Establishment of Atomatic Trading, including participation of traditional community at Amandelbult, Baphalane Ba Mantserre and Siyanda Resources, which hold a 26% interest in the business</p> <p><b>TRANSACTION VALUE</b></p> <p><b>R433 million</b></p>

# MINE COMMUNITY DEVELOPMENT



## CASE STUDY



### CHANGING LIVES THROUGH EDUCATION

We have made a substantial investment in education and skills development in South Africa over many years and, in the past five years, Anglo American has invested more than R780 million, largely on infrastructure and Grade 12 learner support. Our most recent project is the Anglo American South Africa Education Programme, in partnership with the Department of Basic Education, aimed at learners in 100 early childhood development sites and 100 primary and secondary schools local to our mining operations in South Africa.

The programme aims to improve reading, writing and numeracy levels and pass levels through addressing some of the underlying reasons for poor education outcomes. It plans to do this by supporting school management teams, governing bodies, principals, and teaching staff. It will be implemented over a five-year period – 2018 to 2022.

“By building on the decades of investment we’ve made in education, we will refocus our resources to provide wide-ranging and quality education, from childhood learning to matric, for the learners in the communities where we operate in South Africa, so that they can build a better tomorrow. We know that the greatest investment we can make in our country’s future is to give our children access to high-quality education. Education plays a significant role in improving people’s lives by tackling the triple challenges of poverty, inequality, and unemployment that South Africa faces,” said Norman Mbazima, deputy chairman of Anglo American South Africa.

Minister Motshekga said: “Now more than ever, we need civil society and business to work with us as government to ensure we continue to build a quality education system. Our collaboration with Anglo American is an example of what is possible when government partners with business to contribute to accelerating progress in education.”

#### Image

Education is at the centre of many of our socio-economic development initiatives. We believe education is key to the success of South Africa’s future generations.



## THE 2010 MINING CHARTER REQUIREMENTS

**Under this pillar of the Mining Charter, companies, in order to achieve a social licence to operate, need to make meaningful contributions towards community development, particularly in communities close to the mines and in labour-sending areas. Development programmes must be based on a clear assessment of development needs, in line with local authority Integrated Development Plans and with a target of up-to-date project implementation.**

## OUR PERFORMANCE

Delivering lasting positive socio-economic change in our mine communities is fundamental to Anglo American. Our socio-economic development strategy focuses on leveraging core business activities to transform communities, improving the performance of local markets and public institutions, and delivering benefits through partnership.

The socio-economic environment in which mining companies operate in South Africa is characterised by high levels of unemployment, low skills and poverty.

We focus on education; healthcare; small, medium and micro-sized enterprises (SMMEs); supplier development; infrastructure; and youth development. Education and enterprise and supplier development are especially important features of our strategy as we seek to empower our communities, support sustainable job creation and public-service delivery to ensure mine communities are able to thrive even after mine closure.

The Anglo American Social Way is our framework for social performance and reflects evolving international standards and best practice. The framework outlines a set of robust social performance standards to which all our business units adhere. We have aligned our strategy to the government's National Development Plan and the United Nations' Sustainable Development Goals.

Our approach is also informed by regulatory commitments such as those in our Social and Labour Plans (SLPs) and the targets set in the Mining Charter.

### CHALLENGES AND ACTIONS

A substantial amount of our investment is through our business units' SLP commitments. Some of our SLP projects have carried over to 2018, either as a result of project design or owing to challenges faced during implementation. We continue to engage with relevant authorities to select suitable projects for our mines.

Community expectations for social change are rising, especially for jobs and business opportunities. Increasing pressure is being put on mining companies to deliver on these expectations, and this remains one of our biggest challenges. Community engagement forums provide us with platforms to collaborate, explore possibilities for improvement and develop a common understanding.

We use the Anglo American socio-economic assessment toolbox (SEAT) to understand social impacts, improve stakeholder dialogue to manage issues, enhance our ability to support local socio-economic development and foster greater transparency and accountability.

Our business units operate in areas where infrastructure associated with our mines – such as roads, health facilities and water – needs to be leveraged to also benefit local communities. We look for innovative ways to maximise positive impacts and enhance development with the resources at our disposal. Many of our initiatives are implemented through partnerships with local and provincial government and development partners.

# MINE COMMUNITY DEVELOPMENT CONTINUED

Community development expenditure (R million)						Investment over five years
Business unit	2017	2016	2015	2014	2013	
Coal South Africa	62.8	53.7	127.5	143.8	162.0	549.8
De Beers	32.6	32.6	42.9	39.4	52.0	199.5
Platinum	295.0	337.0	546.0*	236.0	204.0	1,618.0
Kumba	98.7	58.9	174.6	202.3	254.0	788.5
<b>AASA</b>	<b>489.1</b>	<b>482.2</b>	<b>891.0</b>	<b>621.5</b>	<b>672.0</b>	<b>3,155.8</b>

\* Includes delayed expenditure from previous SLP.



## COAL SOUTH AFRICA

During the year, Coal South Africa's Landau and Kleinkopje collieries were merged to form Khwezela – all mine community initiatives continue under a consolidated budget.

Mine community development expenditure increased from R53.6 million in 2016 to R62.8 million in 2017, owing to the approval of additional SLP projects. In terms of SLP commitments, challenges were encountered in finalising the scope of work. However, 13 of 42 projects have now progressed into implementation phase and the DMR has been contacted to evaluate opportunities for faster implementation, while a governance process has been set up to track the progress of projects. SLP expenditure in 2017 totalled R42.1 million.

In 2017, enterprise development accounted for 39% of Coal South Africa's mine community development expenditure. Through its Zimele hubs, the company supported 42 enterprises, creating 436 new jobs and sustaining 640 jobs across its operations. These enterprises had a combined turnover of R25 million.

The company spent R4 million on health-related projects, including a R1.2 million grant to the Ndlovu Trust. In terms of education initiatives, R22.8 million was spent on providing bursaries for learners to attend tertiary institutions, additional maths and science, infrastructure and sports sponsorships. A further R5.2 million was spent on assisting the Anglo American Inyosi Trust and other research groups such as Mining Dialogue 360.



## DE BEERS

De Beers invested R32.6 million in projects within local communities in 2017 (2016: R32.6 million) and all 12 SLP planned projects were implemented.

In 2017, R4.4 million was spent on setting up supplier development hubs and on Zimele loans (2016: R20.7 million)\*. De Beers has also extended the Mining Charter requirement, whereby multinational suppliers are required to contribute 0.5% of revenue generated from their contracts with the company towards social development programmes, to all its suppliers – including South African-based suppliers.

Some R14.9 million was invested in community education and training during the year (2016: R10.4 million). Initiatives included contributing towards building a library at the University of Sol Plaatje in the Northern Cape, teacher development programmes with the University of the Free State and University of the North West, programmes to appoint additional teachers for schools in need, and maths and science programmes.

De Beers also focused on improving infrastructure. It partnered with the Kagiso Shanduka Trust and the Free State Department of Education on various infrastructure projects in the District Whole School Development Programme, which has been successfully implemented in schools in the Free State. In its fourth year, more than 60 schools have benefited from infrastructure projects; over 2,000 teachers are being supported; and in excess of 18,000 learners have undergone eyesight testing, with more than 600 learners receiving free spectacles.

\* The reduction in expenditure was due to a review of Zimele, in terms of Anglo American's future requirements. See page 27.



**KUMBA**

In 2017, Kumba spent R106.7 million (2016: R67 million) on community development, including an R8 million contribution to the Anglo American Chairman's Fund. Some R25.3million of this was spent on SLP projects. The company increased its infrastructure investment to R17 million (2016: R7.5 million) to partner with Tsantsabane and Gasegoyana municipalities, providing road, school, water and health infrastructure, and maintenance.

R23.4 million was used to enable education and skills development during 2017, including R10 million donated to Sol Plaatje University to complete construction of its library and student resources building.

In 2016, Kumba had put the development of the Kathu Industrial Park on hold owing to the sharp decline in commodity prices, which had a negative impact on property prices and on tenant appetite for the proposed development. During 2017, as a result of a recovery in ore markets, Kumba and the Industrial Development Corporation (IDC) re-evaluated the potential for development and decided to proceed with the investment. Kumba also made a R21 million commitment towards the construction of the park. Once complete, the industrial park will include fully-serviced facilities for suppliers, SMME development and skills training services, small-scale production, and conference facilities – setting it apart from existing Northern Cape industrial sites.

Kolomela and Sishen mines conducted SEAT assessments in 2015 and 2017. The new Sishen SEAT report will be published in 2018.

Kumba has established a Sishen Iron Ore community development trust. The trust holds 3% equity in the company, on behalf of host communities, and invests in community development programmes in partnership with communities. In 2017, Kumba paid R209 million to the trust in dividends, which will be used to benefit the community through various socio-economic development programmes.

Kumba is an active participant in a collaborative process, led by the leadership of manganese and iron ore mining companies in the Northern Cape, to develop and implement a shared-value strategy for socio-economic development in the region. Introduced in 2017, the process involves the selection of projects for joint implementation, the development of strategies for engaging priority stakeholders and a shared vision with stakeholders.

Following the relocation of 95% of households from Dingleton to Siyathemba, a post-resettlement working group was established, composed of representatives from the Siyathemba community, Kumba and the Gamagara Local Municipality. Its objectives are to safeguard livelihood restoration and community integration of the Siyathemba community into Kathu. Part of the process includes mitigating negative impacts on the socio-economic livelihood and sustainability of the relocated community. Structured engagements were therefore facilitated to agree with the community on initiatives, processes and structures needed to achieve this. A final agreement on financial benefit for households was agreed with the Northern Cape provincial government and, in December 2017, the Kumba CEO and the Premier announced a R100,000 cash benefit for each household, and a R60 million commitment by Kumba to be used for identified initiatives. Engagements and negotiations with the Siyathemba community continue.

**Image**

Zimele's small business hubs provide support to SMMEs in our mine communities.



# MINE COMMUNITY DEVELOPMENT CONTINUED



PLATINUM

Platinum spent R295.4 million on mine community development in 2017 (2016: R331 million). The company's primary objective is to enhance its social licence to operate by making lasting contributions to mine communities and through inclusive stakeholder engagement, where social imperatives are agreed in collaboration with host communities. The key levers of Platinum's strategy are community benefit (Alchemy, the community share ownership programme; socio-economic development; and SLP commitments) and stakeholder relations (engagement frameworks that ensure communities and government are part of the development in their jurisdictions).

Platinum's corporate social investment (CSI) budget includes its contributions towards the Alchemy Trust, community development by its joint venture partner at Modikwa Platinum Mine, and its contributions to the communities around its process divisions. Its contributions also include commitments such as the Limpopo Regional socio-economic development work.

Of the 48 projects undertaken in 2017, 16 have been completed and 32 are continuing in 2018. Key projects include infrastructure development – Platinum is supplying water to 42 villages (70,000 people) in Mapela around its Mogalakwena operation. SMMEs from each village are also

empowered through this initiative, as they deliver the water. The total cost of the project in 2017 was R59 million. Around Twickenham, Platinum is continuing with the project to electrify 700 households in Ga-Mampa and Phasha-Makgalanoto.

Education is also a major focus. Platinum signed a memorandum of understanding (MOU) with the Department of Education on the delivery of all education-related projects, which included a R12.7 million contribution to the Limpopo Education Trust to build a new Seritarita school. In 2017, Platinum also handed over two administration blocks and classrooms to Langalibalele and John Pedro schools in the host communities around Mogalakwena.

Platinum is looking at new ways of building responsible citizenship, and the leadership and character-building programme being piloted at Mogalakwena mine is showing good progress, with more than 540 learners attending after-school moral-regeneration and character-building lessons. More than 80 unemployed graduates have been trained and employed as coaches and facilitators. The programme has led to young people's attitudes towards school, learning, their community and themselves changing so that they are more positive about their lives and their future. The programme is being expanded in 2018 to other mines such as Amandelbult and Twickenham.

As part of its contribution to improving access to primary health around its communities, Platinum completed and handed over the Sekuruwe, Maseven and Naledi clinics, all in partnership with the Limpopo Department of Health.

## Image

We support a number of hospitals in order to provide access to primary health care in our mine communities.





### THE ANGLO AMERICAN CHAIRMAN'S FUND

#### Image

Early childhood development forms the foundation for future success. Our Chairman's Fund invested R10.7 million in 21 early childhood development organisations in 2017.



Our Chairman's Fund is one of the dedicated channels through which we channel our CSI expenditure.

The fund supports projects in all nine of South Africa's provinces, but with a focus outside of the operational areas of our business units. In 2017, the fund performed well, with a total spend of R57.7 million on CSI – an increase in the approval of grants of about R10 million. A total of 124 grants was approved in 2017.

A key focus area is early childhood development – R10.7 million was spent with 21 organisations, with a higher allocation in KwaZulu Natal and Mpumalanga and more rural areas, where the need for early-childhood-development practitioner training is high.

# PROCUREMENT AND ENTERPRISE DEVELOPMENT



## CASE STUDY



### TAKING SUPPLIER DEVELOPMENT TO HEART

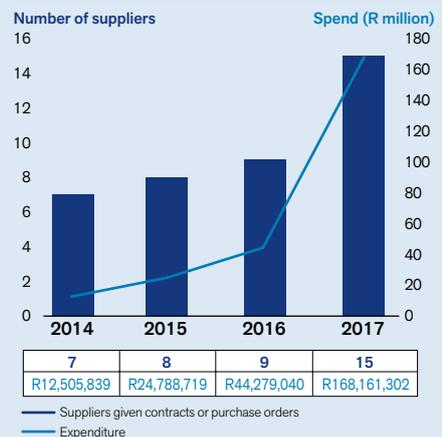
Kumba understands the importance of upskilling businesses in mine communities – it supports and tracks all entrepreneurs who have successfully graduated through its supplier development programme.

In 2017, the focus was on making sure these entrepreneurs were linked to procurement opportunities to help them grow their businesses and, in doing so, increasing their turnover and the number of people they employ. Since 2014, expenditure with these budding businesses has grown from R12.5 million to R168.2 million.

#### Image

At Kumba's Kolomela mine, MCH motors in Postmasburg has taken part in Kumba's supplier development programme.

#### Procurement expenditure with entrepreneurs





## THE 2010 MINING CHARTER REQUIREMENTS

The 2010 Mining Charter required mining companies to target higher levels of procurement expenditure with BEE-owned entities. This has the benefit of prioritising access to markets for BEE suppliers, which, in turn, helps to transform the South African economy.

## OUR PERFORMANCE

In South Africa, small businesses are critical drivers of the economy and job creation. At Anglo American, we see them as potential partners: in adding resilience and diversity to our supply chain; in contributing to local and regional economies; and in helping our communities benefit more fully from our operations.

We have been helping entrepreneurs build small businesses for years. Now we are refocusing our efforts on our host communities and black-owned suppliers, to help address ongoing socio-economic challenges such as unemployment and poverty, by building sustainable businesses that will endure long after our mining operations have closed.

We do this in two ways: inclusive procurement and enterprise development.

Our inclusive procurement policy aims to increase the number of black-, female-, and youth-owned businesses in

our host communities that can supply products and services to our operations across the mining value chain. To do this, we are working closely with host communities and stakeholders in our supply chain to expand our network of local suppliers and manufacturers around our operations.

Together with our major suppliers and manufacturers, we are committed to creating procurement opportunities across the mining value chain, and giving small businesses the help they need to build capacity to supply products and services to our operations.

By actively supporting local content and manufacturing, and developing a robust network of host-community suppliers, we will be able to support economic activity beyond the footprint of our mines.

In line with the principles of the Mining Charter, we have consistently increased the value of procurement of goods and services from BEE-compliant companies over the past years. We calculate and classify expenditure with BEE suppliers across three categories – capital goods, mining-related services and mining-related consumables.

### Image

Our inclusive procurement policy aims to increase the number of black-, female-, and youth-owned businesses in our host communities that can supply products and services to our operations.

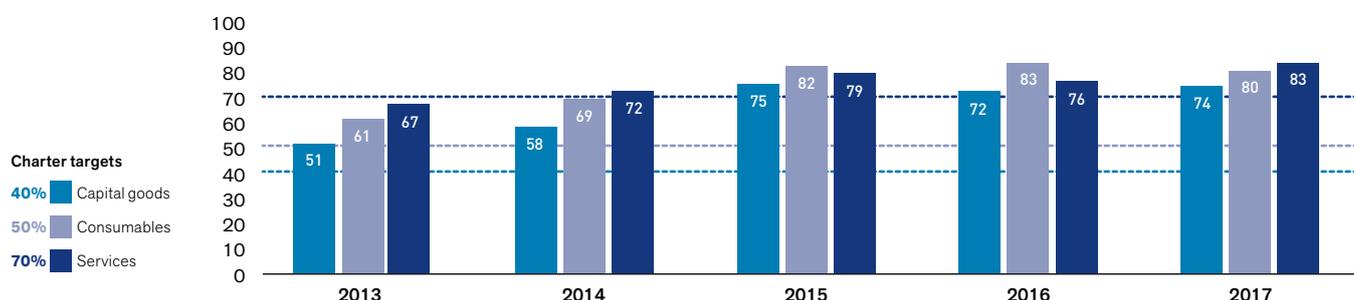


# PROCUREMENT AND ENTERPRISE DEVELOPMENT CONTINUED

BEE and local procurement expenditure in 2017							
	Capital	Services	Consumables	Aggregate BEE spend*	Actual BEE spend	Actual local procurement spend	Total discretionary spend
	40% of expenditure with BEE suppliers with over 25% black ownership	70% of expenditure with BEE suppliers with over 25% black ownership	50% of expenditure with BEE suppliers with over 25% black ownership				
Targets				%	R billion	R billion	R billion
<b>Actual</b>							
Coal South Africa	81%	85%	87%	85%	9.1	2.7	10.7
De Beers	73%	76%	86%	78%	3.4	0.9	4.3
Kumba	64%	83%	78%	79%	8.8	3.1	11.2
Platinum	79%	76%	82%	79%	8.2	3.4	10.4
<b>AASA</b>	<b>74%</b>	<b>80%</b>	<b>83%</b>	<b>80%</b>	<b>29.5</b>	<b>9.3</b>	<b>36.7</b>

\* Based on total procurement expenditure from each category.

AASA's performance against the Mining Charter procurement targets (%)



## CHALLENGES AND ACTIONS

South Africa's mining industry faces increasing expectations from government and communities to contribute to employment and provide increased access to procurement opportunities. To meet these expectations, we have embarked on creating our inclusive procurement strategy to make sure that our supply chain provides added economic and social benefits within our mine communities.

Structured engagement processes with potential suppliers are under way at all our business units to explain our procurement processes so that they are able to access all the opportunities available to them.

Inclusive procurement also means working with larger suppliers to leverage enterprise development and encourage and incentivise partnering with community suppliers. Our business units are intensifying efforts to strengthen partnerships with original equipment manufacturers – it is through collaboration with key players that we will maximise procurement opportunities for SMMEs.

Sometimes there are challenges in bringing local suppliers on board. For example, non-conformance to our safety standards can cause costly project delays. To overcome these challenges, our business units employ dedicated teams to provide safety and technical coaching to their suppliers.



**COAL SOUTH AFRICA**

In 2017, Coal South Africa's operations spent R9.1 billion with BEE-compliant companies, or 85% of R10.7 billion total discretionary expenditure. This represents a 28% increase compared with 2016, attributable to the implementation of life of mine extension projects and a general increase in procurement spend.

Coal South Africa had 984 active BEE vendors in 2017 (2016: 941), a direct result of diversifying its supply chain and engaging with suppliers to transform to a minimum of 25% plus one vote black ownership. This increase was seen in other procurement categories – expenditure with SMMEs increased to R1.4 billion (2016: R978 million), spend with black-owned companies increased to R3.6 billion (2016: R1.3 billion) while expenditure with >30% – black-women-owned companies increased to R580 million (2016: R460 million).

Coal South Africa's supplier development programme showed similar improvements – spend with suppliers who participated in the programme between 2012 and 2015 increased by 55% from R41.2 million to R65.1 million in 2017.



**DE BEERS**

In 2017, De Beers' spend with BEE-compliant companies amounted to R3.4 billion, 78% of its R4.4 billion discretionary expenditure during the year. De Beers focused on identifying and developing new SMMEs, especially mine community-based SMMEs in Limpopo and the Free State. Nineteen new supplier development projects were implemented and 52 SMMEs were put through the Enterprise Development Incubation programme. In 2018, De Beers plans to monitor closely the progress of these projects and to identify more local procurement opportunities for new suppliers.



**KUMBA**

Of Kumba's R11.2 billion discretionary spend in 2017, R8.8 billion was expended on BEE-compliant companies. There was a major drive to promote host community procurement and Kumba committed to spend R500 million with mine communities – a target it exceeded by R28 million through procurement opportunities for 160 suppliers. Kumba has increased this target to R1 billion in 2018 and to R2 billion by the end of 2019.

Achieving such targets has meant cross-functional teams have worked diligently to put in place policies, processes and procedures to support supplier verification, due diligence on BEE deals, and revising clauses in contracts relating to BEE ownership.

In terms of supplier development at Kumba, October 2017 saw the completion of a 24-month supplier development programme, which focused on practical core mining support at an operational level. The company supports and tracks all entrepreneurs who have successfully graduated through its Supplier Development programme. Since 2014, spend with these businesses has grown from R12.5 million to R168.2 million.

Kolomela mine has begun a five-month incubation programme to help smaller businesses fine-tune their service offering and grow their footprint in and around Tsantsabane in the Northern Cape.



**PLATINUM**

In 2017, Platinum expended R8.2 billion on BEE-compliant companies, or some 79%. As part of Platinum's inclusive procurement opportunities, 7% of its direct revenue was spent with community-based enterprises, a 5% increase from 2016.

Platinum, as with our other business units, faces specific challenges with regard to communities seeking additional procurement opportunities. Increased and regular engagement with communities and Platinum's Social Performance team goes a long way to link communities to opportunities. In response to limited financial resources to roll out supplier development programmes, Platinum has partnered with Zimele, which through the services of providers such as TechnoServe, a multinational development partner, is developing small businesses.

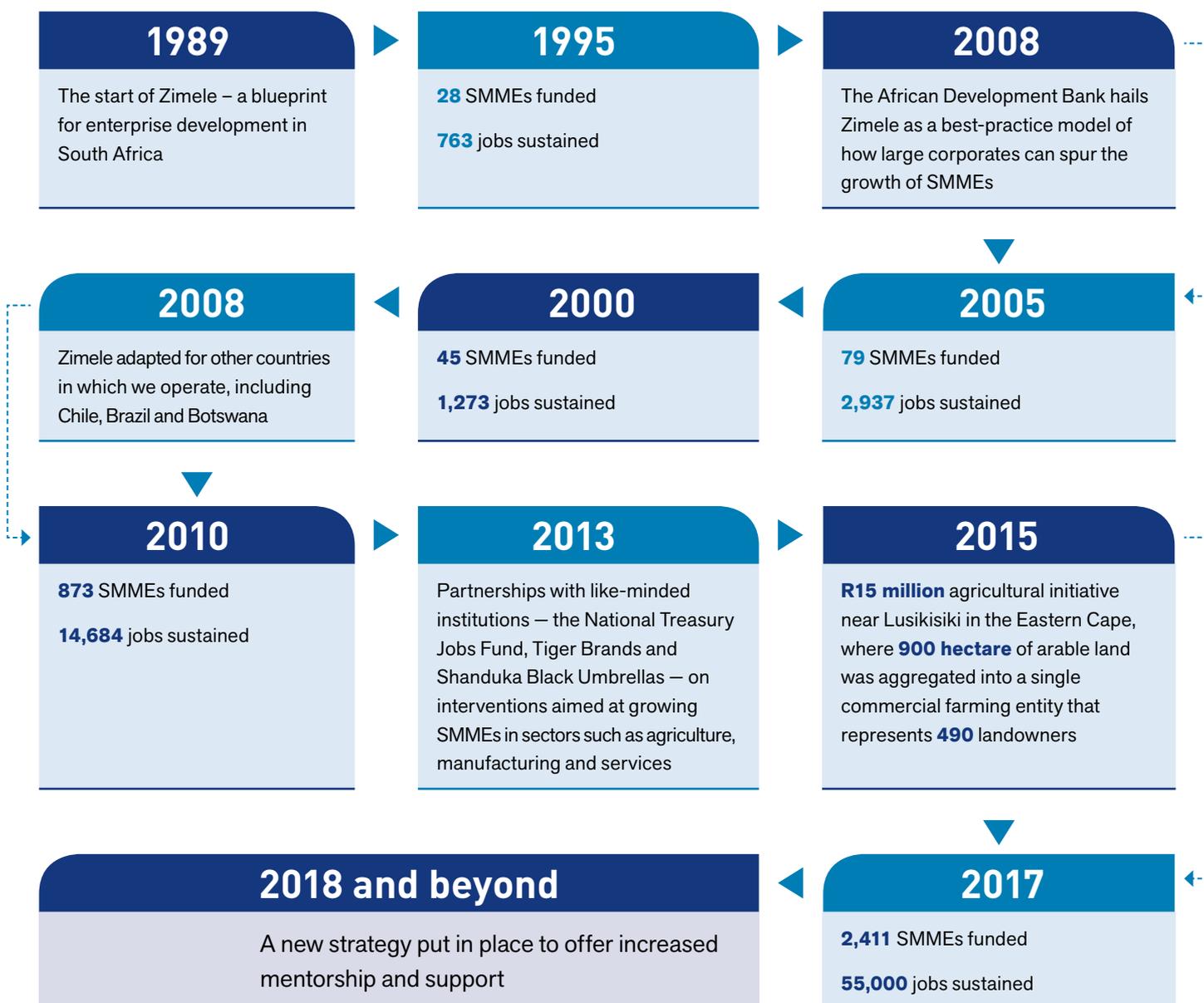
# PROCUREMENT AND ENTERPRISE DEVELOPMENT CONTINUED

## ENTERPRISE DEVELOPMENT AND ZIMELE

Anglo American believes that it has an important role to play in creating sustainable value that makes a real difference in South Africa now, and for the future. One of the ways in which we do this is through Zimele, our 28-year-old pioneering enterprise development programme.

Zimele provides enterprise development assistance through a nationwide network of business hubs based in communities local to Anglo American's operations. Enterprise development has the potential to boost small businesses and, through its multiplier effect, helps to address South Africa's current challenges of poverty, unemployment and inequality.

### LOOKING BACK AT ZIMELE – 'TO STAND ON ONE'S OWN FEET'





Zimele concluded 193 transactions and provided R115 million in funding for 102 businesses in 2017. This supported 4,189 jobs and generated turnover of R1.1 billion.

In 2017, Zimele managed all transactions through three funds: The Community and Supply Chain Fund, the Sebenza Fund and the Anglo American Sefa Mining Fund. The funds were designed to build capacity so that mine community economies are resilient during uncertain times for the industry, and sustainable even after mine closure. The Community and Supply Chain Fund assists the procurement departments across our business units in identifying SMMEs that can supply products and services. The Sebenza Fund is

a partnership between Anglo American and National Treasury to facilitate employment throughout South Africa.

The Anglo American Sefa Mining Fund – a joint venture between Anglo American Zimele and Sefa – is a partnership with government to promote small business development in the junior mining sector. The fund is currently supporting its existing portfolio of investments, with no new investments taking place.

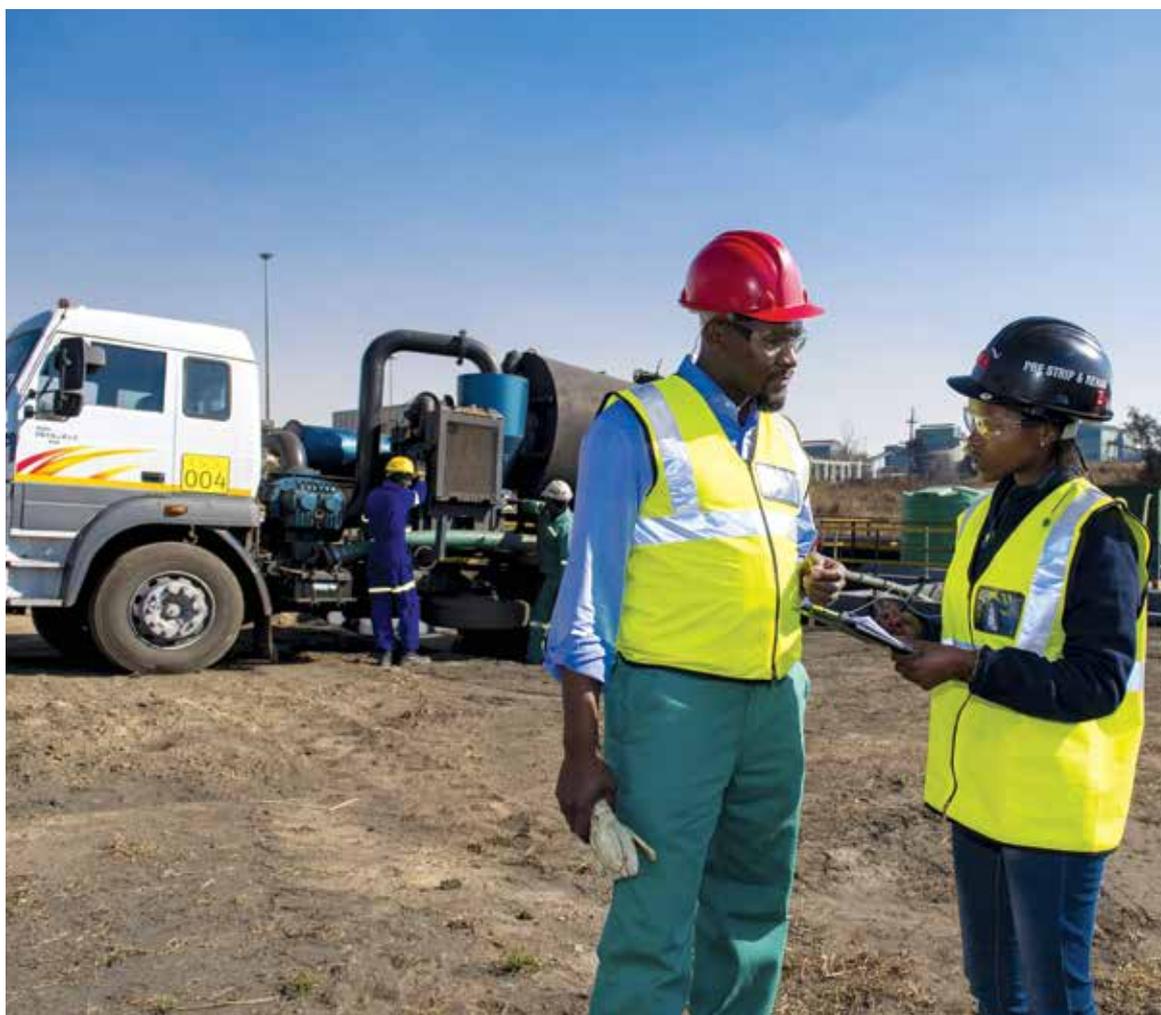
Fewer transactions were completed through the Sebenza Fund, as Zimele focused on supply-chain transactions at a local-procurement level.

**Summary of Zimele's performance 2016 - 2017**

	Number of transactions	Total people employed	Turnover (R million)	Funding (R million)	Female entrepreneurs supported	Youth supported
<b>2017</b>	193	4,189	1,118	115	33%	33%
<b>2016</b>	204	3,992	692	121	42%	32%

**Image**

Over the years, Zimele has provided mentorship and financial support to Soliphetha Trading Enterprises who now supply their services to Coal South Africa's oil filtration plant at Kleinkopje colliery.



# PROCUREMENT AND ENTERPRISE DEVELOPMENT CONTINUED

## MIGHTY OAKS FROM LITTLE ACORNS GROW

### Image

With the help of a Zimele loan, Elvis Shabangu was able to buy a timber loader and grow his business – Kanyi Ilanga Trading.



Elvis Shabangu is one of Coal South Africa's most remarkable Zimele hub success stories. From farmhand to forester, he's built a company that employs 525 people. Elvis is the founder of Mpumalanga-based Kanyi Ilanga Trading, one of South Africa's most respected black players in the forestry industry. It provides silviculture services to some of the sector's biggest names, operates three branches and has a fleet of 64 machines.

Elvis began his career at a coffee plantation after leaving school in Grade Nine to help put his siblings through school. He was ambitious and hardworking, and a few years later he started his own business, unsuccessfully. He tried again, armed with valuable lessons, and slowly started gaining tenders across the forestry value chain.

With expansion, rose the need for equipment – this is where our Zimele hub programme came in. The enterprise development initiative provided loan finance at preferential interest rates. Elvis's first loan of R800,000 covered the cost of two personnel carriers. That paid off, a second loan of R1 million facilitated his purchase of three light-delivery vehicles, and a third loan helped him to buy two timber loaders at a cost of R1.8 million. "Without the financial support of the hub programme, it would have taken me a lot longer to build up the capacity to undertake large contracts and grow the company," explains Elvis.



Zimele's focus areas for 2017 included:

- an increased focus on supply-chain-linked transactions
- emphasis on large-scale-impact projects
- active collection and recovery of the outstanding loan book
- intensive mentorship intervention
- a review of Zimele in terms of Anglo American's future requirements.

**Zimele evolves to meet Anglo American's and South Africa's changing needs**

Zimele supports sustainable job creation in communities relevant to Anglo American through support for enterprise, supplier and youth development, particularly in new value chains and other productive activities in the private sector.

After pioneering South Africa's economic-social development space over the past 28 years, Zimele is re-establishing itself for greater impact and scale. The new strategy, rolled out in 2018, will better serve SMMEs and

support job creation by focusing on mentorship first, while building a network of partnerships to provide qualifying SMMEs and youth with access to market opportunities and financing. We are also aware that new mining legislation is likely to require increased procurement from local and HDSA suppliers.

As the new strategy is adopted in 2018, Zimele will place greater focus on mentoring young people entering the job market and developing the capacity of SMMEs, with access to funding as a second step. Absa, in partnership with Zimele, will be responsible for loan administration. TechnoServe will be responsible for running the Zimele hubs and mentorship.

The strategy is being rolled out in phases, starting with four hubs in the second half of 2018, followed by additional site reviews and implementation in 2019.

The new strategy will ensure that Zimele responds to mine communities' needs and expectations by creating economic opportunities and reaching the livelihood targets set out in Anglo American's Sustainability Strategy.

**FOLLOWING THE DREAM**



**Image**

The De Beers Zimele incubation programme helps young entrepreneurs like Mahlatse.

Mahlatse Matlakana is a young woman with a passion for green pepper farming. Twenty-year-old Mahlatse will form part of the next group of young entrepreneurs who will receive mentorship through the De Beers Zimele incubation programme. Through the

programme, Mahlatse will receive skills development training aligned to the farming industry, financial training and mentorship, and personal development skills as a businesswoman.

At the age of 15, Mahlatse began working in the neighbouring farms of Arrie Village in the Blouberg municipality during school holidays to support her unemployed mother and two younger siblings. Five years later, Mahlatse now leases an 8-hectare farm, employs four community members and produces green peppers for four national food wholesalers.

When Mahlatse completed her matric in 2016, she had to decide between following her passion for farming or studying law. "Applying for a law degree seemed like the right thing to do, so I did and I was accepted. However, I decided to take a gap year and farm green peppers instead," says Mahlatse.

"I then chose to put my degree on hold to pursue farming full time. I registered my company and, with the support of some good samaritans in my community, I managed to lease a bigger plot at a cheaper rate, and they also allowed me to use their farming equipment at no cost," says Mahlatse.

"I am very confident about the future and hope one day to be able to open a training centre for the youth in my community and teach them about farming," says Mahlatse.

# EMPLOYMENT EQUITY



## CASE STUDY



### Image

Women play an important role in mining, and today, there are more women than ever working with us in what was once a male-dominated industry.

### WOMEN PUSHING THE BOUNDARIES

Murendeni Mahada is a young female rigger at De Beers' Venetia mine. It was during a career expo she attended in her matric year that she was introduced to the mining industry and dreamt of a career in engineering. In 2010, after completing her schooling, she studied diesel mechanical engineering and completed her N6 level. In 2015, Murendeni registered for rigging trade theory and during her apprenticeship she realised that rigging was a career she wanted to pursue. Murendeni did her on-the-job training at both Venetia and Cullinan diamond mines, where she had the opportunity to work with many seasoned riggers who encouraged and supported her in her career choice.

Murendeni is very proud to be the first qualified female rigger in her community and believes

that her example will pave the way for other women to follow their career dreams, and she is actively involved in providing career guidance to young women in the community.

When it comes to work-life balance, Murendeni's family is her first priority and she is conscious of her safety when working so that she is assured of returning home safely after her shifts.

As a woman in a male-dominated profession, Murendeni certainly had to face challenges, but she overcame any obstacles, she believes, with the help of encouraging role models and her own positive attitude. Her advice to women is that mining is for women too. She says, "I am enjoying every part of what I do. If you love your work, you can accomplish anything." Finally, she added that being female is just a gender and should not limit anyone.



## THE 2010 MINING CHARTER REQUIREMENTS

The 2010 Mining Charter sees workplace diversity and equitable representation at all levels as a catalyst for social cohesion, transformation and competitiveness. Specific emphasis was placed on the demographic representation of women in mining. The 2010 Mining Charter required that by the end of 2014, HDSA employees make up 40% of each management level – junior, middle, senior and top management – as well as in core and critical skills.

## OUR PERFORMANCE

Anglo American, as one of South Africa's largest private-sector employers, strives for a workforce that reflects the country's population. Achieving employment equity is not only a social imperative, but allows us to harness the rich diversity of ideas and perspectives of our country's people. We also recognise the important role women play in mining and strive to attract women to work for Anglo American at all levels.

Anglo American continues to make progress in realising employment equity goals throughout the organisation. Although we still have much to do in reaching our own diversity goals, we have achieved and exceeded the Mining Charter 2010 minimum requirements across all business units and operations.

We focused on developing our own internal HDSA employees in order to establish a pipeline of talent which can move up through the leadership levels – including through mentorship programmes, learnerships, graduate in-training programmes, career pathing and leadership development. We are also committed to local employment through broadening the skills base within mine communities.

The roll-out of our Organisational Culture Transformation (OCT) programme began in 2017. The programme aims to align the entire company with a basic set of organisational cultural values to drive inclusion and diversity, creating a workforce that treats each other with dignity and respect, irrespective of race, gender, disability or religion. The new programme stresses leadership's responsibility in driving a culturally inclusive organisation and in creating a supportive workplace.

In relation to the national economically active population (EAP), African females remain the most under-represented group across the organisation, while white males remain the most over-represented. African males are also over-represented, although in line with the EAP at management levels.

**AASA's HDSA representation in management and core functions – 2017**

%	2014 target	Coal South				Shared Services	Corporate Division	AASA
		Africa	De Beers	Kumba	Platinum			
Board	40	50	45	60	42	0	0	<b>49</b>
Exco	40	42	60	50	44	0	0	<b>45</b>
Senior management <sup>1</sup>	40	51	43	50	51	50	46	<b>48</b>
Middle management	40	63	59	64	67	78	58	<b>64</b>
Junior management <sup>2</sup>	40	72	78	70	75	83	80	<b>74</b>
Core and critical skills <sup>3</sup>	40	88	95	92	87	N/A	N/A	<b>88</b>
<b>Aggregated HDSAs in management</b>	<b>40</b>	<b>67</b>	<b>66</b>	<b>66</b>	<b>70</b>	<b>81</b>	<b>56</b>	<b>67</b>

1. Including Exco.

2. Junior management level C3-C5.

3. Core and critical skills: includes occupational levels C2 and below.

# EMPLOYMENT EQUITY CONTINUED

AASA's HDSA representation in management and core functions						
%	2017	2016	2015	2014	2013	2014 Target
Board	25	49	53	49	50	40
Exco	45	49	47	49	47	40
Senior management <sup>1</sup>	48	45	45	42	38	40
Middle management	64	62	60	60	58	40
Junior management <sup>2</sup>	74	72	70	69	67	40
Core and critical skills <sup>3</sup>	88	83	83	82	85	40
Women in management	25	24	23	24	23	–
Women in core functions	15	14	13	13	13	–
<b>Aggregated HDSAs in management</b>	<b>67</b>	<b>65</b>	<b>63</b>	<b>62</b>	<b>60</b>	<b>40</b>
<b>HDSAs in total workforce</b>	<b>85</b>	<b>84</b>	<b>83</b>	<b>82</b>	<b>80</b>	<b>40</b>

1. Including Exco.

2. Junior management level C3-C5.

3. Core and critical skills: includes occupational levels C2 and below.

AASA female representation in workforce – 2017							
%	Coal South				Shared Services	Corporate Division	AASA
	Africa	De Beers	Kumba	Platinum			
Women in management	22	27	22	23	67	35	<b>25</b>
Women in core functions	18	21	17	14	N/A	N/A	<b>15</b>
<b>Total women in workforce</b>	<b>21</b>	<b>29</b>	<b>22</b>	<b>16</b>	<b>71</b>	<b>35</b>	<b>19</b>

## CHALLENGES AND ACTIONS

Challenging market conditions limited some of our planned initiatives to increase HDSA representation. The recruitment and retention of highly-skilled HDSAs, especially women, remains a challenge. However, our focus on developing and mentoring our internal HDSA talent is proving successful, with an increase in HDSA talent at junior management level that will ensure there are competent and qualified people ready to move into middle and senior management positions.

Fewer new appointments and a lower staff turnover contribute to the slow pace of opportunities opening up for African men and women at senior levels. Our focus on leadership programmes, however has borne fruit, with newly-appointed African male general managers at Kumba's Kolomela and Sishen operations.

Challenges in attracting women to the traditionally male-dominated mining industry remain, but we are confident that our proactive seeking of female candidates at all levels of the company will lead to more balanced gender representation.

There is recognition of the under-representation of people with disabilities across the organisation. Various initiatives continue to attract and retain people living with disabilities and to ensure they fit in to the working environment, and that their development and career-advancement needs are taken into account at all times.

## AASA CORPORATE DIVISION

HDSA representation in senior management increased from 45% in 2016 to 46% in 2017. HDSA representation at middle management level decreased from 62% to 58% in 2017 and at junior management level increased from 76% to 80%. Overall female representation decreased from 38% to 35%.

In terms of EAP performance against national EAP targets, Corporate Division's workforce remains under-represented in respect of African males, African females, coloured males and coloured females. The organisation has an over-representation of Indian males and females and white males and females. Correcting the imbalance remains a challenge given the low turnover rate and specialist skills and



experience required for certain roles. However, both BLAST (the Building Leaders and Shaping Talent graduate programme) and the FDP (Finance Development Programme) are focused on developing our talent pipeline. (See box below for details on FDP and *Human resource development* on page 37 for more information on BLAST.)

Corporate Division is actively trying to attract people with disabilities, and its Employment Equity Forum has formed a sub-committee to address this.

In the course of implementing the functional model in Group Technical and Sustainability (T&S), where work of this nature was previously undertaken within our business units, the employees performing this work automatically transferred to Corporate Division, the central T&S function, in compliance with section 197 of the Labour Relations Act. This process was initiated in 2016, and concluded during the reporting period.

Pressure to manage costs remains a top priority for the division and only vital vacant positions will be filled, at which time the numerical goals set in the employment equity plan will be taken into account.

**FINANCE DEVELOPMENT PROGRAMME**



In 2017, a new programme, named the Finance Development Programme was initiated to develop young talent in the Finance discipline. The programme will ensure rotation through Finance's disciplines; namely, Business Assurance, Tax, Treasury and Social performance, to ensure candidates gain on-the-job development, exposure and experience, thereby creating an emerging HDSA pipeline. Five HDSAs (80% female) were recruited in 2017, and began employment in 2018.

**Image**

Establishing a workforce that reflects South Africa's demographics is a business and social imperative.



**COAL SOUTH AFRICA**

Coal South Africa's new Employment Equity Plan began in October 2016 and it hopes to achieve its objectives in September 2021. It aims to increase representation of African males and females at middle and senior management level.

The company saw a slight year-on-year improvement in employment equity performance in 2017. HDSA representation increased from 60% to 63% in middle management, in junior management from 70% to 72% and in core functions from 83% to 84%. Overall representation of females increased from 20% to 21%, with 22% of females in management positions and 18% in core functions.

EAP performance against national EAP targets showed that female representation improved in 2017. However, females remain the most under-represented group. At management level, white males are the most over-represented. African males are also over-represented, although this is in line with EAP targets at management level.

The migrant workforce has steadily decreased from 428 in 2011 (4% of workforce) to 217 in 2017 (2.6% of workforce).

Organisational culture improvement initiatives include the alignment of the Coal business's policies to the Anglo American values. Front-line supervisor development will take place in 2018. Leadership cultural alignment workshops were held at Khwezela colliery in order to clarify roles and KPIs.



**DE BEERS**

De Beers strives to progress its transformation via its approved employment equity plans and actively seeks out opportunities to develop and source the right talent with the required demographics, including people living with disabilities.

In 2017, De Beers increased HDSA representation among its board members from 44% to 45% and from 57% to 60% for Exco members. HDSA representation at senior management level rose from 42% to 43%, while middle management representation increased from 55% to 59%. Despite a concerted effort, HDSA representation in junior management levels declined by one percentage point to 78% and in core functions from 92% in 2016 to 85%. The number of females in management roles increased from 26% to 27%, while female representation in core functions reduced by one percentage point to 21%.

De Beers' EAP performance against national EAP targets depicts an ongoing under-representation of African males and females. The company is confident that its involvement as a United Nations Women Partner and its internal mentorship programme aimed at female employees will have a positive impact on female representation at De Beers.

# EMPLOYMENT EQUITY CONTINUED

## DE BEERS A UNITED NATIONS WOMEN PARTNER



In 2017, De Beers partnered with United Nations Women and made commitments to achieve parity in the appointment of women and men into senior leadership by 2020. The company has committed to an investment of \$3 million over three years to promote female micro-entrepreneurs and support STEM (science, technology, engineering and mathematics) students in its diamond-producing countries. In addition, De Beers will ensure its marketing campaigns support gender equity.

### Image

De Beers' involvement as a UN Women Partner and the company's internal mentorship programme focused on female employees are both aimed at increasing female representation. We believe increasing diversity is critical to delivering superior results.

The company believes that true transformation results from a culturally aligned workforce.

De Beers has launched a global drive to further shape the organisation's culture through integrating its Code of Conduct, purpose, values and employee engagement outcomes into specific leadership commitments (Leading Brilliance) to develop its people.

Although the fluctuating diamond market and economic uncertainty are affecting the business, De Beers is committed to improving its future HDSA candidates through various programmes, such as foundational learning competence, portable skills training, graduate trainee bursaries and tertiary education support.



**KUMBA**

Kumba increased its HDSA representation in 2017 from 64% to 66%, with Black representation increasing from 53% to 57% at management level. Kumba's commitment to transformation was demonstrated by the newly-appointed general managers for Kolomela and Sishen, both of whom are African males. Women in management positions increased from 21% to 22%. The percentage of women and people with disabilities in core functions remained constant from 2016 to 2017. The Women in Mining strategy was reviewed and plans developed to improve gender diversity and inclusiveness.

Kumba's EAP performance against the national EAP was marginally positive, although representation of African and Coloured people lags significantly. White male representation at management level remains higher than the EAP. In 2018, efforts to correct the imbalance at this level will continue. African and Coloured female representation remains a concern, and there will be a continued focus to address this in 2018.

Achieving tangible transformation is a business imperative. Focus-group discussions and employee-engagement surveys have revealed positive insights about the desired culture and employee experience at Kumba. The recognition that transforming culture begins with leadership has led to a general sense of pride and belonging, and greater alignment with the company strategy. Areas that need improvement include helping employees navigate their career paths and optimising the company's Women in Mining strategy. The company encourages a workplace that promotes and accommodates people with disabilities.



## PLATINUM

Platinum has made improvements across all occupational levels, with senior management HDSA representation increasing from 45% to 50% in 2017. HDSA representation at middle management level increased from 64% to 67%, and at junior management level from 73% to 75%. Overall female representation increased from 15% to 16%. Recognising that more needs to be done to attract and develop female employees, Platinum's policy on the employment of people with disabilities ensures that they are given an equitable chance of employment in suitable positions.

Platinum's EAP performance against national EAP targets shows that, of the total workforce, white males are over-represented, with the majority at management levels. Although African male representation at management level is above the EAP, the majority of these employees are at junior management level. Programmes are in place to strengthen the leadership pipeline by investing in the development of HDSA employees. African females, Coloured and Indian populations are under-represented.

Platinum has embarked on the shared Anglo American OCT strategy to continue ensuring a work environment where health, safety and the well-being of employees are paramount. This includes leadership accountability in driving a culture of diversity and inclusiveness.

## SHARED SERVICES

Transformation within Shared Services is monitored and reviewed in consultation with the People Development Committee (PDC). Consultations with the Department of Labour resulted in a change in strategy from a strong HDSA focus (92% across all levels) to focusing on Black (African, Indian and Coloured) representation in line with the EAP.

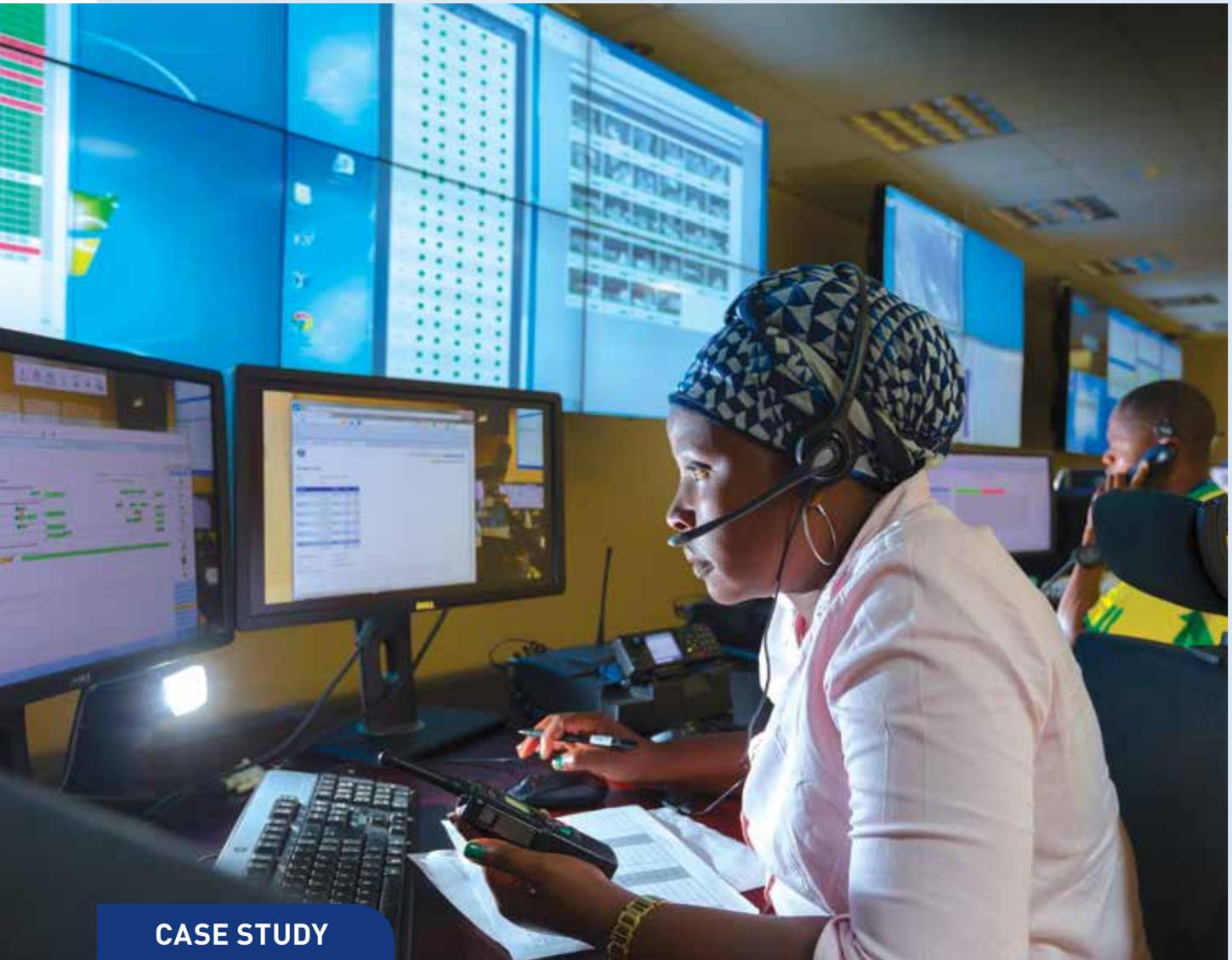
HDSA representation for Shared Services reduced by one percentage point to 92% from 93% in 2017. Total female representation decreased from 73% to 71%, mainly owing to the transfer of a number of Shared Services employees to Sibanye. Total HDSA representation at management level decreased from 82% to 81%, while HDSA representation at senior management remained constant at 50%. HDSA representation at junior management level decreased from 86% to 83%, with the middle management HDSA figure remaining constant at 78%. The number of women in management positions decreased from 69% to 67%, of whom 50% were at senior management level.

Shared Services has successfully implemented a graduate cadet programme which has created a skilled technical pool of HDSA talent to fill vacancies as required. Proactive recruitment and the graduate cadet programme have seen positive results in recruiting more African males and Coloured females to the organisation.

Shared Services' EAP performance against the national EAP targets is on par, though African and Coloured males remain under-represented. White females remain largely over-represented, but tough economic conditions have resulted in low employee turnover rates, meaning there are fewer opportunities to diversify the employee complement.

Through various initiatives, Shared Services has sought to improve employee engagement and leadership effectiveness. These include recognition programmes, and weekly team meetings to encourage a culture of shared values and conduct. Career planning and development initiatives have also been implemented successfully. Leadership forums are held regularly to support managers and share best practices. The Shared Services People Development Committee has developed a framework for employees with disabilities in order to accommodate and create a safe working environment for them.

# HUMAN RESOURCE DEVELOPMENT



## CASE STUDY



### KICK-STARTING ANGLO AMERICAN'S DIGITAL TRANSFORMATION

Skills for the future will be vastly different to the skills we currently rely on at our business units. Shared Services is currently undertaking a Digitisation Robotic Process Automation Initiative (its Automation Project) so that Anglo American keeps abreast of the latest technology and innovation trends in the market. In 2017, five employees completed Ernst & Young's

Automation Anywhere Academy Training to learn how automation could work in Anglo American's specific business environment. Other initiatives such as business process management, robotic process automation and optical character recognition will, in the future, free up employee capacity so that employees can focus on improving business outcomes, resulting in less 'back office' manual work.

#### Image

Anglo American's technology developments improve operations. At work in Platinum's Mogalakwena mine control room.



## THE 2010 MINING CHARTER REQUIREMENTS

The 2010 Mining Charter requires companies to contribute 5% of their total payroll to the development of skills, including support for South African-based research and development initiatives intended to create solutions in exploration, mining, processing, technology efficiency, beneficiation and environmental conservation.

## OUR PERFORMANCE

In essence, human resource development is about maintaining the right skills to support our business strategy. Training our employees is how we make sure we can meet our objectives – now and in the future. It also drives diversity and enables transformation by focusing on HDSA and female employees.

Human resource development spans the whole development spectrum – from safety training to growing qualified professionals in core mining disciplines, to building more general skills that can be used in order to get a job or start a business outside of the mining environment. Training is offered through formal interventions and in less structured ways such as regular briefings at our business units and their operations.

### CHALLENGES AND ACTIONS

The shortage of certain skills is something companies around the world are grappling with. This has a direct impact on Anglo American in respect of the company's changing skills requirements as new technology is adopted at its operations. Simply put, the employees of the future will need different skills and be placed in different roles to current employees, and so we invest in our employees to give them the skills that will be needed in the years to come.

Attracting and retaining skills is especially difficult in remote areas, where many of our operations are based, and this makes it essential for our business units to train people already living in communities around the mines. Community human resource development interventions include sourcing bursars and graduates from surrounding communities, running foundational learning competence programmes, offering financial assistance, and supplementing formal schooling through English, mathematics and science classes. Running meaningful community programmes in remote areas is difficult and despite introducing the above-listed interventions, all of

which are accredited, the impact on communities is not always immediately visible. We are working hard to get community members technically ready for employment through satellite TVET (Technical and Vocational Education and Training).

The human resources development structures within our business units also experience challenges resulting from an off-kilter trainer: trainee ratio – the need for safety, legal, compliance and functional training far outweighs the number of trainers we have currently.

After a period of cost-cutting and budget constraints, it is essential to provide development initiatives that align with the company's economic situation but do not compromise the quality of learning. Cost-effective initiatives such as increasing the number of participants in each class, making use of free offerings offered through SETA (Sector Education and Training Authority) and appealing to employees to maximise on-the-job learning have all helped achieved this.

In addition, restructuring at our business units, particularly De Beers and Coal South Africa, has meant that there are fewer vacancies available for graduate trainees to be employed. We seek to employ the graduates outside of their chosen field until positions become available.

As mines move closer to the end of their lifespans, it becomes increasingly important to prepare employees and communities for a post-mining environment by developing skills that can be used outside mining, especially in economies that are typically over-reliant on mining for job creation. In many instances, the take-up for this kind of training has been relatively low – especially by the mine's own employees. Our business units are intensifying their efforts to encourage employees and community members to take advantage of portable skills training.

Business units ensure that skills programmes and learnerships comply fully with the National Qualification Framework and that all training centres retain their full MQA (Mining Qualifications Authority) accreditation and ISO (International Organization for Standardization) certification.

# HUMAN RESOURCE DEVELOPMENT CONTINUED

## Summary of human resource development – AASA 2017

Deliverable	BURSARIES	GRADUATES	ADULT EDUCATION & TRAINING	LEARNERSHIPS	ENGINEERING APPRENTICES	EXPERIENTIAL TRAINEES	OTHER TRAINING	TOTAL
Number of participants	228	235	371	868	55	25	1,011,446	1,013,228

AASA's HRD expenditure on HDSAs (R million)					
	2017	2016	2015	2014	2013
<b>HRD expenditure</b>					
Shared Services	2.1	2.1	4	5.5	7.6
Corporate Division	62.37	75	5	11.7	9.7
Coal South Africa	211.8	203	199	410	282
De Beers	92.2	107	94	59	36
Kumba	161.9	211	223	233	236
Platinum	493.7	671	411	391	448
<b>AASA</b>	<b>1,024</b>	<b>1,269</b>	<b>936</b>	<b>4,123</b>	<b>1,109</b>
<b>Training expenditure as % of HDSA payroll (%)</b>					
Shared Services	1	1	1.9	2.7	4.4
Corporate Division	6	7.4	0.9	2.8	2.0
Coal South Africa	6	5	5.5	11	10
De Beers	8.19	12.2	10.5	4	4
Kumba	5.8	4.6	4.9	5.6	6.8
Platinum	6.18	6	4.3	3.8	4.0
<b>AASA</b>	<b>6.6</b>	<b>11.3</b>	<b>4.8</b>	<b>5.0</b>	<b>5.0</b>

### Image

Human resource development spans the whole development spectrum, including safety training. Here, a pre-shift safety meeting takes place at Kumba's Kolomela Fatigue Management Centre.





**COAL SOUTH AFRICA**

In 2017, Coal South Africa spent R211.8 million (2016: R202.9 million) on human resource development. A total of 3.6 million was spent on HDSAs, representing 6% of the annual HDSA payroll.

Coal South Africa offers training to all its employees to help them understand and implement health and safety standards – this is critical in eliminating fatalities and improving safety at their operations. In 2017, the company introduced phase 2 of its Operational Risk Management IT platforms, which focuses on operational objectives and consequences. A total of 96% of employees attended the course.

Recipients of the Coal South Africa bursary scheme are sponsored to pursue a career within the mining industry. The scheme provides students with the opportunity to put into practice the theoretical knowledge gained at university by doing vacation work at one of Coal South Africa's operations. In 2017, 20 students gained exposure to what it is really like working in the industry. Of those who conducted vacation work, 55% were HDSAs and 20% were female.

The bursary scheme also helps the company recruit from local communities – and this provides a talent pipeline for the graduate programme which equips young professionals with the tools to become competent in their field.

In terms of Coal South Africa's scholarship scheme, each operation sponsors access to tertiary education for students from underprivileged backgrounds. This means those who did not previously have the opportunity to study further will be able to do so, and work to reach their full potential. Twelve students graduated from the scheme in 2017.

**ANGLO AMERICAN CORPORATE DIVISION**

In 2017, Corporate Division spent R62.4 million on human resource development. Expenditure on HDSAs represented 6% of the R103.3 million HDSA payroll. This was an increase on its 2016 expenditure – the improved financial situation in 2017 enabled a greater number of training and development initiatives, including restarting the Group Leadership Programmes. A total of 137 employees attended the Programme for Management Excellence (this included 29 international delegates). Of the South African delegates, 80% were HDSAs. The Achiever Programme had a total of 43 participants.

Corporate Division has had a successful graduate development programme called BLAST for a number of years. In 2017, following an extensive advertising campaign, BLAST attracted 4,500 applicants, from which 15 people were selected. (See the *Employment equity* section on pages 30 to 31 for more details.)

Corporate Division has a rigorous performance management process in place so that employees have the

opportunity to plan their work processes and targets for the year. Progress is assessed during and at the end of the year to encourage employees to manage and direct their development in line with their career aspirations.

Corporate Division is fully compliant with the Skills Development Act, gaining full approval for its Mandatory Grant submission.



**DE BEERS**

De Beers spent R92.2 million on human resource development in 2017 (2016: R107 million) – 8.2% of its annual R895.1 million payroll in respect of HDSAs. The decrease reflected the completion of supervisory learnership programmes, a reduction in graduate trainees, and downscaling training activities at its Voorspoed mine.

The company supported 25 bursars – all HDSAs, including 12 females – while 134 learners took part in learnerships during the year.

In terms of community skills development, 30 community learners participated in the Foundational Learning Certificate during 2017. This certificate is a prerequisite for all mining-related learnerships and can open many doors for those who complete it. A further 11 community learners participated in the NQF 2 metallurgy learnership.



**KUMBA**

Each year, Kumba commits at least 5% of its total payroll to human resource development. In 2017, Kumba spent R161.9 million on human resource development, and 5.8% of its annual R2.8 billion HDSA payroll.

Most of Kumba's skills-development initiatives are conducted at Skills Training Centres and the company's accredited, in-house training facilities at Sishen and Kolomela mine. The Sivos Training Centre provides apprenticeship training, while operator training takes place at the mining and plant training centres.

Kumba's bursary programme targets school-leavers in the Northern Cape in engineering, mining, geology and metallurgy disciplines. On completing their studies, graduates are invited to join the professionals-in-training programme, a structured 36-month internship which includes coaching and mentoring. Kumba awarded 43 bursaries to the value of R3.9 million in 2017. A total of 81% of the bursars were HDSA, with 56% being female. Learnerships are also offered for engineering, ore beneficiation and surface mining.

# HUMAN RESOURCE DEVELOPMENT CONTINUED

Internships are offered to local community members seeking work experience in the mining industry so that they can complete their degrees or diplomas. Kumba makes an additional provision of R1.5 million for internships in its area of influence.



## PLATINUM

In 2017, Platinum spent R493.7 million on human resource development, 6.2% of its annual R7.9 billion HDSA payroll. This represented an increase on its spend in 2016, which also led to employees spending more hours in training – 91 hours each during the year.

The changing nature of Platinum's mining and processing operations requires the business unit to look at its future skills set requirements through a long-term lens. With the rapid advancement of technology, factors such as robotics and remote-controlled machinery will soon feature more heavily, with remote-based control rooms being the focal point for its operations. A new human resource development strategy was developed during 2017 to support this vision.

Building skills for the future requires extensive engagement with educational institutions so that they are able to redefine their curricula to provide the relevant education, skills and training to future employees. This has to happen at a tertiary level. Platinum has partnered with three technical high schools in its operational areas to focus on maths, science and engineering-based learning. Aligned to this is Platinum's learner-absorption model whereby top learners from each school are taken on for a one-year initiative in which they spend time at a further education and training college doing technical studies and at the Platinum engineering training centre. A total of 30 learners took part in this in 2017.

During the year, Platinum development programmes focused on young professionals, supervisory and leadership development, mining and engineering learnerships, fast-tracking and skills programmes, succession planning, and talent-management processes.

Platinum's bursary and graduate programme provides suitably qualified professionals for meaningful roles within the business – generally in engineering, geology and finance. In 2017, 87% of bursars were HDSAs and 35% females.

Literacy is an equally important part of Platinum's training programmes, especially with the high levels of illiteracy amongst employees, contractors and community members, all of whom are given the opportunity to participate in AET (Adult Education and Training). In 2017, 202 employees, 32 contract employees and 63 community members went through AET.

### Shared Services

For Shared Services, skills development contributed to the company's goal of delivering value through effective partnerships. It has improved people management, service delivery, individual development and employee engagement. Focus areas for 2017 were data analytics, process analytics and robotics/automation skills.

Shared Services invested R2.1 million in HDSA training (2016: 1.97 million), 1% of the total HDSA payroll. The study assistance programme encourages employees to improve their academic performance through part-time studies. In 2017, study assistance to the value of R468,405 was provided to 22 employees (2016: R161,000 to 14 employees). Shared Services also considers employees for leadership development; two female employees (both HDSAs) attended the Programme for Management Excellence in 2017.

### Minerals Education Trust Fund

The Minerals Education Trust Fund (METF) is a registered public benefit organisation formed by a group of companies in the minerals industry in 1999. Its aim is to help create sustainable tertiary education in South Africa by attracting and developing undergraduate teaching staff and creating academic centres of excellence.

It currently has 27 contributing member companies, including our four business units who collectively provided R17 million to the fund in 2017. This money was used to support 101 academic staff. Business units also play their part in managing the fund – Coal South Africa, Corporate Division and Platinum review academic institutions as part of the METF review process and, in turn, recruit bursars from METF institutions; Kumba assists with a variety of aspects to improve the quality of training graduates and diplomates who join the organisation.



Anglo American contribution to METF					
Academic staff supported					
Year	Metallurgy/ chemical engineering	Mining	Geology	Total number academic staff supported	Total contributions (R million)
2014	34	19	33	86	16.2
2015	39	20	34	93	18.5
2016	20	40	36	96	18.8
2017	43	22	36	101	17.0
<b>Total</b>	<b>136</b>	<b>101</b>	<b>139</b>	<b>376</b>	<b>70.5</b>

**Image**

Kumba's Sivos Training Centre in Kathu, established and funded by the company, provides apprenticeship training.



# HOUSING AND LIVING CONDITIONS



## CASE STUDY



### Image

These twins live with their parents in one of Coal South Africa's housing projects in Duvha Park, eMalahleni. The development, completed in 2016, was designed to enable the majority of the company's workforce to live in sustainable settlements in urban centres near their mines.

### THE DE BEERS FACILITATED HOME OWNERSHIP PROGRAMME

De Beers launched a Facilitated Home Ownership Programme (FHOP) in 2015 for employees earning less than R25,000 per month. Participating employees may access the programme to either build a new home, renovate their existing home or complete partially-built houses.

The FHOP is now fully implemented and, by the end of 2017, 34 of the 104 endorsed employees had completed housing transactions and

received grants totalling more than R3.4 million. The remaining transactions are in progress and the majority should be finalised during 2018.

De Beers has renewed its efforts to promote an improved uptake of the scheme to achieve its annual target of 200 participating employees by 2020. These efforts include initiatives to improve access to affordable land around Venetia mine, and employer-backed loans from a financial institution for owner-builders and employees who have 'permission to occupy' traditional land, and who cannot access mortgage finance.



## THE 2010 MINING CHARTER REQUIREMENTS

The 2010 Mining Charter required companies housing employees in hostels to convert these to single-person rooms or family units.

## OUR PERFORMANCE

Improving living conditions is a prerequisite for stable and safe communities to be able to prosper long after our mines have closed. We want our employees and their families to enjoy quality housing and living conditions, and we assist by providing various housing options. Our focus is on making it possible for eligible employees to buy their own homes in areas near our mining operations.

By the end of 2014, all Anglo American business units in South Africa had met the Mining Charter requirements to convert all mining hostels into single or family units, with a one-person-per-room occupancy rate in single accommodation.

However, the business realised that a range of housing options is needed to cater for the diverse circumstances and preferences of our employees. Our business units promote and facilitate home-ownership options and offer competitive housing allowances and, in some cases, loan subsidies for eligible employees.

Our housing projects include the provision of roads, electricity, water supplies, and sewerage. Through an innovative funding model, we invest in a portion of the bulk services for property development and, in return, receive significantly discounted building packages that are passed on to our employees.

We partner with organised labour, government and third parties to improve living conditions and provide additional housing and building capacity in the municipalities concerned. Partnerships with government are fundamental to the successful implementation of housing projects.

Our housing performance in 2017					
	Coal South Africa	De Beers	Kumba	Platinum	AASA
Total housing expenditure (R million)	673	*5	337	648	<b>1,663</b>
Number of employees residing in company-provided accommodation	1,158	**450	3,429	4,373	<b>9,410</b>
Percentage of workforce	10	17	65	17.2	<b>16</b>
Number of houses built	14	N/A	0	***5	<b>14</b>
Cumulative number of houses built since 2010	640	N/A	3,628	676	<b>4,944</b>

\* Excludes housing allowances, but includes the administration costs of the Facilitated Home Ownership Programme (FHOP).

\*\* Skilled employees at Venetia mine.

\*\*\* Show houses.

Improving housing and living conditions (AASA)*						
	2017	2016	2015	2014	2013	Total
Number of houses built	14	33	84	993	801	<b>1,925</b>
Total expenditure (including houses and services) (R million)	1,663	1,572	1,912	1,221	1,115	<b>6,926</b>
Number of employees in company accommodation	9,440	9,362	10,430	11,245	12,255	<b>N/A</b>

\* Excludes De Beers, which started the FHOP in 2015.

# HOUSING AND LIVING CONDITIONS CONTINUED

## CHALLENGES AND ACTIONS

Our level of investment in housing initiatives has declined over the past few years, owing to organisational restructuring and capital constraints as a result of the prevailing economic climate.

There are ongoing finance challenges in facilitating home ownership. The South African Revenue Services (SARS) views discounts or subsidies used to assist employees to purchase a home as fringe benefits, and consequently applies fringe benefits tax to these benefits. Another key challenge is the high rate of home-loan applications that are rejected by banks.

Delays in government projects in mining towns, inadequate service delivery and housing backlogs do not aid progress.

Anglo American continues to be affected by South Africa's slowing economy and associated job losses in the mining sector. This has curtailed levels of demand, as employees and potential buyers hesitate to purchase a home amid uncertain economic times.

Some employees are still reluctant to buy houses closer to the mines where they are employed and instead prefer to build houses at their place of origin in order for their families to benefit.

Efforts to mitigate the impact of these challenges include educating employees about home ownership and housing schemes, providing financial-literacy and debt-rehabilitation initiatives (see box below), offering employees rent-to-buy housing options, and investing in infrastructure and bulk services to accelerate housing delivery.

## TACKLING EMPLOYEE INDEBTEDNESS

### Image

Platinum CEO, Chris Griffith (middle), has worked closely with employees to combat high levels of indebtedness.



Home ownership has a positive influence on employees and their families. In order to help employees to secure home loans, an important focus for us is combating high levels of employee indebtedness.

AASA's employee indebtedness programme is designed to assist employees to deal with unsustainably high debt levels and give them an opportunity to become financially secure through:

- Fair and affordable credit
- Fair lending practices
- Challenging reckless lending practices

- Credit report clearances – e.g. blacklisting and impaired credit records
- Imparting financial knowledge and skills, enabling more informed decisions.

The methods used to achieve success in debt rehabilitation are proactive engagement with employees; financial-wellness education; annual and *ad hoc* communication initiatives; and housing integration where employees whose home loan applications have been declined owing to impaired credit records are mentored and their subsequent applications are tracked.

It takes courage to face up to the consequences of being over-indebted, and to go through the process of resolving the situation. Indebted employees first need to make an appointment with a consultant to discuss their challenges; then go through the necessary steps to get their debt under control; lastly they need to sustain a more disciplined approach to managing their finances to avoid a relapse. Many employees attend the first consultation but do not follow through – face-to-face contact with an understanding and sympathetic consultant is vital.

In 2018, a revised layered approach will be taken which will identify stakeholders – indebted and other employees, family, friends and management – and take them on a journey to becoming debt-free and responsibly managing personal finance.



## TACKLING EMPLOYEE INDEBTEDNESS CONTINUED

Indebtedness solutions implemented by end-December 2017						
Business unit	Number and % of employees signed up for Nkululeko	Number and % of employees who signed debt relief solutions <sup>1</sup>	Collective saving achieved through reduced debt instalments <sup>2</sup>	Total amount saved and refunded back to employees by auditing administration and garnishee orders for irregularities	Number of garnishee orders reduced	Number of employees saved and refunded back to employees by auditing administration and garnishee orders for irregularities
Platinum	2,608 (49%) Power of Attorney (POA) agreements signed  6,600 interactions with employees recorded – informal engagements/enquiries	116 (54% of POAs)	R22.3 million from interest rates, on average, going from 24% to 5%, with an average saving of 19 percentage points  An average of 56% of net income added back into employee households	R570,172	993 to 230	7,429
Kumba	471 (7%) POA agreements signed  2,435 interactions with employees recorded – informal engagements/enquiries	5 (1% of POAs)	R1.16 billion from interest rates on average, going from 26% to 6%, with an average saving of 20 percentage points  An average of 52% of net income added back into employee households	R122,795	543 to 464	1,589
Coal South Africa	On-site implementation began April 2018	N/A	N/A	N/A	605 to 204	N/A
De Beers	N/A	N/A	N/A	N/A	395 to 226	N/A <sup>3</sup>

<sup>1</sup> Assisting employees who could not afford their debt repayments by providing them with reduced instalments and/or challenging irregularities on their loan agreements or orders, resulting in refunds or savings.

<sup>2</sup> Employees overcharged as a result of inflated interest rates have been refunded accordingly, supplementing their disposable income to spend on living expenses.

<sup>3</sup> Employees are invited to attend financial wellness sessions via employee wellness programme provider, ICAS.

# HOUSING AND LIVING CONDITIONS CONTINUED



## COAL SOUTH AFRICA

Coal South Africa's housing strategy has been in place since 2007. The strategy includes the building of houses for sale to employees in areas close to the company's operations in Witbank, Middelburg, Standerton, Kriel and Vereeniging; the selected sale of company- and Eskom-owned houses to employees; retention of stock to provide accommodation for non-local employees and older employees close to retirement; and rehabilitated mine villages to cater for the reduced number of employees living in company accommodation.

In 2017, Coal's expenditure on housing, including allowances, was R673 million (2016: R485 million). The number of employees living in company accommodation declined by 11% to 1,158 (2016: 1,305). A total of 10% of employees were living in company accommodation at year end. Coal built 14 new houses in 2017 (2016: 33), available for rental by employees. Eleven company houses were sold to employees in 2017, making a total of 187 units sold between 2010 and 2017.



## DE BEERS

In 2017, De Beers spent a total of R5 million, or 14% more than the R4.4 million expended in 2016, on housing, inclusive of the FHOP administration costs. Housing allowances and water and electricity allowances paid to employees are excluded from this amount. These allowances (which are not necessarily linked to home ownership) are included in the annual wage bill, and amounted to some R12 million during 2017.

De Beers provides company housing to 450 skilled employees at Venetia mine. The company does not provide accommodation for skilled and semi-skilled employees at other operations as these employees are recruited from local communities around the mines.

In 2017, there was a marked increase in the number of enrolments for the FHOP (see case study on page 40), attributable to a relaunch of, and increased communication around, the scheme.

### Image

Our housing projects are undertaken with the aim of providing quality and safe living conditions for our employees.





**KUMBA**

In 2017, Kumba's expenditure on housing, including allowances, was R305 million (2016: R300 million). At both Sishen and Kolomela there are limited housing units available and capital funding remains a constraint. This is being mitigated by renting accommodation. Kumba is investigating alternative subsidy solutions to increase housing purchase affordability for Kolomela employees. In addition, the existing infrastructure in Postmasburg is old and not well maintained and Kumba plans to invest in the development of town infrastructure as a further mitigation measure.

In 2017, Sishen mine provided 3,186 housing allowances and home-loan subsidies. A total of 2,623 subsidised rental units were provided to employees who qualified. Home ownership was supported through 1,370 facilitated housing units (units built by Kumba to sell). Kolomela mine provided accommodation to 836 employees, made possible by the renting of an additional 118 houses through real-estate agencies. The mine supported home ownership through housing allowances and bond subsidies.



**PLATINUM**

It is Platinum's vision to provide all employees with the means to stay in decent and sustainable accommodation by 2025. The company promotes home ownership by employees in both proclaimed and unproclaimed township areas.

Strategic objectives include:

- building sufficient stock in remote regions where the company operates in order to attract scarce skills
- facilitating decent rental accommodation to cater for employees with primary homes away from the mine
- conversion of living-out allowances into rental allowances, especially for lower-income employees so they can move from informal settlements into quality accommodation
- partnering with government and assisting with the provision of community housing to host communities by the donation of land or part-funding of services, where applicable

Platinum is beginning construction of 413 home-ownership units in Mokopane Ext 14 in Limpopo for Mogalakwena Complex employees and 85 home-ownership units in Thabazimbi Ext 18/22 for Amandelbult Complex employees. The company is also establishing a development on 21 hectares of land on Polokwane Plot 145, which will provide 250 stands for Polokwane Smelter employees.

Preliminary work was carried out on the Mokopane project, with five showhouses being built. The installation of bulk infrastructure – stormwater drainage, internal roads, sewerage work and electrical reticulation – commenced in June 2017, to be completed in August 2018. The construction of the 413 houses will be completed over four to five years.

A town planner was appointed to begin development of the 21-hectare parcel of land in Polokwane, the first step in rezoning the land to a residential area. The process will take two to three years to complete, followed by the installation of bulk infrastructure.



# BENEFICIATION



## CASE STUDY



### Image

Stimulating demand for platinum jewellery is one of the ways Platinum supports locally manufactured jewellery.

### PLATAFRICA COMPETITION KEY TO PLATINUM'S BENEFICIATION ACTIVITIES

The annual PlatAfrica competition, of which the 18<sup>th</sup> edition was held in 2017, is synonymous with excellence in platinum jewellery design and manufacture, and is one of Platinum's key beneficiation activities in developing local jewellery design and manufacturing skills. Moreover, the Plat Africa competition is linked to the company's global jewellery market development activities through a partnership with the Platinum Guild International (PGI).

The competition is open to students, apprentices and professionals, giving them the chance to

learn how to work with platinum metal. Each student and apprentice receives written feedback on their pieces, providing an invaluable skills-development and capacity-building opportunity. Close to 90 entries from professionals, apprentices and students were received in 2017.

In 2016, the winners were given invaluable exposure to the Indian jewellery market. The winners, in addition to receiving a cash prize, were invited to participate in PGI India's design-sourcing workshops. Here they were able to interact with renowned jewellery designers and industry experts and gain insights into the jewellery value chain. The 2017 winners will again be offered this unique opportunity.



## THE 2010 MINING CHARTER REQUIREMENTS

The 2010 Charter encourages companies to work on the beneficiation of the minerals they mine. However, the framework for measuring achievements in beneficiation and related offset methodology has not yet been defined by the DMR.

## OUR PERFORMANCE

An area where South Africa can increase its potential for economic growth, development and job creation is the beneficiation of its extracted minerals. Beneficiation is the transformation of a mineral, or a combination of minerals, into a higher-value product, which can either be consumed locally or exported. Beneficiation is a driver for empowerment of HDSAs and enables the development of new entrepreneurs in downstream and sidestream industries.

In pursuing economically-feasible beneficiation opportunities, we seek to support the government's national development goals and beneficiation strategy.

AASA provides the raw materials for downstream value-addition. AASA also creates enabling environments for local beneficiation by way of enterprise development and technological research. In addition, AASA looks for opportunities to transform mining and industrial process by-products into commercially-viable resources.

### CHALLENGES AND ACTIONS

Against the background of a maturing mining sector and rising unemployment, beneficiation may become a method for reinvigorating the economy's growth.

However, there are challenges that stand in the way of South Africa's minerals beneficiation success. These challenges include power supply and skills shortages; the identification of and access to markets for locally benefited products; and beneficiation infrastructure constraints.

AASA and its business units look for innovative solutions to overcome these obstacles. In particular, enterprise development, training, research and development, new technology and the building of partnerships feature in AASA's beneficiation drive.



### COAL SOUTH AFRICA

Coal South Africa is facilitating the development of clean-coal technologies. These include high-efficiency, low-emission combustion technologies and carbon capture and storage (CCS). Both technologies mitigate the levels of carbon emissions generated during the combustion of coal for power generation.

One of the ways in which Coal South Africa aids the development of clean-coal technologies is through its active membership and support of various key organisations. These include the:

- International Energy Agency Clean Coal Centre
- South African Centre for Carbon Capture and Storage
- World Coal Association
- Coal Industry Advisory Board, an advisory board to the International Energy Agency

In a process which contributes to beneficiation and the rehabilitation of the environment, Coal South Africa supplies weathered coal, a potential pollutant, to produce a specialised humic acid-based fertiliser. Approximately 2,000 tonnes were supplied in 2017.

Coal South Africa continues to investigate the use of commercially-exploitable discard coal for power-generation purposes. One example is the Khanyisa Project, a 600 MW independent power producer (IPP) generation project. The power station will use proven circulating fluidised-bed combustion technology to provide power – while reducing coal waste.

Gypsum waste produced at the eMalahleni water reclamation plant is being used in the agricultural industry for soil amelioration after extensive trials were carried out in collaboration with the Department of Environmental Affairs.

Coal South Africa is an active participant in Coaltech, an industry-wide collaborative research initiative that focuses on exploring technologies and approaches to develop the local coal industry.

# BENEFICIATION CONTINUED



DE BEERS

The South African diamond beneficiation sector, which encompasses rough diamond cutting and polishing, and jewellery design and manufacture, has experienced a decline. A concerted effort is needed to revive the sector in partnership with beneficiators, industry organisations and government.

### Training and development

In 1999, De Beers established the Harry Oppenheimer Diamond Training School. Today, the school is an internationally-recognised educational institution, providing specialised training in diamond-cutting and -polishing, and -evaluation.

In 2011, the company, working in partnership with the Northern Cape provincial government, launched the Kimberley International Diamond and Jewellery Academy (KIDJA). Since inception, KIDJA has trained 440 students, some 70 of them being students with disabilities. De Beers also provides bursaries to disadvantaged learners.

### Providing rough diamonds for local beneficiation

Providing a supply of rough diamonds to De Beers' clients, or Sightholders, is essential to ensuring the sustainability of local cutting and polishing factories and maintaining jobs within the local beneficiation sector. Sightholders employ approximately 80% of the cutters and polishers in South Africa.

In 1986, De Beers established Diamdel, which provided rough diamonds to 106 cutting and polishing businesses, a third of whom were HDSA clients, who were not Sightholders. Diamdel ceased to operate in 2007, when government established the State Diamond Trader (SDT). De Beers continues to supply the SDT with up to 10% of its South African production.

In 2015, De Beers introduced a new customer category, accredited buyers, to create an opportunity for beneficiators, who are not yet Sightholders, to access rough diamonds from De Beers on an *ad hoc* basis.

### Facilitating jewellery design and manufacture

To facilitate the entry of new players into the jewellery sector, De Beers launched the Shining Light Jewellery Awards in 1996. These awards are held every two years and attract some 400 entrants. The awards were launched in Namibia and Botswana in 2008, and amalgamated into one regional competition in 2015.

### Creating an enabling environment

Creating an enabling environment for beneficiation to succeed is critical, especially for a sector that competes on an international stage. De Beers, with its global footprint, international experience and partners across the diamond pipeline, has established a formal partnership with the Gauteng Industrial Development Zone for the establishment of a Jewellery Manufacturing Precinct at the OR Tambo Industrial Development Zone.

## DE BEERS DRIVES BENEFICIATION THROUGH ENTERPRISE DEVELOPMENT



The De Beers Zimele Enterprise Development initiative provides support in the form of funding and mentorship to local diamond-cutting and -polishing businesses. Since its launch in 2009, De Beers Zimele has created around 3,000 jobs, and funded some 265 enterprises, with loans amounting to R82.5 million.

In a further effort to drive local diamond beneficiation, the Enterprise Development Project for Diamond

Beneficiators was launched in 2016. Five HDSA-owned diamond beneficiation businesses were selected to participate in the project, two of which are 100% female-owned, and another, 50% female-owned.

The project, run in partnership with Sightholders, provides a comprehensive development approach covering rough diamond purchasing, cutting and polishing, marketing and distribution of polished diamonds. Participants receive assistance in their development as well as hands-on support from leading business incubator specialists. In addition, De Beers provides rough diamonds directly to the selected businesses.

Project members have successfully graduated from the first two years of the programme, recording an average 96% increase in turnover and 53% increase in employment. De Beers hopes that project members develop as entrepreneurs, resulting in the sustainable growth of their businesses and with the potential to qualify as locally-owned Sightholders.

### Image

De Beers provides an assured supply of rough diamonds to its clients to ensure the sustainability of local cutting and polishing factories.



## KUMBA

Kumba produces high-grade lump and fine iron ore for local and international iron ore markets. The company is one of the largest haematite ore producers in the world to beneficiate its run-of-mine (ROM) material before marketing it as a niche high-grade product to the steelmaking industry.

Kumba has a long-term strategy to utilise new and existing technology to enhance the beneficiation of its current resources and future low-grade resource at both mines, increasing production from existing resources and extending their life of mine. In 2017, Kumba spent R226 million (2016: R187 million) on technology development, including beneficiation.

Sishen mine in Kathu, Northern Cape, produces around 30 Mtpa of high-grade products. The operation beneficiates 100% of its ROM material and employs three different beneficiation methods – jigging, dense media separation (DMS) and ultra-high dense media separation (UHDMS) – to produce product from different types of feed material.

Kolomela mine produces around 14 Mtpa of high-grade iron ore product from its Postmasburg operations. The product consists of 93% direct shipping ore and 7% beneficiated ore from lower-grade ores via UHDMS.

In 2017, Kumba produced a total of 45.0 Mt of product, of which 70% (2016: 69%) was beneficiated before sale.



## PLATINUM

Platinum has partnered with Metal Concentrators to continue and grow its financing scheme, which has been offered to South African jewellers since 2006. Both companies are committed to supporting the local platinum jewellery industry to enable and encourage greater opportunities for domestic jewellers in both local and international markets.

In 2015, Platinum sponsored three hydrogen-based fuel cells at three schools in the Cofimvaba district in the Eastern Cape as part of the Department of Science & Technology's TECH4RED (Technology for Rural Education and Development) programme. The fuel cells continue to provide stand-by, and, when required, primary power to the schools.

As part of TECH4RED, the company funded a science education programme that was rolled out to some 3,500 learners at 26 schools in the region. A project involving global customers has helped expand the education initiative to reach an additional 500 learners at 14 schools. In 2016, the South African Agency for Science and Technology Advancement extended the reach of the science education programme with a roll-out at 18 science centres, increasing awareness of and education in hydrogen and fuel cells nationally.

During 2017, the company, together with the Department of Science and Technology, concluded fuel-cell-related research at North West University and the University of Cape Town aimed at developing local skills and fuel cell products that can be commercialised. The company also co-funded projects at the Medical Research Council, aimed at developing PGM-containing medical devices and drugs.

The PGM investment programme was created to invest in early-stage companies working with technologies that use or enable the use of PGMs. Once invested, Platinum actively pursues value-add opportunities for these companies, including marketing and localisation activities in South Africa. During the year, the company facilitated the award of a US Trade and Development Agency (USTDA) grant for one such investment, Primus Power, which produces large-scale energy-storage batteries. The USTDA grant, together with funding from Platinum, will finance a project demonstrating the performance of Primus's batteries at Eskom. Platinum is also working with Primus Power to develop a localisation plan should its batteries be required in South Africa in future.

Platinum, together with several other platinum producers, provides funding to the World Platinum Investment Council (WPIC), which leads development of investment demand for platinum. Several new partnerships were added in 2017, including one with the UK's Royal Mint to deliver the mint's first range of platinum products, as well as launching platinum on the Bullion Vault's multi-regional online vaulting platform.

Platinum actively supports the local catalytic converter industry, which is the largest PGM downstream sector in South Africa and accounts for 85-90% of the country's domestic PGM use.

Towards the end of 2016, Platinum commissioned a chrome plant at its Amandelbult operations which it co-owns with the community of Mantserre. The chrome plant, which has created in excess of 100 new jobs in the area, demonstrates the company's commitment to extracting value from its basket of metals, while creating a sustainable local business that will provide benefits to the company, host community and the local ferrochrome industry.

# GLOSSARY

<b>AASA</b>	Anglo American South Africa
<b>AET</b>	Adult Education and Training
<b>ARM</b>	African Rainbow Minerals
<b>BEE</b>	Black economic empowerment
<b>BLAST</b>	Building Leaders and Shaping Talent graduate programme
<b>BRPM</b>	Bafokeng-Rasimone Platinum Mine
<b>CCS</b>	Carbon capture and storage
<b>CEO</b>	Chief executive officer
<b>CSI</b>	Corporate social investment
<b>DBCMMH</b>	De Beers Consolidated Mines Holdings
<b>DMS</b>	Dense media separation
<b>DMR</b>	Department of Mineral Resources
<b>EAP</b>	Economically active population
<b>EAT</b>	Equal Allocation Trust
<b>ESOP</b>	Employee Share Ownership Plan
<b>Exco</b>	Executive committee
<b>FDP</b>	Finance Development Programme
<b>FHOP</b>	Facilitated Home Ownership Programme
<b>HDSA</b>	Historically disadvantaged South African
<b>HSE</b>	Health, safety and environment/al
<b>IDC</b>	Industrial Development Corporation
<b>IPP</b>	Independent power producer
<b>ISO</b>	International Organization for Standardization
<b>IT</b>	Information technology
<b>JSE</b>	Johannesburg Stock Exchange
<b>JV</b>	Joint venture
<b>KIDJA</b>	Kimberley International Diamond and Jewellery Academy
<b>KPI</b>	Key performance indicator
<b>METF</b>	Minerals Education Trust Fund
<b>Mining Charter</b>	Broad-Based Black Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry

<b>MQA</b>	Mining Qualifications Authority
<b>MOU</b>	Memorandum of understanding
<b>MPRDA</b>	Mineral and Petroleum Resources Development Act
<b>Mtpa</b>	Million tonnes per annum
<b>NPC</b>	Non-profit company
<b>NQF</b>	National Qualifications Framework
<b>OCT</b>	Organisational Culture Transformation
<b>PDC</b>	People Development Committee
<b>PGI</b>	Platinum Guild International
<b>PGM</b>	Platinum group metal
<b>PIC</b>	Public Investment Corporation
<b>POA</b>	Power of attorney
<b>RBN</b>	Royal Bafokeng Nation
<b>RBPlat</b>	Royal Bafokeng Platinum
<b>ROM</b>	Run of mine
<b>SARS</b>	South African Revenue Service
<b>SEAT</b>	Socio-economic assessment toolbox
<b>SETA</b>	Sector Education and Training Authority
<b>SIOC</b>	Sishen Iron Ore Company
<b>SLP</b>	Social and Labour Plan
<b>SMME</b>	Small, medium and micro enterprise
<b>SDT</b>	State Diamond Trader
<b>STEM</b>	Science, technology, engineering and mathematics
<b>T&amp;S</b>	Technical and Sustainability
<b>TECH4RED</b>	Technology for Rural Education and Development
<b>TVET</b>	Technical and Vocational Education and Training
<b>UHDMS</b>	Ultra-high dense media separation
<b>UN</b>	United Nations
<b>USTDA</b>	US Trade and Development Agency
<b>WPIC</b>	World Platinum Investment Council





STRATEGIC COMMUNICATIONS

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