



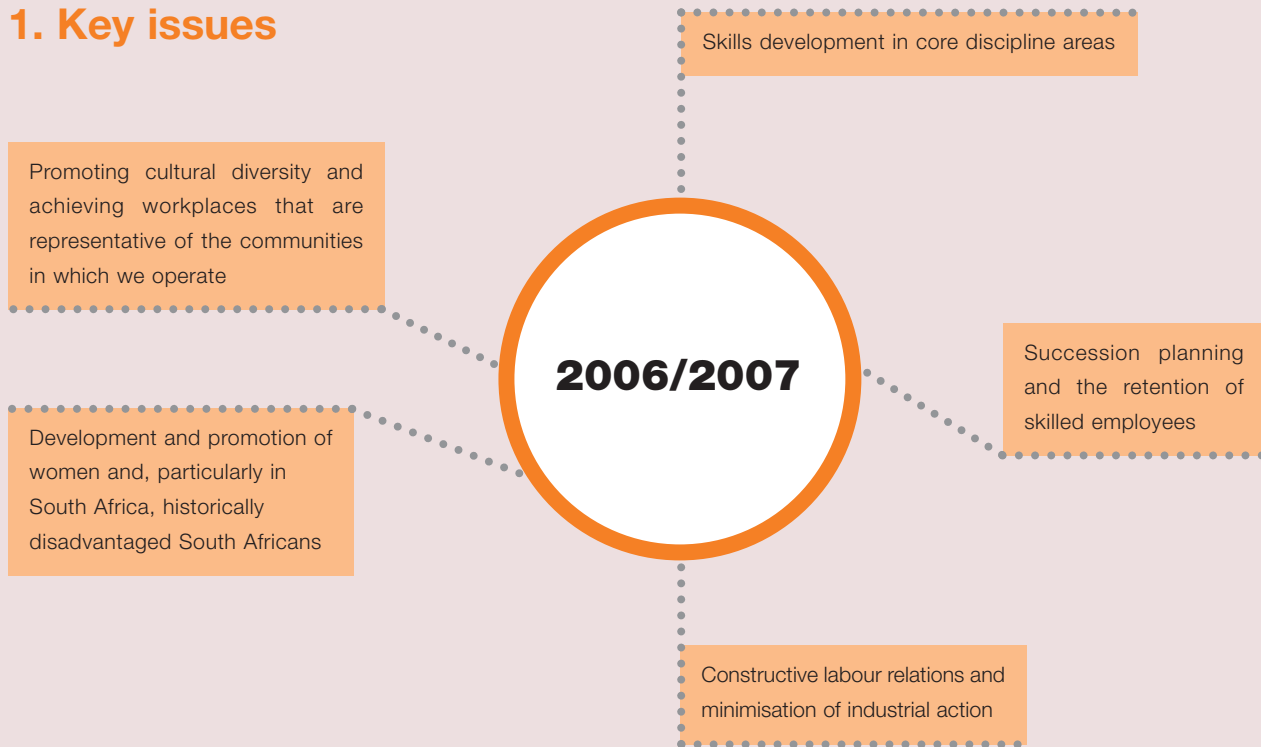
# Developing skills and embracing diversity – human resources

## Contents

1	Key issues	66
2	Living our values	66
3	Our scorecard	68
4	Review 2006	68
5	Case studies	76
6	Objectives 2007	77



## 1. Key issues



## 2. Living our values

One of the group's core business principles relates to employees, namely:

We provide our employees with opportunities to develop their skills while sharing risks and rewards in workplaces that promote innovation, teamwork and freedom with accountability. We embrace cultural diversity.



## HUMAN RESOURCES

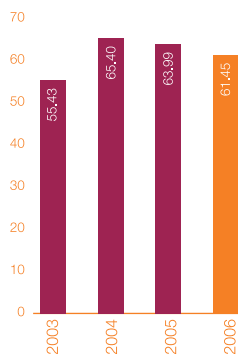
### AngloGold Ashanti as an employer – labour practice

1. AngloGold Ashanti is committed to upholding the Fundamental Rights Conventions of the International Labour Organization (ILO). Accordingly, we seek to ensure the implementation of fair employment practices by prohibiting forced, compulsory or child labour.
2. AngloGold Ashanti is committed to creating workplaces free of harassment and unfair discrimination.
3. As an international company, we face different challenges in different countries with regard to, for example, offering opportunities to citizens who may not have enjoyed equal opportunities in the past. In such cases, the company is committed to addressing the challenge in a manner appropriate to the local circumstances.
4. We will seek to understand the different cultural dynamics in host communities and adapt work practices to accommodate this where doing so is possible and compatible with the principles expressed in this document.
5. The company will promote the development of a workforce that reflects the international and local diversity of the organisation.
6. The company will provide all employees with the opportunity to participate in training that will improve their workplace competency.
7. The company is committed to ensuring that every employee has the opportunity to become numerate and functionally literate in the language of the workplace.
8. The company is committed to developing motivated, competent and experienced teams of employees through appropriate recruitment, retention and development initiatives. An emphasis is placed on the identification of potential talent, mentoring and personal development planning.
9. Remuneration systems will reward both individual and team effort in a meaningful way.
10. Guided by local circumstances, we shall continue to work together with stakeholders to ensure minimum standards for company-provided accommodation.
11. The company assures access to affordable health care for employees and where possible, for their families.
12. We are committed to prompt and supportive action in response to any major health threats in the regions in which we operate.





Total number of employees – Group (including contractors)  
Calculated on a monthly average basis



### 3. Our scorecard

In our Report to Society 2005, we set a number of objectives that we wanted to achieve in 2006 and we report on these in our scorecard below.

Objectives 2006	Performance 2006
Alignment of employment practices throughout the group, while maintaining observance of local laws, customs and conventions.	Significant alignment of employment practices was achieved during the year. However, some work still remains.
Enhancing the company's localisation and employment equity programmes, particularly at African operations, with a methodical focus on the skills transfer to, and career development of, local citizens.	Good progress was made with the implementation of the company's localisation and employment equity programmes, with specific emphasis placed on skills retention. Further work needs to be done.
Implementation of performance contracts for each AngloGold Ashanti employee, either as an individual or as a member of a working team.	This has been achieved to some degree, particularly at the senior and middle management levels. Further work is required.
Establishment of an Employee Share Ownership Programme (ESOP) in South Africa, and examination of the feasibility of ESOPs or alternative structures or benefits aimed at aligning employee and company interests at company facilities elsewhere in the world.	An ESOP for South African employees was approved by the shareholders in December 2006 and is currently being implemented. (See case study on page 138). An ESOP is planned for the Ghanaian operations and is being considered in Namibia and Tanzania.

### 4. Review 2006

We report our performance in 2006 against our business principles.

#### Introduction

AngloGold Ashanti is a significant employer in the global gold mining industry. Of importance is the fact that many of its operations are situated in countries and regions where, in terms of the local economy, the company is a significant employer – such as in South Africa, Ghana and Tanzania.

AngloGold Ashanti employed 61,453 people in 2006 (calculated on a monthly average basis), made up of 46,407 (75.5%) permanent employees and 15,047 (24.5%) contractors and joint venture employees. In 2005, the group employed 63,993 people, comprising 47,848 employees and 16,145 contractors.

## HUMAN RESOURCES

### Employees and contractors

	Employees	Contractors	Total 2006	Total 2005	Variance (%)
Argentina	623	283	906	946	-4.2
Australia	111	368	479	393	21.9
Brazil	2,155	2,273	4,428	3,371	31.4
Ghana	6,509	2,935	9,443	10,180	-7.2
Guinea	1,541	1,167	2,708	1,978	36.9
Mali	506	967	1,473	1,309	12.5
Namibia	313	–	313	315	-0.6
South Africa	30,162	5,806	35,968	40,754	-11.7
Tanzania	2,043	1,177	3,220	2,280	41.2
USA	325	44	369	357	3.4
Other*	2,119	27	2,146	2,110	1.7
Total group	46,407	15,047	61,453	63,993	-4.0

\* Includes corporate office and other non-gold producing subsidiaries.

Changes in employee numbers above reflect:

- Go-ahead for Boddington project in Australia and change in shaft arrangements at Sunrise Dam;
- Expansion at Cuiabá in Brazil;
- Sale of Bibiani mine in Ghana, retrenchments at Obuasi (see below) and natural attrition; and
- Full impact of transition to owner-mining in Tanzania.

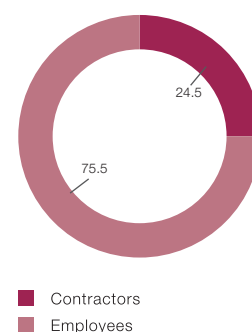
In December 2006, AngloGold Ashanti announced a restructuring programme at the Obuasi mine in Ghana. The first phase will involve the retrenchment of 850 of the mine's 5,700 employees and 1,100 contract employees. The second phase will involve the retrenchment of some 1,154 additional people. The restructuring is intended to rightsize the cost structure at the mine in line with production of around 400,000 ounces per annum. Historically the mine was predominantly managed on a functional basis. However, after the initial re-engineering and re-structuring undertaken by AngloGold Ashanti over the past two years, the mine is now managed on a process basis which has reduced the labour complement and identified positions no longer needed. The retrenchments follow extensive consultation and communication with employees.

### Management structure and governance

Four executive directors and 13 non-executive directors direct the AngloGold Ashanti board. The board is chaired by non-executive chairman, Russell Edey, and supported by non-executive deputy chairman, James Motlatsi. The chief executive officer, Bobby Godsell, has been in that position since the inception of the company in 1998. The board structure and role is discussed in the Annual Report 2006 and in the Ethics and Governance section of the Report to Society 2006.

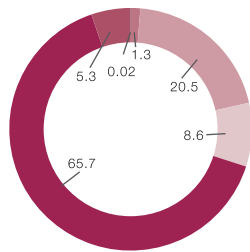
The four executive directors are charged with the day-to-day running of the company (making up the executive committee (Exco), which is chaired by the CEO), and they are supported by the management committee. A member of the management committee is responsible for human resources and the central human resource development policies that guide and support the human resources practice within the group. Two chief operating officers and the management of the regions/countries are responsible for the management of the company. Policies are developed and procedures implemented that are relevant to the country and circumstances inherent within the region, complying with regional legislation and labour requirements, as well as region-specific imperatives.

Employees versus contractors employed 2006



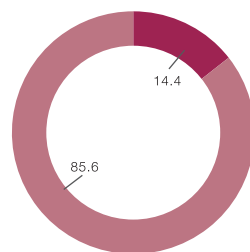
# HUMAN RESOURCES

Country of origin of South African employees (%)



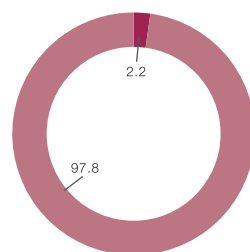
- South Africa
- Swaziland
- Botswana
- Lesotho
- Mozambique
- Other

Workforce represented by a recognised unions (%) 2006



- Not represented by recognised trade union
- Represented by recognised trade union

Workforce represented by a recognised union – South Africa (%) 2006



- Not represented by recognised trade union
- Represented by recognised trade union

In the discussions that follow the company's performance as an employer is reported on. This performance is in line with the company's business principles, which are shown in orange below.

The company reports independently on its compliance with the Mining Charter. This information may be found at [www.anglogoldashanti.com](http://www.anglogoldashanti.com)

**Business principle 1:** AngloGold Ashanti is committed to upholding the Fundamental Rights Conventions of the International Labour Organization. Accordingly, we seek to ensure the implementation of fair employment practices by prohibiting forced, compulsory or child labour.

By virtue of its South African domicile, AngloGold Ashanti is subject to certain conventions signed by the South African government, including the human rights and social conventions of the ILO (ILO 29, 87, 98, 100, 105, 111, 128 and 138). South Africa's constitution, together with its associated laws, guarantees non-discrimination on the basis of race and other unfair grounds, freedom of association and the rights of children, among other basic human rights.

Certain ILO conventions (such as ILO Convention 128 dealing with child labour, and ILO Convention No 29 dealing with forced and compulsory labour) are also governed by law in South Africa, Argentina, Brazil, Australia, Namibia, Tanzania and the United States, and by law and various codes such as the Labour Code and Collective Agreement in Mali.

A wide range of agreements and policies is also in place at an operational level to ensure that human rights are protected. These include recognition and collective bargaining agreements, disciplinary, grievance and appeal procedures and non-discrimination agreements.

No breaches of fundamental rights conventions of the ILO were alleged or charges brought against the company in connection with these during 2006.

## Freedom of association

In line with the group's upholding of human rights conventions, freedom of association is encouraged and collective bargaining structures are recognised in those regions where such structures commonly exist. In practice, this means they exist at all operations except CC&V in the United States and Sunrise Dam in Australia, where employees are not members of unions (as is common practice in these countries). Management/union relationships are governed by negotiated agreements in respect of most of the group's workforce, with 85.6% of the global workforce represented by recognised trade unions or catered for through collective bargaining processes.

In South Africa, 97.8% of all employees are either represented by unions or catered for by the agency shop agreement. (This agreement exists across the lower level bargaining unit within the company. This means that non-union members contribute 0.75% of their monthly basic pay to a human and industrial relations fund, whereas union members contribute 1% of their monthly basic pay to this cause.) The four unions that are recognised are the National Union of Mineworkers (NUM), the United Association of South Africa (UASA), Solidarity and the South African Equity Workers' Association (SAEWA).

There were no significant disputes or strikes in South Africa during the period, although there were six incidents that led to brief work stoppages. These incidents were amicably resolved. Elsewhere, one strike took place at Cerro Vanguardia Argentina in April and May 2006 by some 200 employees. A total of nine working days were lost.

# HUMAN RESOURCES

**Business principle 2:** AngloGold Ashanti is committed to creating workplaces free of harassment and unfair discrimination.

Racial and sexual harassment and other forms of discrimination are prohibited by the company's business principles as well as by legislation in most of the countries where the operations are situated. Specific policies are in place at all AngloGold Ashanti's operations to protect the interests of employees.

Representation of women at all levels is as follows:

- 6.2% of all permanent employees are women (2005: 6.1%);
- women make up 5.9% of the board (2005: 5.9%).

**Business principle 4:** We will seek to understand the different cultural dynamics in host communities and adapt work practices to accommodate this where doing so is possible and compatible with the principles expressed in this document.

In Mali, expatriate and local employees attend cultural diversity courses, run by a local service provider. A report on Cultural Diversity in Ghana was commissioned by AngloGold Ashanti in 2006. Written by a local, Ghana-based academic and consultant, it is intended to be a guide for expatriate employees and contractors who are sent on assignment or transfer to Ghana, to sensitise them to local traditions, customs and other relevant issues. It is intended that similar documents will be produced for Tanzania and the DRC.

**Business principle 3:** As an international company, we face different challenges in different countries with regard to, for example, offering opportunities to citizens who may not have enjoyed equal opportunities in the past. In such cases, the company is committed to addressing the challenge in a manner appropriate to the local circumstances.

and

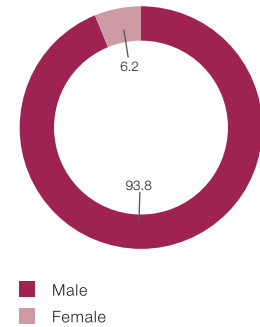
**Business principle 5:** The company will promote the development of a workforce that reflects the international and local diversity of the organisation.

Employment equity forms a part of AngloGold Ashanti's broader human resources strategy which aims to promote an organisational culture that recognises the diversity of the societies within which the company operates, and which affords all employees the development opportunities that will enable them to achieve optimal levels of career development during their employment with the company. The group's employment equity and equal opportunity programme covers employee development and retention, strategies to counteract losses, career development and the promotion of mobility in an environment that is free of unfair discrimination.

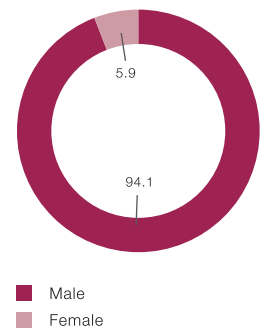
Employment equity and/or equal opportunity targets are set and their attainment is monitored by a board sub-committee, the Employment Equity and Skills Development Committee.

- In South Africa the employment of historically disadvantaged South Africans (HDSAs) remains a particular priority. Employment targets and achievements are reported annually to the South African Department of Labour (DoL) in 1 August, and reporting will also be provided in terms of the Mining Charter from 2007. Based on the report provided to the DoL in South Africa, HDSAs comprise 26% of management (2005: 22%). (Managerial employees are defined as those in supervisory and management roles in Paterson job grades D-Lower and above). HDSAs make up 18% of the board (2005: 18%).

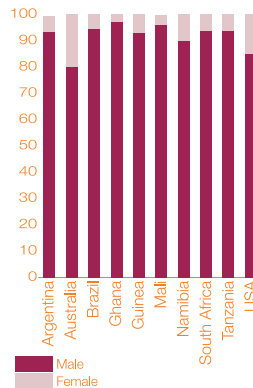
Women employed – Group (%)



Women on board – Group (%)



Percentage male to female employed (permanent employees only)\* – Group



\*In the USA permanent employees are categorised as regular employees



- Where possible, it is standard practice for AngloGold Ashanti to employ indigenous people, rather than expatriate employees, at all its African operations (apart from those in South Africa).
- Foreign migrancy is reported in South Africa in line with the spirit of the Mining Charter. Foreign migrants are defined as employees drawn from outside the borders of South Africa but generally from countries within the Southern African Customs Union as well as Mozambique. Many other migrant workers originate from rural areas within South Africa. The percentage of foreign migrant employees (defined in this way) was 35.7% as at 31 December 2006 (2005: 36%).

AngloGold Ashanti has a group policy in place that encourages the employment of local employees and replacement of expatriate employees over time, through skills transfer programmes and career development of local citizens.

In 2006, progress was made:

- in engaging with academic institutions, particularly in Ghana and Mali, for the development of middle management; and
- in the development of middle and senior management to build their own competencies.

In particular, at operations in Ghana, Guinea, Namibia, Tanzania and Mali job vacancies, recruitment and separation rates rose significantly in 2006 in relation to previous years. Numerous factors have contributed to this. The expansion of the global mining industry resulted in competition for skilled employees, particularly in the technical disciplines during 2006 and this was compounded by the impending closure of Yatela and Morila, resulting in the loss of many employees.

All of these operations have localisation plans in place which have achieved varying degrees of success. The following principles underpin the region; strategy:

- Localisation programmes are developed in accordance with the Company's Employment Equity Philosophy. (See our website at [www.anglogoldashanti.com](http://www.anglogoldashanti.com)).
- A commitment to the development of employees and the provision of employment opportunities are as stated in the company's values and business principles.

Localisation plans on all operations are scheduled to be reviewed during the course of 2007 with the emphasis being placed on the following: identification of potential, talent management, succession plans, and training and development plans. Progress reviews of the respective localisation plans will take place quarterly during technical visits to the mine by the regional executive teams. (See case study on our website on Localisation programme in Tanzania – [www.aga-reports.com/06/localisation.htm](http://www.aga-reports.com/06/localisation.htm)).

**Business principle 6:** The company will provide all employees with the opportunity to participate in training that will improve their workplace competency.

AngloGold Ashanti's philosophy encompasses a wide range of training initiatives. In 2006, the company spent \$26.37 million on employee training and development, of which \$21.20 million – 4.64% of pay roll – was spent in the South Africa operations). In 2005, the employee training and development costs for South African-based operations amounted to \$23.2 million.

**Business principle 7:** The company is committed to ensuring that every employee has the opportunity to become numerate and functionally literate in the language of the workplace.

It is the company's policy to provide Adult Basic Education and Training (ABET) to ensure that all employees are able to become literate and numerate. (All employees at the operations in Australia and the United States are literate, as are most employees in Argentina, Brazil and Ghana.)

## HUMAN RESOURCES

To be literate in a particular language, individuals should be able to use the language effectively to think, to acquire knowledge, to express their identity, feelings and ideas, and to interact with others. To be numerate, an individual should be able to develop the ability and confidence to think numerically in order to interpret and analyse critically everyday situations and to solve problems.

For many years the company has afforded its employees the opportunity to become literate and obtain a qualification that will allow for greater career advancement opportunities. Currently, 19% of the South African workforce does not have a recognised qualification.

**Business principle 8:** The company is committed to developing motivated, competent and experienced teams of employees through appropriate recruitment, retention and development initiatives. An emphasis is placed on the identification of potential talent, mentoring and personal development planning.

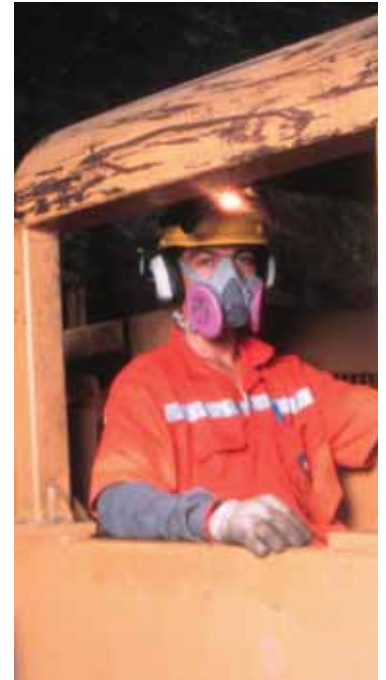
The group's Talent Management Programme identifies and develops the group's management for the future. The programme has three areas of intervention, namely, the development, retention and monitoring of talent, and includes an annual talent review at executive level to monitor succession plans for talented employees.

The programme is aimed both at specific individuals, who have been identified through their career development plans, and groups of individuals with high potential, all of whom attend a range of management development programmes. Development plans form part of the greater performance management process within the group and are reviewed twice a year.

The group runs an Executive Development Programme (EDP), a Management Development Programme (MDP) and an Intermediate Management Development Programme (IMDP), where younger employees with management potential are identified and given an opportunity to develop their careers.

Study assistance programmes for employees and non-employees are provided across the group to increase the skills pool available to AngloGold Ashanti. In total, \$1.98 million was spent on providing bursaries and study assistance to employees and non-employees across the group in 2006.

- The South African operations support students in full-time studies at universities and universities of technology (formerly technikons). The bursary scheme is open to employees (in-service bursary scheme) as well as to the general public or so-called 'off-the-street' candidates. The company currently supports 48 students in the respective schemes studying towards tertiary qualifications. In respect of the 48 students, 12 are employees while 36 are 'off-the-street' students. \$0.75 million (R5.12 million) was spent on this programme in 2006. (2005:\$1.7 million – R10.8 million)
- A bursary scheme was implemented in Mali in 2004. Ten top school leavers started studying at the University of Pretoria, South Africa, in the disciplines of mining, engineering, metallurgy, environment and geology.
- In the United States, the company offers scholarships to dependants of eligible employees to assist them with their college education. Some \$40,000 was spent on scholarships for children of employees in 2006. The company also provided reimbursement for tuition fees to employees wishing to pursue a university degree in a discipline related to their position in the company.
- In Ghana, company bursaries are granted to the dependants of employees who have gained admission to government-approved secondary and tertiary educational institutions. This was undertaken at a cost to company of \$135,000 in 2006.
- The Namibian bursary programme is open to all Namibians (not necessarily employees or their dependants). Bursaries are offered in the fields of geology, metallurgy chemical, mechanical and electrical engineering, human resources and accounting. Six bursaries were awarded by Navachab mine in 2006 at a cost to the company of N\$330,000 (\$48,458). (2005: N\$400,000)



## HUMAN RESOURCES

- In South America, the company has a scholarship programme which covers the cost of graduate and post-graduate courses at recognised universities, including language and technical mining courses, at a total cost in 2006 of \$567,000.
- Geita mine in Tanzania has an in-service bursary scheme to promote further educational development of employees. One employee has been sponsored to study at the University of the Witwatersrand in Johannesburg and another at Curtin University in Western Australia.

### Training for life

AngloGold Ashanti aims to deliver training and development widely applicable and transferable – the broad spectrum of programmes ranges from basic literacy and numeracy, through to technical training as well as executive development at top business schools of international repute.

Training for life equips employees or ex-employees with the skills to ensure their continued employability or ability to be self-employed when they are no longer employed by the company. This training is also given in preparation for career endings, both as a result of ill-health or as a result of mine closure. Employees who are retrenched are offered re-training in a skill that will assist them to remain economically active within their community.

**Business principle 9:** Remuneration systems will reward both individual and team effort in a meaningful way.

The company seeks to remunerate employees fairly at both an individual and a team level. Remuneration levels are set taking into account the market as well as economic and inflation indicators. There is generally an annual review or annual negotiations with the representative unions in respect of those employees covered by collective bargaining agreements.

In South Africa, in particular, by far the majority of remuneration elements, although focused on the individual, are the result of collective bargaining between management and the representative unions. This has given rise to standard rates of pay for the majority of employees (non-supervisory employees, miners and artisans) rather than pay scales in which employees are remunerated for their contribution, as is the case with management and officials. In addition to basic pay, various productivity and safety bonus schemes exist at most operations to both motivate and reward employees and can have a

## AngloGold Ashanti Health



## HUMAN RESOURCES

significant impact on basic pay. As well as employee benefits that are legally mandated, the various regions offer health care benefits, pension and provident funds, company vehicles, housing, housing allowances or home ownership schemes, life assurance, tuition assistance, maternity benefits and subsidised canteens, among others.

**Business principle 10:** Guided by local circumstances, we shall continue to work together with stakeholders to ensure minimum standards for company-provided accommodation.

Mining operations are frequently situated in remote areas; in these cases employees are drawn from other regions (and sometimes other countries). Consequently, they do not have their homes in the area. The provision of company accommodation varies from region to region and is dependent on the availability of accommodation, the make-up of the workforce and the remoteness of the region. In major cities, such as Johannesburg, Denver and Perth, housing is readily available.

- At Sunrise Dam, Australia, many employees operate on a fly-in, fly-out basis and accommodation is therefore provided during the period that employees are at work.
- At Cerro Vanguardia, in Argentina, South America, many employees come from outside the immediate area of operation and they either stay in houses constructed by the company in nearby Puerto San Julian or in on-mine facilities.
- At the Sadiola and Yatela mines in Mali, 90% of all employees are housed in company accommodation. Employees not housed in this accommodation receive a housing allowance in accordance with local labour agreements. The government facilitates loans for the purchase of land and housing in the Bamako area.
- A housing loan scheme (for home ownership) is available for senior employees at Geita mine in Tanzania; other employees receive a housing allowance.
- At Navachab in Namibia, 50% of employees are housed in company housing; the remainder of employees receive a housing allowance.
- In South Africa a wide range of accommodation options are available to employees. These options vary from privately-owned houses to company-owned single accommodation residences.

The company provides a housing allowance to assist employees to acquire accommodation.



AngloGold Ashanti Health, a subsidiary of AngloGold Ashanti, provides health care to South African employees. The Vaal River and West Wits areas both have a central hospital providing secondary, and to some extent tertiary level care, surrounded by a network of peripheral primary health care and occupational health clinics. Health care activities which focus on care to employees in these areas and care to immediate dependants, where appropriate, include preventive, occupational, and primary health care; hospital care and the management of trauma; injury on duty; and of HIV/AIDS and tuberculosis. The two occupational health centres are each staffed by two doctors and some 30 support health care practitioners each. The occupational health discipline performs the functions of screening prior to employment, evaluation of baseline health status, surveillance during employment for purposes of early detection of disease (particularly high-risk diseases commonly associated with the mining industry) and directing the management of diseases detected, including the workplace and compensation initiatives required. Each hospital has about 300 beds with emergency rooms, operating theatres and multi-disciplinary intensive care units. Speciality disciplines include internal medicine; general surgery; orthopaedic surgery; ear, nose and throat surgery; radiology; paediatrics; and obstetrics and gynaecology. These clinical disciplines are supported by the allied clinical disciplines of physiotherapy, occupational therapy and clinical psychology, which together ensure comprehensive patient care and rehabilitation. Access to health care is provided to all employees and, in certain circumstances, to their families. All employees not covered by formal medical scheme arrangements have access to health care at company facilities.



Historically, the South African mining industry has drawn a large percentage of its workforce from countries around South Africa – Lesotho, Mozambique, Swaziland and Botswana – as well as from rural areas within South Africa, such as the Eastern Cape, KwaZulu-Natal and Mpumalanga. The majority of these employees prefer to retain their homes in their country or region of origin and to return to their homes during weekends, annual leave periods and at the end of their employment. These employees are accommodated in single accommodation residences which comprise mainly communal rooms (accommodating between four to eight persons per room), catering facilities, visiting families' units and entertainment and recreational facilities.

A programme is in place to convert the communal rooms into single room accommodation. To date 1,031 single rooms have been created and the plan for 2007 is to create a further 572 single rooms. AngloGold Ashanti also plans to redevelop under-utilised residences into family accommodation and some 86 family units have been completed. A further 127 family units will be developed in 2007.

Meals that are provided in the residence comply with international nutritional standards and are monitored by an independent dietician on a monthly basis.

**Business principle 11:** The company assures access to affordable health care for employees and where possible, for their families.

Health care provision and acceptable levels of care are determined by, among other factors, the existing infrastructure in the areas in which the employees are located. For the distant communities with which AngloGold Ashanti is associated, the focus is on facilitating access to basic care.

- In South Africa, health care is largely provided by AngloGold Ashanti Health. (See box on previous page).
- In Argentina and Brazil health care is provided by an external service provider to employees and their families.
- The Malian operations have on-site mine clinics that are registered with the national health authorities and provide health care for all employees and registered dependants.
- In Tanzania health care is provided for employees and their dependants at an on-site occupational health clinic, which was recently upgraded, and local health care facilities. The mine supports the upgrading of the local Geita hospital and offers technical support to its staff.
- Employees at the Navachab mine in Namibia are members of a medical scheme to which the company contributes, and employees are entitled to private health care as part of this scheme. An on-mine clinic provides primary health care and occupational health services.
- Health care services are provided to the employee, his or her spouse and up to six dependants at the Edwin Cade Memorial Hospital at Obuasi in Ghana, while the Iduapriem and Bibiani mines in Ghana and the Sigiri mine in Guinea each has a 24-hour clinic on site for employees and their dependants. In Australia, health care is provided by the national government-run health system and additional employee-funded health insurance is in place. On-site nurses are employed and other health care professionals are contracted to provide a level of care.
- In the United States, access to health care for employees is provided through a self-insured medical plan administered by a third-party administrator.

**Business principle 12:** We are committed to prompt and supportive action in response to any major health threats in the regions in which we operate.

See the Regional Health section on page 50.

### 5. Case studies

The implementation of an Employee Share Ownership Programme (ESOP) at the South African operations in late 2006 represented the achievement of a significant objective for the company. This is reported on more fully in a case study on page 138 of this report.

Other case studies that discuss the various challenges and measures to address these at the various operations around the world may be found on our website. Summaries appear below.

#### Localisation programme in Tanzania

AngloGold Ashanti is moving towards a formal localisation plan, which aims to prepare Tanzanian nationals with the requisite skills at its Geita gold mine. This is with a view to downsizing its expatriate complement. Training and development programmes are in place, with particular emphasis on the mining engineering discipline. It is anticipated that by 2009 the mine will reduce its current expat complement, currently standing at 6.5% of the total workforce, to 5%, the prescribed national norm in Tanzania. (See case study at [www.aga-reports.com/06/localisation.htm](http://www.aga-reports.com/06/localisation.htm)).



#### Reducing labour turnover in Australia

This case study looks into the difficulty of obtaining and retaining skilled labour in Western Australia, particularly within the resource sector, and how AngloGold Ashanti Australia has changed its work roster system to tackle this problem. (See case study – [www.aga-reports.com/06/labour-SDGM.htm](http://www.aga-reports.com/06/labour-SDGM.htm)).



#### Strike points the way for new climate of co-operation at Cerro Vanguardia

A strike involving some 200 employees and which resulted in two days work being lost in April and a further week being lost in May at the Cerro Vanguardia (CVSA) mine in Argentina has resulted in increased understanding and interaction between management and employees. (See [www.aga-reports.com/06/strike-CVSA.htm](http://www.aga-reports.com/06/strike-CVSA.htm)).



### 6. Objectives 2007

The following objectives have been set for 2007:

- alignment of employment practices and, in particular, enhancing the company's localisation and employment practices, and implementing performance contracts at all levels;
- adoption and implementation of an ESOP in Ghana; progress discussions on an ESOP in Namibia and Tanzania;
- roll-out of the Executive Development Programme. This is a collaborative exercise between the Fundação Dom Cabral (FDC) in Brazil, the University of Cape Town Graduate School of Business and AngloGold Ashanti);
- roll-out of the Global Human Resources Systems Project to all operations. The system will contain all policies, procedures and administration, information and will ensure a common standard across the group;
- development of opportunities to enhance diversity within the company; and
- enhancement internal capability to decrease the use of external consultants across disciplines, through short and medium global work assignments.



## Harvesting for the future – Bokamoso ESOP

In October 2006, AngloGold Ashanti Limited, the National Union of Mineworkers (NUM), Solidarity, UASA and Izingwe Holdings (Pty) Limited (Izingwe Holdings) jointly announced the launch of an employee share ownership plan (ESOP), together with a black economic empowerment (BEE) transaction. These transactions will result in 1.9% of AngloGold Ashanti's share capital – worth some R1.8 billion – being transferred into the hands of non-managerial employees and a BEE consortium. Shareholders voted in favour of the transactions at a general meeting in December 2006. Managerial employees currently participate in a share participation scheme.

AngloGold Ashanti CEO Bobby Godsell says that this transaction is intended both to align employee rewards more closely with the company's share price, and simultaneously to give effect to the undertakings made to the Department of Minerals and Energy (DME) at the time the company gained its mineral rights conversions in August 2005. The company undertook to establish an ESOP and a BEE transaction equivalent to at least 6% of the value of the company's South African operations.

The establishment of the ESOP involved an in-depth process of consultation between AngloGold Ashanti and the three representative unions making the process adopted unusual in the South African context. These consultations lasted for almost a year and were marked by attempts to reach consensus on all material issues, a goal which the parties believe was achieved.

The structuring of the ESOP in association with the BEE transaction with Izingwe Holdings, a company chaired by Siphon Pityana, is built around a co-operation agreement between Izingwe and the Bokamoso ESOP Trust. (See box: *The role of Izingwe in the transaction*).



#### **About the Bokamoso ESOP**

The shares issued to the Bokamoso Trust are a combination of ordinary shares (free shares) and a new class of shares (called loan shares). For each of the 30,953 eligible employees, 30 free shares (928,590 in total) have been allocated, and 90 loan shares (a total of 2,785,770) at a 10% discount to market value at the start of the scheme. Both classes of shares effectively have full voting and dividend rights. In practice, this means that each of the eligible employees will receive shares worth R36,000 each.

The free share element of the Bokamoso ESOP was introduced by agreement between the company and the unions to give greater assurance of value to employees. In terms of this agreement, approximately half the originally envisaged loan shares were converted into free shares on the basis of roughly the same cost to company.

The Bokamoso Trust has been established to acquire and administer the shares. The Board of Trustees who will oversee the trust will consist of two people nominated by the NUM, one by each of UASA, Solidarity and AngloGold Ashanti, and four people not connected to any of these parties but nominated by agreement between them. The elected chair of the board of trustees is May Hermanus, Director of the Centre for Sustainability in Mining and Industry at the University of the Witwatersrand.

The ESOP will run for seven years. The right to trade shares will occur annually in five equal tranches to each eligible employee on the so-called vesting dates, with the first portion vesting on the third anniversary of the Bokamoso ESOP launch, and the last on the seventh anniversary.

The ESOP seeks to address potentially conflicting imperatives: on the one hand it aims to promote broad-based share ownership of the company and long-term financial planning on the part of employees, and on the other hand it also aims to provide short-term cash returns to employees.

On each of the five vesting dates, eligible employees will receive the full benefit of the free shares that are due at that time, that is they may sell these shares.

## Harvesting for the future – Bokamoso ESOP cont.

As regards to the loan shares, the benefit due to eligible employees will be calculated on the basis of the difference between the exercise price and the share price on the relevant vesting date, taking into account an escalation factor accruing at 7% per annum, and reduced by any applicable dividend flow. For the loan share aspect of the scheme, 50% of applicable dividends will flow directly to employees, and the other 50% will be used as described above.

Says NUM general secretary Frans Baleni of the employee share ownership plan: “The NUM believes that there are better ways of turning workers into assets than the old traditional view of looking at them as a cost factor. Thus we lay praise to the breakthrough between organised labour and AngloGold Ashanti on the conclusion of the ESOP which should see 6% of South African assets committed to the development of this initiative. In line with the mining charter expectations, our members laud the development of the ESOP. We also wish to acknowledge the stakeholder involvement and participatory approach that underpinned the process, coupled with frank openness to an extent that parties crafted the trust deeds word by word.”

Solidarity’s general secretary, Flip Buys, said that the transaction created a blueprint for similar transactions in the future at other companies. “AngloGold Ashanti has taken the lead by investing in its own future and that of its workers. The future will show that this was the right thing to do. Solidarity welcomes the job security that will result from the deal.”

## The role of Izingwe Holdings in the transaction

The acquisition by Izingwe Holdings of 1.4 million AngloGold Ashanti shares forms an integral part of the overall ESOP/BEE transaction. Izingwe Holdings is a BEE investment company chaired by Siphon Pityana. Mr Pityana has occupied strategic roles in both the public and private sector. He was formerly a senior executive of Nedbank and is currently a non-executive director of several companies including Bytes Technology Group (BTG), African Oxygen (Afrox), Munich Re and Aberdare Cables. He has had a working relationship over many years with various AngloGold Ashanti executives and trade union leaders, particularly in his previous public sector roles. Given the envisaged co-operative relationship between Izingwe and the ESOP Trust, this was a critical factor in the selection of Izingwe for this role.

Izingwe has said of its relationship with AngloGold Ashanti. “The partnership with AngloGold Ashanti will be more than a shareholding relationship. The shareholding will be a springboard for jointly pursuing other projects. This is in the context of Izingwe’s broader commitment to the mining industry. Izingwe has already secured prospecting licences for a range of minerals and it intends introducing various existing and greenfield opportunities to AngloGold Ashanti. The AngloGold

## Harvesting for the future – Bokamoso ESOP cont.

The establishment of the ESOP will involve extensive and ongoing education and communication work with employees, which the company and the unions will carry out jointly, as a further indication of the level of consensus reached in the consultative process. Each employee received a letter providing information on the ESOP and their participation following a formal launch of the ESOP to employees in late January.

AngloGold Ashanti recognises that, over time, many employees are likely to sell the shares that are due to them to gain immediate financial rewards. While the company will provide education relating to the benefits of being longer term shareholders and the benefits of saving (either in the form of shares or other means), AngloGold Ashanti does not see the long-term holding of the shares as a precondition for the success of the ESOP. The only matter currently left unresolved is whether, and if so how, employee participation in the company will continue in seven years' time following the culmination of this scheme. This will be discussed between the parties in due course.

It is envisaged that ESOPs will be introduced elsewhere in the company where this is seen to have value in enhancing employee participation. Such schemes are currently being worked on in respect of AngloGold Ashanti's Ghana and Namibia operations.

Ashanti transaction consolidates and adds significant momentum to Izingwe's interests in the mining sector.

"Izingwe will also be active in other areas of AngloGold Ashanti's business. It will play a strategic role in its transformation initiatives and it will contribute to enhancing supply chain and routes to market, both from a general business perspective and by promoting a strong empowerment presence and culture in these areas."

This transaction has been structured in a similar manner to the loan shares issued in terms of the Bokamoso ESOP. Mr Pityana joined the Board of Directors of AngloGold Ashanti on 13 February 2007.

A key feature of this transaction is the intended conclusion of a co-operative agreement between Izingwe Holdings and the Bokamoso Trust following a series of consultations between Izingwe Holdings and the three unions. This will be finalised soon now that trust has been established. It is envisaged that the agreement could include commitments on shareholder co-operation, with Izingwe Holdings acting as a channel of communication between the Bokamoso Trust and the company's governance structures on transformation and other operational issues.



## Strike points the way for new climate of co-operation at CVSA

A strike in the second quarter of 2006 has proved to be a catalyst for increased understanding and interaction between management and employees at the Cerro Vanguardía mine in Argentina.

The mine, which is 92.5% owned by AngloGold Ashanti with the remainder owned by Formicruz (which in turn is owned by the Santa Cruz Province) is a significant economic hub in this remote region of Patagonia and is the single largest private sector employer for the community of Puerto San Julian, a town located some 150 kilometres away.

Shift workers from Santa Cruz's main cities, including Puerto San Julian, Caleta Olivia and Rio Gallegos, live on site for most of the week, while office workers travel the two hour journey to work on a daily basis. In total, the company employed 535 employees and 386 contractors during 2006.

The strike, which coincided with an increase in populist political activity in the country was not co-ordinated or supported by the union, the Asociación Obrera Minera Argentina (AOMA), which represents close to 70% of the workforce. Demands by striking employees related primarily to salaries, recognition of seniority, and tax compensation. What made dealing with the strike even more problematic was the fact that the strike was conducted independently of the union and hence no formal structures for leadership or channels of communication existed.

In total, some 200 employees were involved in the strike, which resulted in two days of work being lost in April and a further week being lost in May. Of great concern to the company was the fact that the strike was accompanied by acts of sabotage of mining equipment, which resulted in material damages in the order of \$3.5 million. A total of 30 employees were dismissed as a result of the sabotage.

With hindsight, the management of CVSA has recognised that greater interaction with the union on material issues, improved internal communication structures and addressing fears relating to insecurities following recent organisational changes (the mine recently took over the maintenance of its own vehicle fleet and, in so doing appointed additional skilled employees to its workforce, many of whom could not be sourced locally from San Julian), could have prevented the build-up of tensions that contributed to the strike. Accordingly, greater emphasis is being placed on:

- Strengthening the relationship with the union. The company believes that a strong and representative union which acts in the best interests of the majority of employees and actively engages with management, is in the interest of both the company and employees. This approach has been integral to AngloGold Ashanti's labour relations strategy in South Africa since the 1970s, in its previous form as an operating division of Anglo American.
- Encouraging a culture of communication and breaking down the barriers between management and employees, reinforcing participation in formal information meetings, and encouraging opportunities for informal interaction and integration.
- Increasing the active and visible presence of the mine within the community while at the same time encouraging the community to establish partnerships with the company and to take joint responsibility for its future.



## HUMAN RESOURCES

### Case study

- Placing greater emphasis on local procurement where this is possible.
- The visible institution of the right of representation and consistency of outcomes within the industrial relations policies and procedures of the company.

In addition, the company has stepped up its efforts to provide developmental opportunities for local employees through its active involvement with the University of Patagonia (UNPA) and in the development agency which is aimed at stimulating economic activity and development in the town of Puerto San Julian during the life of the mine and after mining operations have ceased. *(See case study at [www.aga-reports.com/06/partnerships-CVSA.htm](http://www.aga-reports.com/06/partnerships-CVSA.htm) on Partnerships in Patagonia).*



## HUMAN RESOURCES

### Case study



### Reducing labour turnover in Australia

Owing to its remote location in the Eastern Goldfields of Western Australia, the Sunrise Dam Gold Mine sources the majority of its labour from the Perth area. Employees have been engaged on a fly-in/fly-out (FIFO) basis, which until recently, in an arrangement common in the Australian Mining industry, followed a roster of 14 days work duty, followed by seven days at home.

The mine has experienced difficulty retaining its workforce and replacing nearly half of its employees each year was proving to be a difficult and costly process. This problem had been exacerbated by the labour shortage in Australia, more particularly in Western Australia where turnover figures at Sunrise Dam reflect the difficulties facing the resource sector as a whole as the availability of skilled labour struggles to keep pace with the resource boom.

In order to investigate ways of ameliorating the difficulties associated with the reality of having employees working in remote locations, AngloGold Ashanti Australia commissioned a study in 2005 and 2006 that explored the trends of FIFO operations. The report emanating from the study established that a 14/7 roster was no longer viewed as competitive when compared with other job opportunities, as employees looked to improve their quality of life. Although the mine facilities were seen as excellent, the roster only allowed employees to return home every third weekend, and the time spent away from family and friends was viewed as significant. The lack of competitiveness of the roster was confirmed by the labour turnover statistics. The 12 month running average to June 2006 was 36% and the annualised turnover for the six month period from January to June 2006 was 44%. These statistics were reinforced by several key people indicating in the study that they were looking for alternative employment that offered a better roster cycle than the 14/7 one currently in place at Sunrise Dam.

A decision was taken in June 2006 to change the roster to eight days on and six days off. Employees who had previously indicated a desire to leave have been retained as they are now more able to maintain a balance between their work and personal lives. The annualised labour turnover figures for June to September had dropped to 10%, an acceptable number for workers in a FIFO operation, with only minimal increases in direct personnel costs.



## HUMAN RESOURCES

### Case study

### Localisation programme in Tanzania

While expatriate expertise is often essential in establishing mining operations at its global sites, AngloGold Ashanti is committed to the recruitment, training and development of local citizens. Through assistance in reaching their full potential in a particular discipline, it is anticipated that these employees will, in a phased approach, reduce the numbers of expat subject matter experts at a given operation.

In this respect, Geita Gold Mine in Tanzania is guided by Clause 7 of the country's Special Mining Licence (SML) No. SML 45/99 (granted pursuant to Section 39 of the Mining Act, 1998): *'The Licensees and their contractors shall employ and train Tanzanian citizens with appropriate qualifications to the maximum extent practicable and consistent with efficient mining operations. In this connection the Licensees shall carry out an effective scheme of employment and training for Tanzanian employees at all levels of operations and management.'*

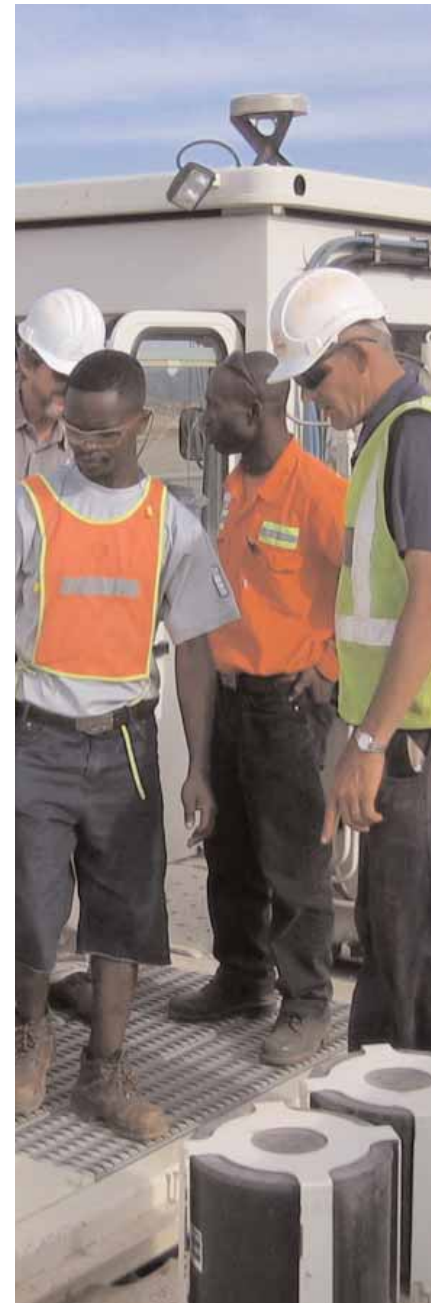
Although formal localisation plans have been slow to emerge at Geita, the focus in 2006 was on upgrading and aligning the skills of Geita's workforce with those required by the business. An engineering skills dilemma at Geita was precipitated by the move from contractor to owner mining in August 2005 when the mine's engineering complement of around 80 increased by almost 200% overnight.

The skills and abilities of a large number of the Tanzanians previously employed by the contractor, and then taken on as Geita employees, had not been meeting the requirements of a modern large fleet operation. This situation was further exacerbated by the fact that the contractor's expatriate skills were not appropriate for the Geita operation. This critical skills shortage, needed to maintain and upgrade the large mining equipment fleet, resulted in the recruitment of an increased number of expatriate employees.

To redress the engineering skills imbalance, Geita's annual local apprentice intake has increased from eight recruits in 2005 to 23 in 2007, a trend that is expected to continue for the next five years. Training is conducted in-house to ensure that a high standard of skills is maintained, and in August 2006 a total of 15 of these engineering apprentices sat for the first of five subjects to obtain the first part of the South African National Technical Certificate. Twelve of the candidates passed all five subjects, one candidate failed one subject and another two candidates failed two subjects. Their studies were made possible with distance learning study material supplied by the WestCol technical college in Carletonville, supplemented by coaching from Geita expatriate artisans and training staff.

Geita, in conjunction with the Tanzanian Engineers' Registration Board, has also embarked on the training of post-graduates across the spectrum of the engineering field. Learners are afforded the opportunity to study in a particular discipline through the mine's management trainee postgraduate programmes. Potential candidates are then identified at an early stage for possible employment and placement on Geita's supervisory and management trainee programmes, with a view to grooming potential supervisors and middle managers.

Geita also admits a number of trainees annually from the national technical training institutions for practical experience in the workplace. These trainees, once qualified through the training institutions, become the feedstock to the Tanzanian industry. Geita frequently makes use of subject matter experts to address any skills shortcomings, mainly associated with the lack of exposure to the specialised equipment/processes.



## HUMAN RESOURCES

### Case study

Better liaison with Tanzanian learning institutions is making a difference to these institutions' understanding of the mining company's requirements, particularly with regard to their training programmes – which need to keep pace with changes in the industry. In this respect, a notable achievement is the forthcoming return of Geita's first scholarship holder, currently studying towards an MSc in mining engineering at Wits University, to Dar es Salaam University, where his newly found knowledge will be an invaluable asset.

Apart from the current engineering skills shortage, other challenges to the localisation programme include disagreement among stakeholders involved in the process on the potential and readiness of national candidates, be it at artisan, supervisory or management levels, often resulting in the loss of candidates. Another difficulty is that employees who have undergone training and development at Geita are often poached by other mining operations. Reluctance by expatriate employees to train subordinates for fear of losing their jobs is a further complication in slowing down the localisation programme.

Despite the challenges, Geita is nonetheless moving closer to the national norm of a 20:1 national/expatriate ratio. This is being achieved through gradual formalisation of localisation plans in each department. The mine's training and development department has, for example, earmarked 10 positions to be localised over a three-year period.

Tanzanian nationals employed at Geita who have exhibited potential for further development may enhance their tertiary education qualification(s) through the mine's in-service bursary programme. One employee is currently seconded to the University of the Witwatersrand in South Africa and one to the Curtin University in Western Australia. Another employee on the localisation development plan has been granted a three-year Rhodes University scholarship in South Africa, one of two awarded to the mine.

It is anticipated that the localisation programme will take full effect by around 2009 when the 5% expatriate complement of total employees, as prescribed nationally, should be met. Currently standing at just over 6.5%, Geita is not far short of that target. In the meantime, however, the Tanzanian Chamber of Mines has expressed its satisfaction that mining companies are moving towards full compliance with legislation. In his address at the Chamber of Mines annual general meeting on 8 December 2006, Chairman Ami Mpungwe said: *"... the mining companies are profoundly committed to training of Tanzanian citizens in all disciplines, teaching them various skills and expertise in various mining activities, including state of the art mining technology, as the industry strives to build a sustainable Tanzanian workforce."*

Expatriate and national employee figures at Geita (2006)

Department	Expatriates	Nationals
Geology	3	83
Training	12	25
Health, safety, environment	5	33
Finance	11	62
Human resources	1	330
Asset protection	6	262
Engineering	51	428
Mining	20	682
Process	13	166
Total	122	2,071

