

# SETTING THE HIGHEST STANDARDS FOR CORPORATE GOVERNANCE

“Good corporate governance is not just about making decisions in the right way, it is about making better decisions. I strongly believe that good corporate governance creates value”

**Sir John Parker**  
Chairman



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## CHAIRMAN'S INTRODUCTION

Good governance is at the core of Anglo American's board and committee structure. In this section we have tried to give a clear and concise description of that structure and the processes that support it. But first, I would like to explain why I believe good corporate governance is so important.

Over a number of years now we have seen an ever increasing focus on standards of corporate governance, with a series of reviews and guidance culminating, in June 2010, with the publication of the UK Corporate Governance Code (the Code). This process of codification has provided both important guidance for companies and, quite rightly, an agreed set of standards against which others can judge our corporate governance performance. I am pleased to report that Anglo American will fully comply with the new Code, as we did with its predecessors.

Good governance is about more than mere compliance, however. For example, by separating and clearly stating the roles and responsibilities of the chairman and chief executive we aim to avoid unhealthy concentrations of authority; by appointing strong independent directors we benefit from their expertise and perspective and reduce the risk of 'groupthink'. Good corporate governance is therefore not just about making decisions in the right way, it is about making better decisions. I strongly believe that good corporate governance creates value.

## Board refreshment

Since my appointment I have sought to continue and accelerate the process of board refreshment. Sir Philip Hampton, Ray O'Rourke and Jack Thompson were recruited as independent non-executive directors (NEDs) to replace the three retiring NEDs: Chris Fay, Sir Rob Margetts and Fred Phaswana. The new NEDs bring financial, strategic, mining, engineering and major project experience to the already highly skilled and diverse board. During 2010 we also made changes to committee composition in order to incorporate the new NEDs.

In compliance with the Code, and in advance of its full implementation, the entire Board is being proposed for re-election at the 2011 Annual General Meeting. Anglo American has a diverse board that is equipped to drive a global listed mining group. We are proud to be led by Cynthia Carroll, one of a handful of female FTSE 100 chief executives, while the Board as a whole comprises men and women from France, Germany, Hong Kong, Ireland, South Africa, the UK and the US. However, diversity is not simply about gender or race – the Anglo American Board has been selected on the basis of the varied backgrounds, skills, experience and insight of its members.

The Nomination Committee has defined the skills and experience profiles required of future NEDs over the next few years. This includes our aim to increase the representation of women on the Board (excluding the chairman) from 20% to 30% within two years.

### Board effectiveness

Following the external review in 2008, we held a comprehensive internal board evaluation in 2010 where directors were consulted on matters such as board composition, effectiveness, strategy and directors' development and which resulted in a rigorous action plan being implemented in 2011. For details see the table opposite. As chairman I also held a one to one interview with each director to review those issues raised during the board evaluation process. The next external board evaluation will be held in 2011.

'Corporate governance' is a much used (and often abused) term – it means much more than a set of rules and processes governing the running of a company. As chairman, I have endeavoured to ensure that Anglo American not only complies with all relevant codes and regulations but that the whole management structure is inculcated with a desire to achieve the best results for its shareholders and all others affected by its actions in the most responsible way.

Long before the term 'corporate governance' was coined, the founder of the Anglo American Group, Sir Ernest Oppenheimer, said: "the aims of this Group have been – and they still remain – to earn profits but to earn them in such a way as to make a real and permanent contribution to the well-being of the people and to the development of southern Africa". Time has moved on since then and Anglo American now has a significantly wider geographical reach than when Sir Ernest spoke these words, but the sentiment remains deeply engrained throughout the Company and I shall do my utmost to ensure that your Company adheres to the highest possible corporate behaviour and standards.

**Sir John Parker**  
Chairman

### ACTION PLAN RESULTING FROM 2010 BOARD EFFECTIVENESS REVIEW

<b>Relationship between board and management</b>	<ul style="list-style-type: none"> <li>• Increase contact between directors and management during intervals between board meetings</li> <li>• Introduce more 'free flowing' informal discussions outside board meetings – the pre-board meeting dinners will be more 'structured' whilst retaining an informal style</li> </ul>
<b>Improving board meeting effectiveness</b>	<ul style="list-style-type: none"> <li>• Enhance the information flow to NEDs between board meetings to allow for a more focused board agenda</li> <li>• Introduction of iPads to ensure timely provision of board materials</li> <li>• Management will consider the optimum level of detail in presentations to the Board</li> </ul>
<b>Committees</b>	<ul style="list-style-type: none"> <li>• S&amp;SD Committee – outside stakeholders to be invited to address some committee meetings</li> <li>• Nomination Committee – detailed human resources talent strategy presented to NEDs in February 2011</li> <li>• Remuneration Committee – the Committee will allot more time for 'members only' discussions</li> </ul>
<b>Key focus points highlighted by NEDs</b>	<ul style="list-style-type: none"> <li>• Political and regulatory uncertainty; business integrity processes – Bribery Act 2010</li> <li>• Safety and the environment</li> <li>• Strategy</li> <li>• Project execution</li> <li>• Talent development and management succession</li> </ul>
<b>Performance of NEDs</b>	<ul style="list-style-type: none"> <li>• The number of site visits will be increased during 2011</li> <li>• A full day mining seminar has been arranged for NEDs</li> <li>• A half day exploration seminar for NEDs took place in February 2011</li> </ul>