



**MCLT NOTE**

**Anglo American Metallurgical Coal**

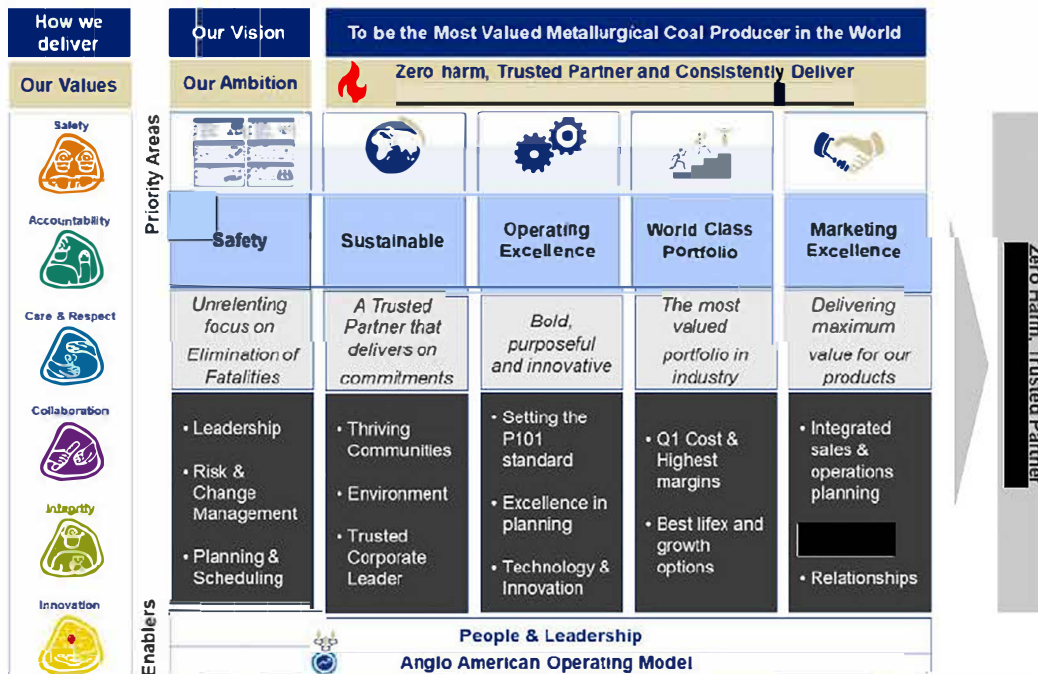
**Business Transformation to Achieve our Strategy – Pathway to Excellence**

**1. PURPOSE**

This paper outlines the transformation approach to rapidly achieving our Met Coal business strategy.

**2. BACKGROUND**

Over the last 12 months, the Met Coal Business has developed a strategy to achieve the Vision of being the Most Valued Met Coal business in the world. This has been summarized below as a strategy on a page that demonstrates the key elements of our strategy.



The Ambition and Strategy above is extremely challenging and some of the pathways to achieve this are not fully defined. However, each of these elements are under various stages of development but the full plan is still a work in progress.

Met Coal has been extremely successful on many of these pathways. We lead Anglo in operating excellence, are the model for marketing and operations integration and have a world class project pipeline.

We are not where we need to be on our safety performance and our sustainability strategy and programs are still in the early stages of development. The area of sustainability will continue to evolve as our stakeholders will demand that resource companies operate differently than they have in the past.



To achieve our strategy, the Met Coal business cannot just run harder with the current systems, processes and management philosophy that we have in place. These have served us well and allowed us to achieve excellent results but will not get us to where we need to be. Our safety performance is not moving quickly enough with too many injuries. The world around us and the expectations will continue to change and at a pace that we have never seen before. We must be agile and nimble to address these challenges at a speed that we have never done before – we must change “the way we do business”.

Currently the business is pushing beyond previous production records and striving to be the benchmark for the industry. With this and an increased focus on safety through the Elimination of Fatalities, sustainability strategy and human resource programs, the business is becoming overwhelmed with initiatives and conflicting priorities – our systems and processes are not keeping up with the pace of change.

- Multiple unintegrated programs and uncertainty as to new initiatives
- Lack of clarity on priorities
- Broad stakeholder expectations in the sustainability areas creating new work
- Increased rework and firefighting
- Increased risks appearing as assets are pushed to limits
- Manual processes distracting from value added work
- Administrative tasks taking site leadership away from the work face
- Inability to provide the right resources on the right tasks

To deliver on our strategy, our critical success factors are:

- Excellence in planning processes that integrate programs in more complex business across all the strategic pillars
- Risk management processes integrated into our planning and execution of work that fully capture internal and external risks to the business
- Data driven analysis and decision making
- Integration of work execution across all the pillars based on our integrated plans
- Efficient, effective and repeatable work processes that allows focus on value adding work
- Elimination of rework and firefighting
- Rapid integration of new technologies
- Clarity of work expectations at all levels of the organization and empowering our people while building capability with a diverse and inclusive workforce

### 3. PROPOSAL

To transform the business and deliver on the strategy, we must change the way we work. The strategy on a page highlights two key enablers to achieving our strategy – People & Leadership and the Anglo American Operating Model (AAOM). These two interrelated elements will form the foundation of our transformation to address the critical success factors noted above.

The AAOM is a standard operating framework across all Anglo American. This integrated framework provides the structure to define our business processes that will be efficient, effective and sustainable. It integrates:

- Setting our **Business Expectations** – what are we trying to deliver across the 5 pillars and the overall ambition



- Defining our integrated **Operational Plans** across each of the 5 pillars to manage the risks and achieve the expectations
- Details the **Work Management** on a day to day planning, scheduling and execution of work based on the operational plans
- **Feedback** through data driven, effective leading and lagging measures of the work and uses this to define the expectations, improve plans and execution strategies

Many of the processes are in place in Met Coal already through our MOP, MOS, MPR/QPR processes. However, the processes are not keeping up with the pace of change, incorporating the non-production work and the integration necessary to achieve our strategy.

The Organization Model is the foundation of how we do work across the business – this is the foundation of the People and Leadership enabler. The AAOM will define the work processes but will not be successful without clear accountabilities for people with an engaged and capable workforce. Without this, no system or process will achieve the desired outcome. Our people and leadership enabler should provide:

- Clearly defined roles and accountabilities that provide rewarding and challenging work for employees
- Expectations and capabilities of leaders
- Appropriate team leader and team member behaviours
- Diverse and inclusive workforce
- Systems and symbols that represent our culture
- Proper performance management with effective coaching, mentoring and training
- Development opportunities for employees

The Pathway to Excellence in Met Coal will be managed as an integrated program covering three main areas.

- Organization Model: Provides clarity on roles and accountability, defines how we do work (not just the task) and the culture of the business
- AAOM: Implementation of efficient, effective and sustainable systems
- Digitisation of our processes: Leverage technology to automate and streamline our business processes linking in digital platforms

While the three areas of the program have been defined and there are learnings and experiences we can draw upon, the design and implementation will be unique to Met Coal. **The role of the MCLT is to lead this work** – to shape and integrate these elements in a way that transforms the business to achieve our strategy.

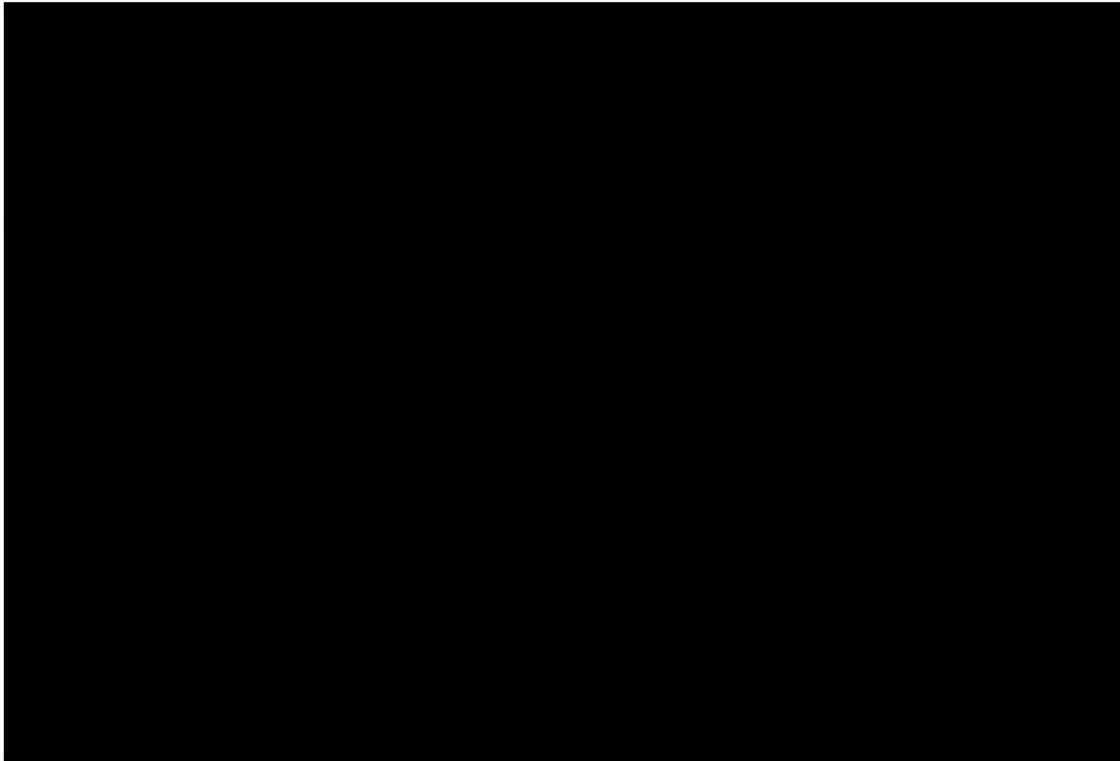
### 3.1 Objectives

As noted above, Met Coal has developed an aggressive strategy to become the Most Valuable Met Coal Business in the World. The pace of change and implementation of programs across our 5 pillars necessitate a change in how we do work in Met Coal.

The transformation program will set up our systems and processes to be able to plan, execute, measure and integrate all our work in a way leverages the capabilities of our engaged workforce.



With the proper systems, processes and culture, Met Coal will be able to efficiently and effectively adapt the strategy as the world changes and seamlessly embed new programs and technology into our business.



### 3.3 Critical Success Factors

**Clarity of Purpose and Alignment:** It is essential the senior leadership of the business understand the rationale for change and how the program will enable success. This paper needs to be discussed in 3 level meetings with all site SLT teams. Appropriate broader communication and rollout to be developed to target the message at the right level.

**Technology Implementation:** Challenges in previous AAOM implementations and other programs have not leveraged the potential of technology to achieve the efficiency and resulted in more work for the leadership.

**Resources:** Highly capable people embedded in the team to deliver the program and results. Success of the program lies in putting the best resources and thinking into the design and implementation – this is the most important work in the business and must be resourced appropriately.

**People Focus:** The program must consider the impacts on the people in the organization. Ensuring that we have clear roles and accountabilities, capable people, systems to support leadership, coaching and training are essential for success.

**Values Led:** The implementation of the Pathway to Excellence must be guided by our values. Compromising our values will not lead to the systems, processes or culture that will deliver on our Vision.



#### **4. OPTIONS**

The Met Coal business could continue to refine current processes and systems with additional resources. This fits into the “run harder” mentality that will not deliver the quality of the result with the pace needed. This also increases the risk of burning out the highly capable people in the organization as the workload and expectations with continue to increase.

The Pathway to Excellence program approach has been chosen as an integrated approach that will be properly resourced to change our processes to be efficient, effective and sustainable, leveraging technology to achieve the outcomes. By including the organizational model components, we will embed the culture of how we do work to fully engage and empower our employees.

#### **5. COMMENT**

Met Coal wants to create a business where employees are fully engaged, empowered and given the opportunity to achieve their best – resulting in delivering results never achieved before in a met coal business. The Pathway to Excellence program will create the systems, processes, behaviours that create a culture of excellence with the ability to quickly implement industry leading practices to achieve zero harm, become a trusted partner and deliver exceptional business results.

#### **6. NEXT STEPS**

Appointment of Dan Reynolds to the Head of Transformation immediately. Develop the integrated implementation and communication plan for the roll out of the Pathway to Excellence program by the end of June. First communication to the broader Met Coal business to coincide with announcement of Dan’s appointment.

#### **7. RECOMMENDATION**

MCLT fully support the Pathway to Excellence program with full engagement from each member and providing the leadership to each respective team to realize our Vision and Ambition.

**Tyler Mitchelson**  
**June 4, 2019**