

Report to Society 2005

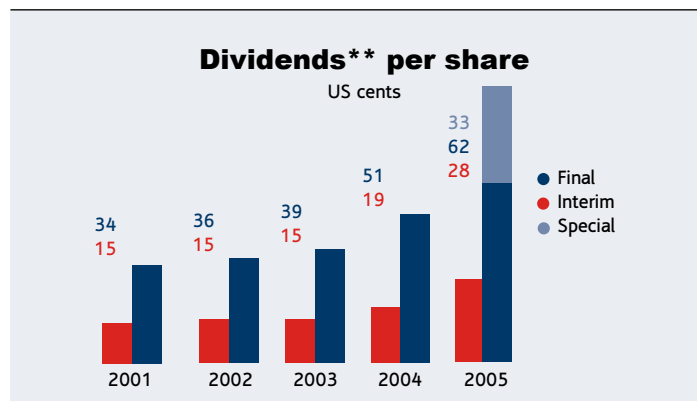
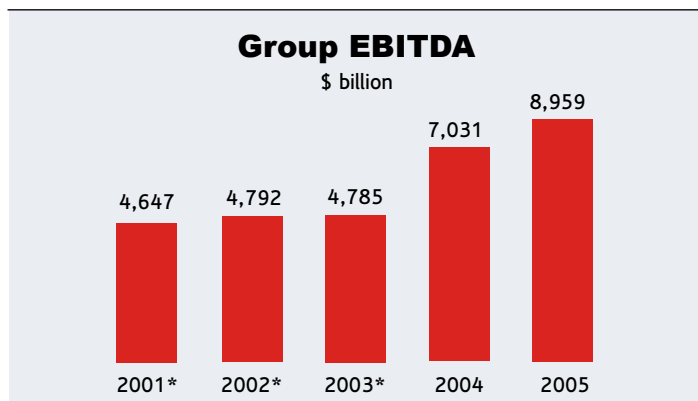
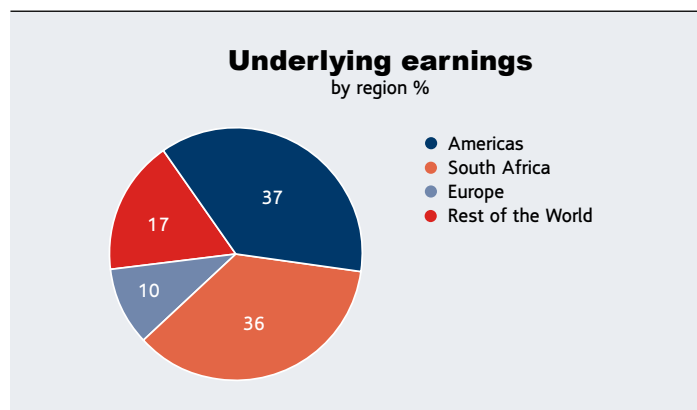
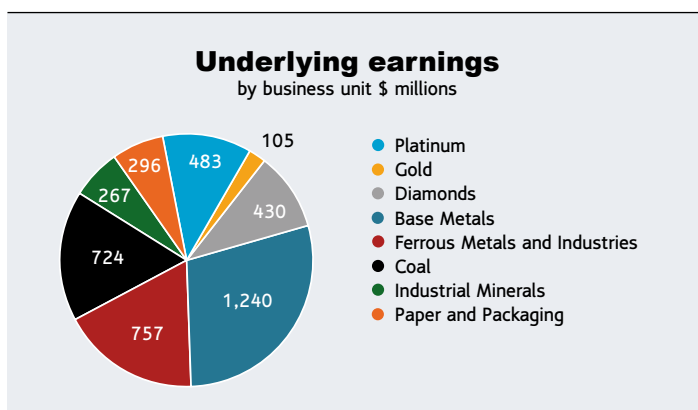
Anglo American

A climate of change



Group financial highlights

- **Record underlying earnings of \$3.7 billion, a 39% increase over 2004**
- **Operating profit increased to \$6.4 billion, up 36%, with record production levels for nickel, zinc, coal, iron ore, vanadium, platinum group metals and diamonds; highest ever profit contributions from Base Metals, Ferrous Metals and Coal**
- **Cost pressures continue – offset by cost savings and efficiencies of \$730 million**
- **Cash generation at a record level – EBITDA of \$9 billion, up \$1.9 billion**
Net debt down 39% to \$5 billion
- **\$6.7 billion project pipeline – new projects totalling \$3.8 billion approved:**
 - **Coal (\$919 million): Dawson, Lake Lindsay, Mafube**
 - **Platinum (\$1 billion): Mototolo JV, Marikana JV, Potgietersrust**
 - **Diamonds (\$718 million): Snap Lake, Victor, Voorspoed, South African Sea Areas**
 - **Ferrous Metals (\$559 million): Sishen Expansion**
 - **Gold (\$432 million): Boddington**
- **Normal dividends up 29% to 90 US cents. Special dividend of 33 US cents per share**
- **Capital return increased to \$2.5 billion - \$2 billion buyback in 2006 and \$0.5 billion special dividend.**



* UK GAAP.

** Represents dividends declared relating to the year.

Throughout this review, unless otherwise stated, operating profit includes share of associates' operating profit (before share of associates' tax and finance charges) and is before special items and remeasurements. See footnote 1 to the key financial data for the basis of the calculation of underlying earnings. See footnote 2 to key financial data for definition of EBITDA.

Anglo American at a glance

Anglo American is a **global leader** in mining focused on adding value for shareholders, customers, employees and the communities in which it operates.

The Group owns a diversified range of **high-quality businesses** covering platinum, gold, diamonds, coal, base and ferrous metals, industrial minerals and paper and packaging, underpinned by considerable financial strength and technical expertise.

Our managed subsidiaries are described below.

Mining

Platinum

Business profile

- The world's largest primary producer of platinum, accounting for 37% of the world's newly mined platinum output.

Products and uses

- Primarily used in autocatalysts and jewellery.
- Also used in fuel cells, chemical, electrical and medical applications.

Key countries

South Africa.

Base Metals

Business profile

- Comprises primarily copper, nickel, zinc and mineral sands operations.

Products and uses

- Copper is used primarily in wire and cable, also in copper and brass tubing and pipes.
- Zinc is chiefly used for galvanising.
- Nickel is mostly used in the production of stainless steel.

Key countries

Brazil, Chile, Ireland, Namibia, South Africa, Venezuela.

Ferrous Metals and Industries

Business profile

- Comprises primarily steel, iron ore, metal products and industrial interests, including sugar.
- Anglo American holds the major interest in Kumba, a significant iron ore producer.

Products and uses

- Iron ore is the basic raw material used in steel production.
- Chrome, manganese and vanadium are all important in steelmaking.

Key countries

Australia, Chile, South Africa, Zimbabwe.

Coal

Business profile

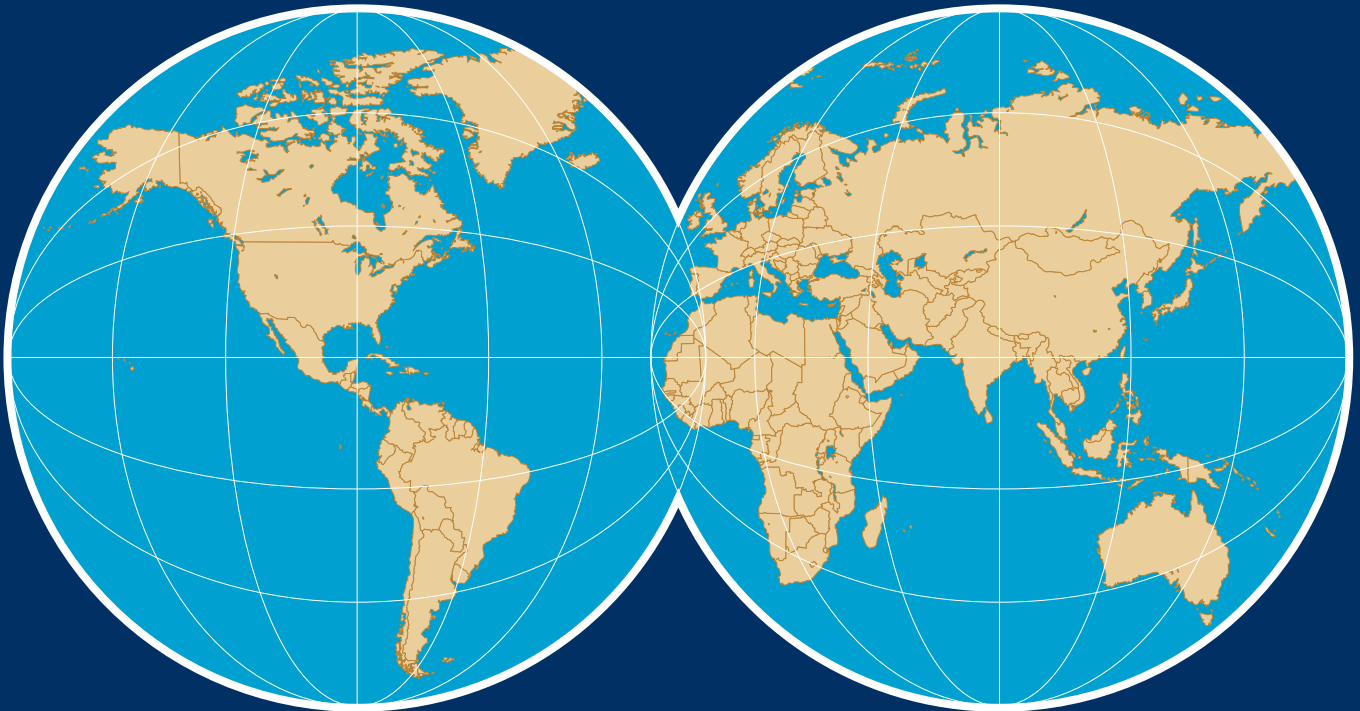
- Anglo Coal is one of the world's largest private sector coal producers and exporters.

Products and uses

- About 40% of all electricity generated globally is powered by coal.
- 70% of the world's steel industry uses coal and it is an important fuel for other industries.

Key countries

Australia, South Africa.



Exploration

Exploration

Business profile

- As part of its constant search for minerals \$150 million was spent on exploration during 2005.

Key countries

Currently prospecting in more than 30 countries (26 for managed companies). In addition to its focus on areas surrounding its mining operations it is looking at relatively unexplored new frontiers.

Industrial Minerals

Industrial Minerals

Business profile

- Tarmac has leading positions in the UK and several continental European and middle eastern markets in aggregates, asphalt, concrete and concrete products.

Products and uses

- Tarmac is involved in the production of crushed rock, sand, gravel, concrete and mortar, lime, cement and concrete products.

Key countries

UK, Belgium, China, Czech Republic, France, Germany, Poland, Spain, UAE, Oman.

Paper and Packaging

Paper and Packaging

Business profile

- Mondi is an integrated paper and packaging group.

Products and uses

- Mondi manufactures office papers, packaging papers, board, converted packaging and newsprint.

Key countries

Austria, Belgium, Bulgaria, China, Croatia, Czech Republic, Denmark, France, Germany, Greece, Hong Kong, Hungary, Ireland, Israel, Italy, Jordan, Lebanon, Malaysia, Mexico, Morocco, Namibia, Norway, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, South Africa, Spain, Swaziland, Sweden, Switzerland, The Netherlands, Tobago, Tunisia, Turkey, UAE (Oman), UK, USA, Yugoslavia.

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Scorecards and indices

The following documents will be accessible on our website from 20 April 2006:

- Global Reporting Initiative index and self-assessment
- Global Compact reporting index
- ICMM Sustainable Development Framework and compliance self-assessment
- South African Mining Charter scorecard

www.angloamerican.co.uk

Quotes attributed to Sir Mark Moody-Stuart throughout this report are edited extracts from public presentations that he has made in the past year.

Whilst we have endeavoured to ensure that the information provided in this report is accurate, neither we nor any member of the Anglo American Group assumes any responsibility for any error or omission relating to such information and neither this report nor any information contained in it shall form part of or may be relied on in connection with any investment decision relating to Anglo American plc or any other company.

Sustainable development programme



Meeting the needs of the present without compromising the ability of future generations to meet their own needs is how the World Commission on Environment and Development defined Sustainable Development in 1987.

Given the proportion of people in the world who are not adequately fed, not educated, have no modern medicine and no means of adequate livelihood, we are plainly not meeting the needs of the present generation.



Sir Mark Moody-Stuart

The title of this year's report – A Climate of Change – is a reflection of numerous changes happening within our Group as well as the priorities and pressures that we address through our sustainable development programme.

Our focus this past year has been on changing the way we do business, on making sustainable development an intuitive but conscious part of every decision – whether it is made by a mine manager, a corporate finance officer or someone working with communities or biodiversity.

This process will continue as we review and refine our policies, procedures and performance in search of continuous improvement. We expect our operations to incorporate sustainable development from the outset of their projects – be they exploration, feasibility assessment or acquisition.

For existing operations, there is an ongoing process of assessing and building their connections to the community and using this as a way of making a contribution at local level to sustainable development. Our role only ends after responsible closure.

A diagram showing our key impacts during the various stages of our operations is available on our website.
www.angloamerican.co.uk

Change is ongoing and inevitable as human influence extends into every part of the globe. Our operations are catalysts for change and because of their size and location can have a significant impact. We believe, however, that we can and do make a positive contribution. The developmental change that takes place adds to the quality of life of local people by providing jobs, and generating income. We also contribute through social investment, through keeping our environmental footprint small and contributing to the development of local infrastructure.

In making a public commitment to sustainable development, we adopted a variety of codes of conduct, sustainable development frameworks and our own principles of sustainable development, as well as the Group's Good Citizenship Business Principles. We are signatories to the Global Compact, the sustainable development framework of

the International Council for Mining and Metal (ICMM), and the Voluntary Principles on Security and Human Rights, and are committed to working within international approaches to sustainable development. These are outlined in the Rio Declaration of 1992 and Agenda 21, the UN's Johannesburg Plan of Implementation of 2002, and were perhaps best defined by the World Commission on Environment and Development in the Brundtland Report of 1987.

Our sustainable development principles

We will:

- Be ethical, efficient and create value
- Create meaningful employment in safe, healthy environments
- Reduce our environmental footprint and contribute to biodiversity
- Increase innovation, technology and process improvement
- Contribute to building more adaptable societies. ■

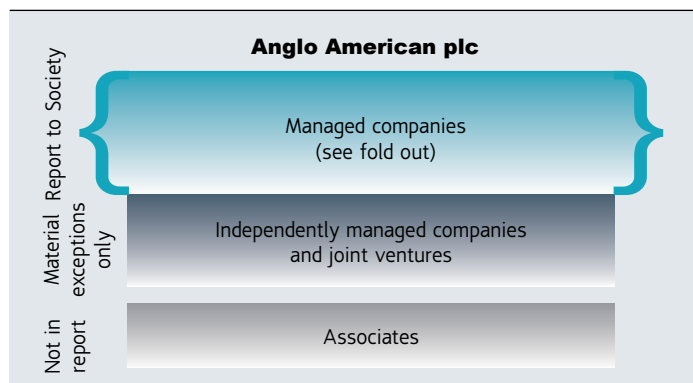


◀ Russell King, head of human resources and business development and Sir Mark Moody-Stuart at the Sustainable Development Extended Forum.



◀ Sir Mark Moody-Stuart at the Sustainable Development Extended Forum held in Johannesburg in October.

Scope of this report



Our core business is taking natural resources – be they minerals or forestry products – and developing them to generate wealth. These are capital intensive and often technology intensive projects, with development lead times of several years, and a payback which will often only be achieved some years after the initial investments, with the life of the project often continuing over decades.



Sir Mark Moody-Stuart

Reporting boundaries

The Anglo American plc group of companies is a global leader in the mining and natural resources sectors. It is listed on the London, Johannesburg, Botswana and Namibia stock exchanges.

For this Report to Society, the focus is on listed and unlisted subsidiaries over which we exercise significant management control. These are, specifically Anglo Base Metals and Exploration, Anglo Coal, Ferrous Metals and Industries (including Highveld Steel, Scaw Metals and Kumba), Anglo Industrial Minerals, Anglo Platinum, and Mondi, our paper and packaging business. During 2005, Boart Longyear

and Zimbabwe Alloys were sold, but are included up to the point of disposal. A full list of our commodities and areas of operation can be found on our website www.angloamerican.co.uk.

The operational activities of our joint ventures, such as Cerrejón in Colombia, and independently-managed subsidiaries, in particular AngloGold Ashanti and Tongaat-Hulett, are not included in this report. Some exceptions to this rule are made. These are in connection with issues in the public domain, or where it is necessary to draw attention to the impact of those companies on numbers published in our annual accounts.

The Group changed to the International Financial Reporting Standards in 2005. This means joint ventures are included in our financial and employee numbers in direct proportion to the percentage ownership.

All of these changes and the restatement of our financial figures in terms of the International Financial Reporting Standards will impact on our reporting. Any changes will be clearly highlighted.

The reader will be specifically advised on each occasion and the impact of their inclusion will be highlighted. De Beers, in which we have a 45% stake, is classified as an associate company and is not included in this report except in the financial information.

Principles of reporting

We have used the Global Reporting Initiative's 2002 guidelines and the draft boundary protocol in the production of this report.

In addition to the GRI indicators we have applied the principles of materiality and relevance, transparency and completeness, clarity and timeliness and auditability in this report.

The sustainability agenda is a complex one that deals with a wide variety of interlinked topics which are themselves often cause and effect. Conveying this information in a way that makes it accessible to less technical readers has been central to our approach and one for which we have in the past been lauded. We are working on extending the concept of accessibility.



◀ Anglo American UK shareholders were this year offered the opportunity to receive electronic copies of the Annual Report and Interim Reports. In return, they received quicker access to the documents and a tree was planted on Whitelee Moor one of Britain's nature reserves.

Our decisions on materiality are informed by a number of processes. These include corporate risk management systems and procedures, an extensive Group-wide sustainable development risk and opportunities exercise carried out across the Group during 2004, our certified environmental, safety and occupational health management systems, and the extensive input of a wide range of stakeholders.

Report framework

The Five Capitals Model of sustainable development is used as an organising framework for our sustainable development programme and for this Report to Society. This framework enables

us to illustrate how natural capital – non-renewable ore bodies and environmental resources – can contribute to the creation of sustainable societies through a process of transformation into financial, human, social and man-made capital.

Engagement

At the corporate centre and throughout our operations we regularly engage in conversations with opinion leaders, experts, our staff, and a broad range of stakeholders on our sustainable development programmes, our performance on a variety of indices and this report. The feedback – some solicited and some freely offered – includes views from our own employees,



How can trust be built between companies, NGOs and the public at large? One way is through very open reporting on standardised indicators such as those developed by the Global Reporting Initiative (GRI).



Sir Mark Moody-Stuart

adjudicators of a variety of awards, students who are encouraged by their lecturers to use our Report to Society during their studies, shareholders, interested and affected individuals and analysts.

During 2005, we received more than 300 written commentaries on our 2004 report, many of them from students at universities close to our operations. With the exception of two anonymous shareholders who described the 2004 report as a “waste of time and money”, most commentators were happy to put their names to the comments (and commended us for our efforts). Many readers found it easy to use, informative and pitched at the right level. Some called for more focus on solutions and increased reporting of energy-related issues and indicated a detailed understanding of the text.

Community engagement and lobbying of national governments and international organisations are described in more detail in the governance (page 8) and social sections (page 16).

Assurance

Each year we commission an independent assessment of our data and systems. In 2005, the work was again undertaken by KPMG, who have provided this service since 2000. Their report,

which describes the scope of their work and their findings, is published on page 55.

We are committed to reporting in accordance with the Global Reporting Initiative's (GRI) Mining and Metals Sector supplement from 2007 and believe we currently meet the standards of the GRI 2002 guidelines. As an organisational stakeholder of the GRI we are actively participating in the review of their new G3 guidelines.

Associations and partnerships

The reader will find references throughout this report to our work within industry associations such as the International Council for Mining and Metals (ICMM) and the World Business Council for Sustainable Development, and with a wide range of partners. The challenges of sustainable development are significant. By working in collaboration with peer companies and other partners on issues of common interest, such as the development of best practice norms or on broader societal problems we are able to leverage our own expertise as well as that of others, and ultimately have a greater net positive impact. ■

Feedback on Report to Society 2004

“The first report we have evaluated which has received five stars” (UK academic and commentator)

“This report has really convinced me that as an engineer I will have a huge impact on the environment and I will have to give consideration to many aspects” (South African student)

“Interesting and thought provoking. Admire the honesty which was displayed” (South African student)

“Excellent publication. My wife and I have been shareholders for some years. We hope to buy more shares” (CEO, South Africa)

“I read them immediately then pass them on to the local public library for reference material for school projects” (Shareholder, South Africa)

“I would have liked more information on energy and efficiency” (Student)

“Needs condensing. Anti-corruption practices need exposure” (US shareholder)

“One usually feels very sceptical about these reports. This was presented with such conviction I am using it in a presentation to another plc on how to do it” (UK newspaper editor)

“I am using it in my lectures because it covers the full breadth of the topic” (Lecturer, London School of Economics)



- ◀ The Report to Society 2004 was declared top sustainability report by the Association of Certified and Chartered Accountants, UK. It was shared with the UK's BT plc. Karin Ireton accepts the award from David Nussbaum of Transparency International.

Changing focus

Our results for 2005 were once again outstanding. Following a record year in 2004, underlying earnings increased by 39% to \$3.7 billion. This performance reflected the combination of many of the Group's commodities experiencing record prices and increased production, a solid performance by the Group's employees and cost efficiencies of \$730 million, up 32% on 2004.

With regard to sustainable development, we made significant progress during the year, although reducing the incidence of injury and death is an ongoing challenge and remains one of our highest priorities.

Strategic change

Change is something that all businesses deal with on a daily basis. However, during 2005 we set in motion profound change – perhaps the most significant since our listing in London in 1999.

In late October, we announced the outcome of our strategic review. We aim to focus increasingly on our core mining assets covering coal, base and ferrous metals, platinum and diamonds and, in so doing, unlock further value for our shareholders.

We are already in the process of reducing our shareholding in AngloGold Ashanti, seeking a listing for Mondi, our paper and packaging subsidiary, and actively looking for buyers for Highveld Steel. All three have been part of Anglo American for many years and for some shareholders and employees this is a fundamental shift.

We are confident that such disposals, or part-disposals, in addition to unlocking value, will enhance returns for shareholders whilst simultaneously streamlining the structure of the Group.

We are also refining the structure of Anglo Industrial Minerals, which operates in the UK, Europe, the Middle and Far East and Brazil, and

have started the process of selling certain operations that are not central to its success. Tongaat-Hulett, part of our Ferrous Metals and Industries business unit, will list its aluminium division. In addition, we are making progress in finalising the Kumba black economic empowerment (BEE) transaction, which we announced in 2005. The Kumba iron ore business will remain an integral part of the Ferrous Metals and Industries business unit. The other Kumba operations and, possibly, Namakwa Sands will form part of the BEE company.

People focus

Our investment in our people continues, with ongoing programmes designed to enable our employees at all levels and across all geographies to improve their education and training and assist them to realise their potential. This goes hand in hand with a strong focus on safety and occupational health.

In previous years we made progress in driving down the incidence of injury and death. It is therefore a personal concern that we did not meet our own goals last year. It is with great regret I have to report that 21 of our employees, among our workforce of some 128,000 in our managed companies, and 25 contractors, died in our operations in 2005. Each of these deaths is a human tragedy and leaves behind bereaved families, co-workers and associates.

I am now personally leading a programme to re-examine the fundamentals of our safety programme. All the Group's most senior executives, including myself, have undergone training with DuPont, the recognised leaders in this field. I am asking every Anglo American employee and contractor, at every level and in every operation, to re-examine their attitudes towards safety, and instil in their own mindset the belief that it is possible to operate without injuries. Each of us



Excellence in safety performance, best practice in sustainable development and sound business performance go hand in hand.



must make sure our every action supports this belief. In addition, we have to get better at learning from those incidents we have already experienced. We must not have repeats. We are striving to ensure that straightforward, consistent standards are applied throughout our operations.

To support this programme, we created a peer-review mechanism that is facilitating and enabling the sharing of expertise across the Group and it is already delivering important learning opportunities. We have many operations in which safety performance has been exemplary and I must specifically mention the excellent performance of our Base Metals business unit which, by February 2006, had operated for more than 18 months without a fatality.

We know that excellence in safety performance, best practice in addressing key sustainable development issues and sound business performance go hand in hand. We expect our executives and management to address issues across the spectrum in an integrated fashion.

Climate change

As will be seen from the Energy section of this report, the Group has committed itself to understanding and addressing the risks and opportunities that result from climate change. Energy is a significant cost and productivity factor in our operations. Energy security, energy efficiency and carbon emissions are therefore enjoying strategic focus. We have recently announced investments in a future-focused zero-emissions electricity generation project, FutureGen. We are also studying Australian opportunities for generating electricity from methane, turning brown coal into liquid fuels and carbon sequestration.

A global presence

Since our listing in London we have frequently been asked whether



we are withdrawing from Africa. In response, we can point to our \$6 billion project pipeline – one of the biggest in the industry. It includes more than \$2 billion already approved for further investment in South Africa. During the G8 meeting in Gleneagles last year we announced that we would contribute \$2.5 million as one of the founding private-sector contributors to the NEPAD Investment Climate Facility created to support and facilitate further investment in Africa.

In addition, we are making significant new investments in South America, Australia and Canada and are considering further opportunities across the globe. We now have managed operations in over 50 countries across the world.

Commitment

Sir Mark Moody-Stuart, our chairman, the Anglo American Board members and the executive team are fully committed to sustainable development. We believe it is possible to be ethical and transparent, to extract natural resources responsibly and transform them into financial,

human, social, environmental and manufactured capital for the lasting benefit of our shareholders, our employees and society.

We have made great strides in this field in the past five years and I am delighted by the recognition we have received from leading experts across the world for our sustainability reporting, our work on HIV/AIDS and our work with communities. The awards, which are detailed in this report alongside reports of our policies, programmes and performance, serve to encourage and inspire our dedicated staff. We hope they will also confirm us as a business partner of choice wherever we operate.

Anglo American has signalled its commitment to sustainable development externally by becoming a signatory to a number of externally driven codes – the UN's Global Compact, the Voluntary Principles on Security and Human Rights, the Extractive Industries Transparency Initiative and the International Council on Mining and Metals' sustainable development framework, among others.

We believe that we must make an enduring contribution to the societies in which we operate. We do so by operating to the highest levels of corporate governance and by shaping and supporting systems that extend governance across our industry through our host governments.

We are also organisational stakeholders of the Global Reporting Initiative which is driving transparent, comparable sustainable development reporting by companies, governments and NGOs.














I hope you will find this report useful and informative and I look forward to receiving your feedback.

Tony Trahar
Chief executive
1 April 2006

Targets

Focus	Our goals		Our performance in 2005	2006 and future targets
Integrate sustainable development into business model	Sustainable development appraisal of investment proposals	✓	Material capital projects reviewed	Policy and methodology refinement and operational testing
	Develop Sustainable Development toolbox for engineers	✦	Workshop held and tools being assessed	Policy and methodology refinement and operational testing
	Raise focus on product stewardship and recycling	>	Focus on REACH, awareness raising undertaken	Develop Group policy and guidelines on materials stewardship
	Engage key suppliers on principles, practices and targets	✦	Procurement checklist, policy and guidelines developed	Supplier workshops and capacity building within procurement teams
	Develop integrated mine closure guidelines	>	Being tested at operational level	Ongoing
	Develop Sustainable Development guideline for planning capital projects	>		Ongoing
	Full ISO 14001 certification	✦	88% certification – by turnover (up from 83% in 2004)	Maintain level of certification
Transparency and reporting	Increased stakeholder engagement on external reporting	✓	Feedback from over 200 people considered	Additional research to be launched in 2006
Fight corruption	Ensure quality and follow-up on <i>speakup</i> reports	✓	Effective global coverage achieved, 247 calls received during 2005	Ongoing awareness raising and action
Safe work environments	Work without fatal injuries and minimise work-related injuries	✗	46 fatalities (down from 49 in 2004). FIFR at 0.017 – lowest on record	Roll out new safety strategy focused on clear, consistent standards, zero incidents and no repeats
	Reduce LTIFR by a further 35% to 0.5: Review contractor selection and integration of contractors into our safety programmes	✗	LTIFR for 2005 is 0.94 Contractors are fully integrated into our safety systems	0.64 in 2006, representing a 32% reduction The ultimate goal of zero harm remains
Healthy work environments	Control workplace health hazards to avoid new cases of occupational disease and health impairment	✗	1,003 new cases (2,033 for 2004): 63% are NIHL	Our ultimate goal remains one of zero harm – as for safety. We shall focus on reducing exposure to potential industrial hygiene hazards in order to minimise new cases of occupational illness
	Certification to 3 rd party health and safety systems will be at least 75% complete by the end of 2005	✓	75% certification to OHSAS18001 or equivalent achieved	Maintain level of external certification (or higher where appropriate to risk)
Establishing a merit-based and empowering culture	All managers/professionals have individual performance and development reviews (a large proportion of our workforce is subject to team-based targets and reviews)	✓	Individual reviews up 10% on 2004 and now cover 51% of employees (12% of whom are managers)	Ongoing focus – key method of providing direction and development for our employees
	Progress towards employment equity targets in South Africa	✓	40% historically disadvantaged South Africans in management	To continue transformation programmes and to maintain or exceed the South African target
	Conduct Group communication survey	✓	Conducted with 78% participation amongst the sample and results have been fed back	Ongoing improvement in employee communication and sharing of knowledge Repeat survey in 2007
	Evaluate and extend Group Information Portal programme	✦	Enterprise Information Portal established and rolled-out to all corporate functions and to parts of Coal, Base Metals and Platinum	Enrich content, facilitate greater sharing of knowledge and collaborative working and increase reach of the platform
Fight HIV and AIDS	50% VCT by the end of 2005 and 75% by 2007	✦	Full VCT take-up amounts to about 30% (49% for counselling and voluntary testing)	50% VCT (long-term 100%) in high-risk areas
	Work in partnership with NGOs, governments and donor agencies	✓	Active management of partnerships	To continue and reappraise partnerships in their ability to aid delivery of key objectives
Grow our role as corporate citizens	Finalise resettlement policy following international review of IFC safeguard policies	>	Resettlement policy remains in final draft pending promulgation of new IFC Safeguard Policy	Complete policies
	Implement training programme on security and human rights	✓	Training manual produced, divisional champions identified and initial training workshops conducted	Embed compliance and reporting system, sharing experience and good practice
	Develop human rights guidelines	✗		Produce in context of work by the UN on business and human rights

	Target achieved		Interim target achieved, ongoing
	Target not achieved		More work required

Focus	Our goals		Our performance in 2005	2006 and future targets
Understand community issues	Community Engagement Plans in place and improve the quality		Community Engagement Plans in place at 91% + of 'significant' sites. Improvements made in many CEPs as a result of SEAT implementation	100% of significant operations to have community engagement plans in place. Improve quality
	45 SEAT assessments conducted		31 SEAT Reports have been completed (covering 27 sites) and a further 17 assessments are in train	Conduct assessments at 55 sites, carry out and publish review of existing implementations and develop SEAT 2 by end 2006
	Training on social issues through community of practice		Social forums held to build awareness and capacity amongst managers. Steering Group for community of practice established and core materials developed – awaiting launch in 2006	To develop guiding role of Steering Group and to establish a community of practice through Anglo Information Portal as information resource and knowledge sharing opportunity
Reduce CO ₂ emissions energy efficiency	A 12% improvement in energy efficiency by 2014		More than 1000 projects underway	Increase energy savings target to 15% of the 2004 baseline by 2014
	A 10% reduction in CO ₂ emissions per unit of production (emissions intensity) by 2014		1.7 MtCO ₂ certificates available for trade in the 2005-2007 period. Energy efficiency projects throughout the Group	Ongoing target
	Establish definitions, reporting boundaries and determine the CO ₂ relating to transport by 2006		Progress made with the analysis of transportation emissions	To complete in 2006
Improve air quality	Development of data on SO ₂ emissions from fossil fuel use to be completed in 2005		Work in progress. Data incomplete. Local improvements measured by Anglo Platinum and Mondri	To be completed in 2006
	New target			Develop Group policy, strategy and guidelines for air quality management
Improve water efficiency	Efficiency targets in water-stressed areas		All divisions have set targets appropriate to their businesses and sites	These will remain site-specific objectives
	New target			Develop a policy, strategy and guidelines for the production of integrated water management plans, with particular focus on acid rock drainage
Conserve biodiversity	Biodiversity action plans (BAPs) to be integrated into ISO 14001 systems Peer review of 10 BAPs		Complete for 4 divisions. 13 BAP peer reviews completed (target exceeded)	Finalise integration of biodiversity management into management systems and our way of business. Disseminate lessons, update guidance
	Continue working with ICMM and leading conservation organisations		Ongoing work with the IUCN (in collaboration with ICMM member companies), with WWF, Conservation International, Earthwatch	Ongoing
	Assess the Group's exposure to protected areas		Protected areas working group established, WCMC database made available, members assessed the overlap of their land holdings, consolidated report produced	Undertake an annual assessment of the Group's exposure
Responsible land use	Closure plans for all managed operations will be regularly updated and fully costed		This is a regular process. Total provisions amounted to \$1,088 million at the end of 2005	Ongoing
Minimise and manage Wastes	Group tailings risk assessment		Risk report produced annually	Ongoing
	New target			Expand tailings guideline document to include waste rock, heap leach pads, backfilling and slag disposal
	New target			Establish baselines for all waste volumes in 2006 and reduction targets in 2007

Governance the key to the corporate role in society



Sir Mark Moody-Stuart, our chairman, has often spoken on sustainable development and the contribution that business can, and should, make in shaping society. His thinking is highlighted throughout the report with selected quotes.

The Anglo American plc Board of directors is chaired by Sir Mark Moody-Stuart, who is responsible for leading the Board and for its effectiveness. Tony Trahar is chief executive and is responsible for proposing and executing strategy and for Group performance.

A significant number of changes were made to the Board during 2005. David Hathorn and Simon Thompson, both chairmen of business units, were appointed executive directors at the annual general meeting in April 2005. René Médori took over as finance director in September in anticipation of the year-end retirement of Tony Lea. Barry Davison also

Good governance requirements apply to the way we operate internally as well as how we interface externally.

retired at year-end, but remains chairman of Anglo Platinum.

During the period of transition, the company did not comply with the requirement in the Combined Code on Corporate Governance that more than half the Board, excluding the chairman, should be independent non-executive directors. As of year-end, the company is again in full compliance with the Code.

Early in 2006 Lazarus Zim, CEO of Anglo American South Africa, announced that he would step down from his executive role in order to pursue a number of business interests in the Platinum industry and across

Africa. He will continue as a non-executive director of Anglo American South Africa and continue to chair the company's Transformation Committee.

Sustainable development

The Safety and Sustainable Development committee enables Board oversight of the strategic responses to sustainable development on behalf of the shareholders. The committee meets quarterly and is supported by the sustainable development team. Executives heading key functions and business units, as well as the technical director, participate in all meetings. Bill Nairn, who retired as technical



◀ New finance director, René Médori.



Effective government and functioning civil society are essential components of development, but what of corporations? What are the limits of their role? Where the proceeds of industry, particularly extractive industry, are misspent or misapplied by governments it becomes our problem. If we want the sort of functioning society in which we can do business, we need to work with others to create the capacities and conditions which sound governance requires. Drawing the line of responsibility is difficult.



Sir Mark Moody-Stuart

director at the end of 2004, remains on the committee.

For a full list of Board members, committees and attendance see page 20 of the Annual Report 2005. www.angloamerican.co.uk

A Sustainable Development Council, made up of the leaders of corporate functions and business units, takes the lead on strategy and agrees Group targets. Senior managers with responsibility for sustainable development meet regularly during the year to address constraints and opportunities in formulating and giving effect to the strategy and policies. During 2005, following our two previous Group Sustainable Development conferences, an extended forum was held and attracted over 130 top managers from Group operations across the world.

Political donations

No donations were made during 2005. The company has a policy of not making any political donations.

Whistleblowing

Our anonymous whistleblowing facility, *speakup*, is designed to combat fraud and theft by employees and suppliers. It is available to employees and

external stakeholders in South America, Australia, continental Europe (except France), South Africa and the UK. Information can be submitted by telephone, e-mail or surface mail. Usage varies significantly between geographic locations, perhaps as a result of cultural factors.

During 2005, 247 alerts were received (214 in 2004). Investigations into 180 cases were completed with 67 (27%) still under investigation. About 30% related to alleged discrimination, promotions and appointments. A similar proportion (29%) related to suspected criminal acts. Health and safety (13%), supplier relationships (12%) and one-off issues were the other major categories. About 5% appear to have had some form of malicious intent.

A total of 874 employees – including 22 managers – were dismissed or resigned in our managed operations as a result of breaches of the company's business principles (857 in 2003 and 716 in 2004). These figures relate to fraud, acts of dishonesty, corruption, behaviour likely to bring the company into disrepute, discrimination, harassment, violence or

committing unsafe acts. In addition, 10 suppliers/contractors had their contracts terminated because of breaches of the principles (compared with 10 in 2003 and 15 in 2004).

Highveld Steel takes action

Highveld Steel completed its investigation of eight of the 12 suspected fraud cases reported to it in 2005. The outstanding cases were reported late in the year and are still under investigation.

Most of the cases involved theft, misconduct by suppliers or favouritism by employees. Cases reported to the hotline are communicated to the company's head of internal audit, recorded in a register and investigated by security, internal audit and, if necessary, the police.

The service is well publicised in company newsletters, on the internal website and on posters. It supports the company's Code of Ethics, which is communicated to all employees and suppliers. The Code of Ethics puts the onus on employees to report any suspected fraud.

External codes

Corruption and transparency

We are committed to fighting corruption and to the full

implementation of our business principles. In two countries, our operations were put under pressure to pay bribes to public officials. These were successfully resisted.

We have been closely involved in the Extractive Industries Transparency Initiative (EITI) since its launch at the World Summit on Sustainable Development in 2002. While it is too early to judge the success of the initiative in curbing corruption and the embezzlement of public funds, it gained significant momentum during 2005.

We were involved in the implementation of the initiative in Peru and our colleagues at AngloGold Ashanti have been engaged in Ghana, Guinea and the Democratic Republic of Congo. An Anglo American representative sits on the International Advisory Group. Through this process we are promoting the potential use of a UN General Assembly resolution to increase the perceived legitimacy of the EITI and to extend the principle of transparency to lower levels of government.

Legal issues

Nineteen separate court actions for personal damages sustained

Safety and Sustainable Development Board Committee 2005	2005 Attendance
Sir Mark Moody-Stuart	3/4
Tony Trahar	all
Chris Fay (committee chairman)	all
Bobby Godsell	2/4
Maria Silvia Bastos Marques	2/4
Barry Davison (retired December 2005)	3/4
Goran Lindahl (retired April 2005)	1/1
Bill Nairn	all
David Scholey (retired April 2005)	0/1
Tony Redman	3/4



◀ Safety and Sustainable Development Committee members being briefed on a number of technical aspects, underground at Amandelbult platinum mine.

from the lung disease, silicosis, were launched against Anglo American South Africa by mineworkers. Anglo American denies that it is liable to any of the claimants and is defending the claims, 11 of which have been struck out by the court. Statutory compensation schemes in South Africa, to which gold mining and other companies are legally required to contribute, make provision for the payment of compensation for occupational diseases through a process administered by Government.

Miners affected by silicosis, particularly those living in rural areas, appear to experience practical difficulties in obtaining benefit examinations, treatment and statutory compensation benefits.

Sensitive to these issues, representatives of the mining industry, the unions and government are working together to find practical and sustainable solutions to overcome these difficulties. This approach is likely to result in a speedier and more equitable outcome for all miners affected by silicosis than protracted and expensive litigation.

Test case

Anglo American is the test case in a Group Litigation Order challenge being brought against the UK tax authorities. This case is due to be heard in the European Court of Justice in 2006. At issue is whether the UK tax regime is inconsistent with its European Union Treaty obligations. We will argue that UK domestic tax regulation makes it less attractive for a UK resident company – such as Anglo American – to establish a subsidiary outside of the UK and therefore to move capital and make payments between member states without impediment.

Government relations

We believe we have a legitimate right to make representations on behalf of our shareholders, employees and, when appropriate, our communities. These representations may sometimes be commercially focused, but on other occasions relate to a wider public policy or governance agenda, also involving our neighbouring communities.

A major issue between the mining sector and host governments has been what

constitutes an equitable level of tax and royalty payments and changing mining legislation. This has included the introduction of mining royalties in Chile and Peru, with a planned introduction of royalties in South Africa in 2009. The European Union's proposed chemical legislation, REACH, and changing legislation were other focus areas. The table highlights key issues on which we engaged with our home and host governments in 2005.

Most representations were made directly but in some cases may have been made through industry bodies.

AngloGold in the DRC

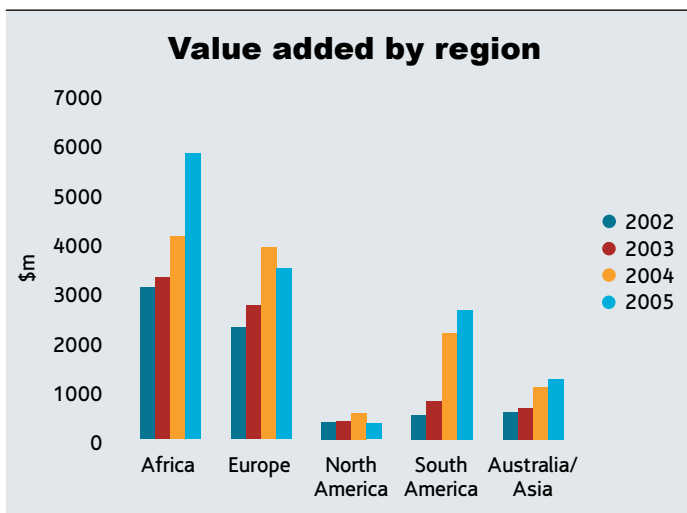
By definition, AngloGold Ashanti's new frontiers exploration strategy means that the element of risk is heightened. The company is taking steps to mitigate this following incidents in the Democratic Republic of Congo (DRC) during which an armed rebel group extracted \$8,000 under duress from AngloGold Ashanti staff. The company took a number of steps in 2005 to protect employees and to ensure that business principles were not compromised.

All payments made to the State and its agencies are disclosed and subject to internal and external audit. AngloGold Ashanti management in the DRC is involved in the Extractive Industries Transparency Initiative and is committed to its success. A stakeholders' forum and community development committee have been established so that community development priorities and issues can be brought to the attention of management. The development programme has an annual budget of \$100,000.

All contact with third parties is logged and policies prevent the use of corporate assets by external parties. The security providers have signed the Voluntary Principles on Human Rights and Security. A detailed case study is available on www.anglogoldashanti.com. ■

Country	Key issues on which representations were made to governments in 2005
Australia	Carbon capture and storage, industrial manslaughter legislation, taxation
Brazil	Mining royalties, protection of conservation areas
Chile	Mining royalties, managing mining legacies, secondary water and emissions standards
China	Mine safety and aspects of mining regulations
Czech Republic	Carbon emissions and green energy options
European Union	REACH proposals (in conjunction with the UK, South African and Chilean governments), the draft mining waste directive, ecotoxicity of nickel and zinc, EU sugar regime, emissions trading
Namibia	New labour law, revenue-based mining royalties
Poland	Waste disposal, biofuels, carbon emissions, wood marketing and use of the European Social Fund for training
Russia	Foreign Investment Advisory Council, clean coal technologies, aspects of the Underground Reserves law
South Africa	Diamonds Amendment Bill and the Precious Metals Bill, the draft Mineral and Petroleum Royalty Bill, the Black Economic Empowerment Codes, beneficiation, the conversion of mining rights, various aspects of environmental legislation
United Kingdom	EITI, human rights transparency and human rights, international development policy, OECD Guidelines on Multinational Enterprises, corporate social responsibility, taxation, environmental directives and EU Waste Incineration Directive in relation to reclaimed fuel oil, the Cross Rail project, REACH
Venezuela	Proposed changes to the mining law, dust and water emissions
Zimbabwe	The impact of the land reform programme on Hippo Valley and Mkwasine Estates, particularly the Constitutional Amendment Act (No 17) of 2005

Distributing economic benefits



Excellent financial performance is essential to attract shareholders and to deliver our contribution towards building societies that can thrive in the long term. We add value through using labour and a variety of materials to extract or grow and subsequently process primary products. These products play an essential role in society and development and in providing quality of life.

Payments to the providers of capital and to employees

In 2005, \$1,995 million was distributed as dividends or paid as interest, an increase of 32% on 2004. Of this, \$188 million was from independently-managed companies. Whilst dividend payments increased, interest payments have fallen as we have used some of our free cash flow to repay debt.

Total employee payments, including wages and salaries, social security, health care and pension contributions, amounted to \$5,367 million, a 4% increase over 2004 (including \$1,048 million paid by independently-managed companies). We employ over 128,000 people worldwide in our managed subsidiaries (195,000 in total), most of them in Africa.

The global need for sustainable development challenges us as a company to think about our financial performance in a broader perspective than the traditional financial indicators and returns to shareholders.

Nearly 64,000 are employed at independently-managed companies. Owing to the change to the International Financial Reporting Standards (IFRS), we now also account for 5,000 employees in joint ventures.

Following the change to IFRS rules during 2005 (from UK GAAP), financial contributions by and from joint ventures are now captured in the same proportion as our percentage ownership of the operation. They are outside of the scope of this report with regard to performance and other impacts (see page 2).

Payments to governments

The goods and services provided by government, such as law and order, transport infrastructure, environmental protection, health and education are provided for the public good, which means that the benefits of their provision are not captured solely by the individual user (i.e. there is an external benefit). These are funded by taxes

and are the building blocks for sustainable development as well as creating an environment conducive to private sector development and wealth creation. Tax revenues are therefore an important means of financing sustainable development and a mechanism for redistributing the value added by companies within a country.

We fully endorse the principle of transparency in our business dealings and are signatories to the UK government-sponsored Extractive Industries Transparency Initiative (EITI) www.eitransparency.org. The EITI encourages the reporting of taxes and monies paid by companies active in the extractive industries and by countries receiving revenues from the extractive industries.

In 2005, \$2,063 million was paid directly to governments in taxes as a result of our operations. Total tax payments include company taxes, employer taxes, royalties, transaction and other taxes, with the broad aggregates, split on a

Following the introduction of IFRS accounting standards, Anglo American elected to proportionally consolidate joint ventures. Therefore the value added calculations for 2005 and 2004 (restated) included Anglo's share of joint ventures. However, data for 2003 is presented on a UK GAAP basis and relates to subsidiaries only, as joint ventures were equity accounted.



It is short-sighted and not in shareholders' best interests for companies to remain distanced from developing countries' politics. People ask questions of these companies when the proceeds of industry, particularly the extractive industry, have been misspent over long periods by governments.



Sir Mark Moody-Stuart

regional basis, as shown in the table on page 12.

In addition, we indirectly contributed more than \$865 million in value-added taxes and employee taxes, which we collected on behalf of governments and paid over to them. We believe that this wider tax footprint is a valid reflection of the tax contribution that results from our activities. This is particularly the case in many developing countries where, in the absence of our operations, there would be few alternative sources of income and therefore of tax revenues.

The total of \$2,928 million paid to governments (direct and indirect taxes) was split between developed countries (42%) and developing countries (58%). Many other indirect tax benefits arise as a result of our operations as our customers and suppliers also pay company, employee and other taxes.

Payments to suppliers

In addition to the value that we create and then distribute, we also enable many other businesses to add value, both downstream (our customers) and upstream (our suppliers). Payments to suppliers amounted to \$16,364 million (\$2,019 million for independently-managed companies) in 2005. Over half of these payments were made to suppliers in Africa

and South America. We try to purchase from local suppliers, on a competitive basis, wherever possible and make efforts to enhance the capacities of local entrepreneurs in order to increase local sourcing. Our South African small business development unit, Anglo Zimele, is a world-class example of ways in which local small businesses can be assisted by large company procurement. A study by an independent consultant shows that Anglo Zimele has been successful in creating sustainable businesses relative to the performance of the South African small business sector as a whole (see page 15).

Taxation

The effective rate of corporate taxation including share of associates' tax before special items decreased to 26.5% in 2005 (from 27.7% in 2004), largely as a result of a decrease in the South African tax rate from 30% to 29% and a reduction in the Ghanaian tax rate, which resulted in a \$187 million reduction in deferred tax. Without the South African and Ghanaian once-off benefit, most of which was taken in the first half of 2005, the effective tax rate for the period would have been 29.7%. (The figures include the share of associates' tax. Associates (e.g. De Beers) are not reported on elsewhere in this report, except in financial numbers). In future periods it is expected that the

Tax paid directly to governments by country	\$ millions	
	Total	Managed
South Africa	624	597
Chile	457	457
Australia	241	233
United Kingdom	203	202
Russia	85	85
Austria	67	67
Brazil	61	41
Others	324	256
Total	2,063	1,938

* Unaudited amounts of taxes payable directly to governments as a result of our operations, therefore excluding amounts contributed in employee taxes and net value added tax.

effective tax rate, adjusted for associates' tax, will remain at or above the current levels.

Resources for the future

During 2005, \$150 million was spent on exploration – \$50 million on base metals, \$21 million on platinum, \$13 million on coal and \$21 million on ferrous metals. We are prospecting in more than 30 countries, including relatively unexplored areas such as the Arctic region from Alaska in the west to Kamchatka in Russia's far east. This is in addition to the focus on areas surrounding existing mining operations.

Mining charter – transformation progress

The transformation of the South African economy to one that, through ownership, management structures and distribution of benefits, more broadly reflects society, received significant attention at corporate and operational level during 2005.

Strategic leadership is provided by a Transformation Committee chaired by Lazarus Zim. A multi-disciplinary Transformation Unit, chaired by chief operating officer Godfrey Gomwe, drives the search for solutions, planning and implementation. For the mining businesses, 2009 remains the first critical date. It is linked to the final deadline for conversion of mining rights in terms of the

Minerals and Petroleum Resources Development Act of 2004. The business units remain confident that we will meet, if not exceed, the requirements laid down in the Mining Charter.

Uncertainty over interpretations and definitions within the Charter remains – such as whether the ownership and equity provisions should be focused on operating entities (production units) or corporate structures, whether ownership credits may be transferred from one operation or company to another or across different commodities.

Particular emphasis was given in 2005 to developing mechanisms for broadening the basis of ownership to include employees who have not previously participated in share schemes. Mondi was the first operating company to announce a scheme early in 2006 and, pending agreement on the recognition of these schemes as part-fulfilment of the requirement for broadening the BEE base, a number of operating entities could follow suit in 2006.

The scorecard for the Mining Charter is on our website.

www.angloamerican.co.uk

The key issues are human resource development, employment equity, migrant labour, community and rural development, housing and living conditions, procurement, ownership and joint ventures, beneficiation and reporting.

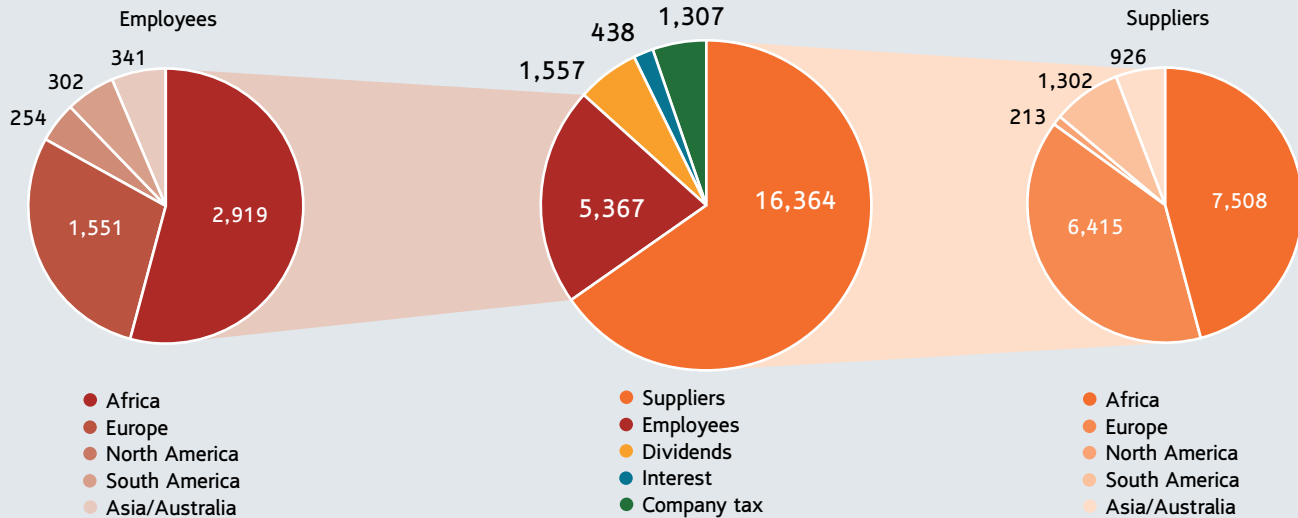
Procurement is an area in which the corporate centre and all operations have had significant success. Total procurement from black economic empowerment (BEE) companies during 2005 amounted to R8,2 billion (\$1,3 billion), an increase

Tax paid directly to governments by category and region	\$ millions				
	Africa	Europe	N & S America	Australia/Asia	Total
Profits	453	209	528	117	1,307
Transactions	44	34	8	0	86
Labour	94	187	20	32	333
Royalties and environmental	69	75	10	88	242
Other	29	40	19	7	95

Sharing of economic benefits

\$ millions

Distribution



To protest that we paid our taxes is of no avail. It may not be our responsibility, but it becomes our problem. If we want the sort of functioning society in which we can do business, we need to work with others to create the capacities and conditions which sound governance requires.



Sir Mark Moody-Stuart

of 51% on last year's figure of R5,4 billion (\$848 million) and an improvement of 15.4% above the 2005 target of R7,1 billion (\$1,1 billion). BEE procurement as a percentage of total procurement spend is 15.4% and 23.4% of total available spend (excluding spend on utilities and parastatals). R3,4 billion (\$533 million), or 38% of the BEE spend, was with small and medium-sized black-owned companies.

Anglo Platinum doubled its BEE spend to R2 billion (\$314 million) during 2005 while Ferrous Metals and Industries achieved a 40% increase from R1,8 billion (\$282 million) in 2004 to R2,6 billion (\$408 million) in 2005. All procurement contracts from BEE companies are strictly on a competitive and commercial basis.

In addition, Anglo American reports a figure of R777 million

(\$122 million) for enterprise development, which comprises the collective turnover of the investments within Anglo Zimele, the Group's business development and empowerment arm, and Anglo Khula Mining Fund portfolios. Anglo Zimele's 30 equity investments collectively turned over R561 million (\$88 million) in 2005, compared with R264 million (\$41 million) in 2004, and the Anglo Khula Mining Fund increased its collective turnover from R87 million (\$14 million) in 2004 to R216 million (\$34 million) in 2005. Anglo Zimele's Nick van Rensburg says the current Anglo Zimele focus has shifted from predominantly greenfields start-ups to the transformation of existing companies within the supply chain to meet BEE requirements relating to both the Mining Charter and generic codes that will apply to all business sectors.

A key focus is on providing security to partners seeking loans. Selected companies can borrow from the banking sector on the strength of Anglo Zimele's equity stake in them. A recent start-up success has been an initiative by a former employee at Highveld Steel's Mapochs mine. The company has engaged 30 previously unemployed local people to collect iron ore on the surface. The initiative is now achieving sizeable tonnages.

Legislation regarding the beneficiation requirement of the Charter has not yet been promulgated but operating companies are already advancing a variety of initiatives in the spirit of this requirement. These include an Anglo Platinum project to promote fuel cell use and develop a platinum jewellery manufacturing industry in South Africa. Anglo Coal has a variety of initiatives under consideration, as do the Namakwa Sands operations.

Housing and living conditions

Our operations are often in remote locations and in many parts of the world special arrangements are made to accommodate workers. Current best mining practice is to avoid the creation of new mining towns because of the significant likelihood that when the ore body

is depleted the inhabitants would be left economically stranded.

Transport and safety are also factors. In our high altitude operations in Chile, for example, workers on 12-hour shifts rotate into on-site hotel-type facilities for several days. They then return to their family homes for a number of days before their next shift.

In South Africa, many workers migrate to the mines from other parts of the country. While the company has a policy of promoting home ownership, the realities of severe shortages of formal accommodation in some areas and the preference of maintaining a family home in their place of origin means that housing needs vary significantly.

Some hostels remain and they are being modernised. Anglo Platinum, for example, expects to conclude its hostel upgrade in 2008 and is also far advanced in a partnership with local government to build a variety of rental housing units for staff – from single units to family units. Once a credit history can be built up and with the assistance of government first-time home ownership subsidies, the rental agreement can be converted to a mortgage. ■

Empowerment through enterprise

Supporting small and medium-sized enterprise is an important catalyst for wealth creation.



South African President Thabo Mbeki and Minister of Minerals and Energy Lindiwe Hendricks with Tony Trahar and Lazarus Zim at an exhibition of Anglo Zimele businesses.

Business and development

As one of the largest private sector investors and employers in Africa, we welcome the emphasis directed at the alleviation of poverty and the initiatives on sustainable development, aid, trade and debt relief by the UK's G8 presidency.

In support of these initiatives, we have committed \$2.5 million to the New Economic Partnership for Africa's Development (NEPAD) Investment Climate Facility (ICF) designed to help improve economic growth in Africa by promoting a more positive image of Africa as a place to do business. Anglo American, Shell and the UK government are the first contributors to this public-private partnership which aims to raise \$120 million over the next three years to aid African governments in improving the climate for business of all sizes, from farmers and start-up entrepreneurs to multinationals.

The ICF will make it easier for people to start new enterprises by streamlining systems for

business registration and licensing. It will help to remove barriers to competition, reduce bureaucracy, improve customs procedures and facilitate trade.

Tony Trahar noted that, as a major investor in Africa, we know that it can be an excellent place to do business, but too often enterprise is stifled by bureaucracy and inefficient regulation. We regard our commitment to the ICF as an important contribution to improving the life chances of millions of Africans.

We are part of the Business Action for Africa network to challenge negative perceptions of doing business on the continent, as we believe the promised increase in infrastructure spending and aid flows must be balanced by corporate sector investment and wealth creation.

Anglo American received the Oracle International Award in 2005 from Business in the Community – a group of UK companies committed to making a positive impact on society – as the biggest contributor in Africa to the achievement of the UN Millennium Development Goals.

Making uniforms for mines and schools

Anglo American has helped create a new source of income for the tiny community of Altigracia in Venezuela, which needed a sustainable source of jobs and earnings. It has set up a co-operative to make uniforms for employees at the nearby Loma de Níquel mine in Venezuela and for contractors, other companies and schools.

Staff at Loma de Níquel suggested the idea to villagers. The mine

provided a workshop, raw materials and advice on developing a business plan. It also helped the co-operative obtain training and funding for equipment from the government.

The project has taken three years to get off the ground. At the end of 2005, the co-operative was supplying uniforms to Loma de Níquel as well as to other companies and schools in the region.

Local supply chains

Mondi is stimulating small business and contributing to black economic empowerment (BEE) through its supply chain in South Africa. Around 20% of the influenceable procurement spend is already sourced from BEE suppliers. Mondi's target is to boost this to 50% within five years.

Income building in Chile

Anglo American has turned the region around its Chagres smelter in Chile into a land of goat's cheese and honey.

As part of a programme to encourage economic diversity, the company has cross-bred 40 Boer goats from South Africa with local breeds. This has made the animals stronger, enabling them to produce more meat and better quality milk for cheese.

The company hired professional managers to improve farming practices and help farmers form a co-operative to sell their products. The cheese is sold under the Lomas de Catemu (Hills of Catemu) brand.

The programme also focused on bee keeping, helping to cut disease in bees by 30%. This is expected to boost community income from honey by 20%.



Anglo Zimele has answered the question I have been asking about what it is we can do to assist the expansion of the South African economy through SME development and BEE.



South African President Thabo Mbeki

Begun in November 2003, the programme won awards for Best Social Project and Good Business Citizen from the Chilean-North American Chamber of Commerce in 2005.

Anglo Zimele analyses start-up secrets

From car washing to chrysanthemum nurseries to dragline maintenance, nearly 100 small businesses have been started in South Africa with the help of Anglo Zimele, the Group's small business development arm.

Independent research has found that, since it was founded 17 years ago, Anglo Zimele has been very successful in the creation of new businesses that contribute to employment and economic development in South Africa.

Reef Food Services, one of Anglo Zimele's first success stories and now a leader in the catering and facilities management sector with an annual turnover of R65 million (\$10 million), is itself investing in a similar business start-up model.

According to independent research, Anglo Zimele's start-up companies have a survival rate of 53%, around double the average for new businesses in South Africa. The post-1997 survival rate is 72%. These companies have created 4,000 jobs and together generate sales of R542 million (\$85 million) a year.

The Anglo Zimele investment model is like a venture capital fund with a difference. Instead of just

investing capital, it also provides its investments and fledgling businesses with a critical support structure and pool of resources in return for an equity stake which is held for a limited period.

While this incubator approach is necessary, Anglo Zimele requires that entrepreneurs are able to stand on their own feet and compete commercially for market share. Its name is derived from Zulu and Xhosa and is translated as "to be independent" or "to stand on one's own feet". While Anglo Zimele is able to provide good access to the Anglo American supply chain, businesses are encouraged to find customers outside of the Group so that they become economically independent.

A high success rate

Since it was established, Anglo Zimele has exited from 73 businesses at appropriate points as part of its strategic approach. Thirty-nine of these companies are still operating. In 2005, the consultant selected a sample of 24 for further study.

The sample represented diversity in activity (products and services), size and geographical locations. These businesses range from Nini's Car Wash, which has a turnover of R360,000 (\$57,000), to the much larger Reef Food Services. Together, the 24 ventures have an annual turnover of R278 million (\$44 million) and employ about 2,075 people.

Besides the employment provided, the businesses also contribute to their local communities. For example, Bambanani Health and Safety is helping to improve education in the Middelburg area while Naledi Computer Services provides second-hand computers to township schools.

All 24 companies in the study have at some time provided a valuable service to the Group. But today none has Anglo American as its sole customer.

The study found that 42% are highly diversified and not dependent on any single customer and 13% have thriving businesses without providing

services and products to Anglo American. Some 46% are still dependent on the Group for half or more of their sales.

The survey found that those businesses interviewed had become sustainable following a relatively small investment. Anglo Zimele invested R895,000 (\$141,000) in 20 of them (providing only loans or advice to the other four) and generated for Anglo Zimele a real return of R7.8 million (\$1.2 million). We are looking at ways to replicate the Anglo Zimele model in other countries.

At a showcase, in July 2005, of 20 of Anglo Zimele's past and current investments, South African President Thabo Mbeki stated, "This effort has answered the question I have been asking about what it is we can do to assist the expansion of the South African economy through SME development and BEE."

Colliery helps flower farm to bloom

Anglo Coal's Isibonelo colliery in South Africa has invested in Sunbali Flowers, the neighbouring flower farm, helping it to bloom and create much-needed jobs in the area.

Sunbali Flowers supplies around 100,000 chrysanthemum stems a month to markets in Johannesburg, Durban, Cape Town and Port Elizabeth, as well as to florists in the Mpumalanga region where it is based.

Sunbali Flowers was set up as an employee trust by Anglo Zimele. The dozen workers who founded the flower farm will benefit from its success because they own 40% of the business.

Anglo Zimele owns another 20%, and the remaining 40% is owned by Isibonelo colliery. Colliery management also provide help to the farm in ensuring that strict health and safety guidelines are followed and financial governance is entrenched.

The flower farm is a true empowerment initiative and the first employee trust set up by Anglo Zimele. ■

Employees at Sunbali Flowers are benefiting from a share in the equity of the company. The flower farm is an Anglo Zimele and Isibonelo colliery venture.



Engagement – the foundation of community building



In many of the countries in which we operate, we see the result of too little socio-economic development. Effective engagement helps us to identify our role in development.

(Left to right) American-Chilean Chamber of Commerce president Michael Grasty, Chagres Smelter HR manager Benjamin Galdames, former Chilean First Lady Luisa Durán de Lagos, Chagres Smelter S&SD specialist Ursula Weber and Anglo Chile head of marketing and corporate affairs Felipe Purcell (see page 14).

The major sustainable development challenges of poverty, unemployment and disease are the basis of the UN's Millennium Development Goals and the primary responsibility of governments. However, society expects us to contribute to these macro goals through collaborative work on resolving some of the indirect effects of our operations – such as the growth of informal settlements.

To increase our effectiveness in this, we are building our understanding of the dynamics and priorities of communities and the local impacts of our operations. This flows from dialogue with a wide

range of stakeholders. Community engagement plans are now essential to the way we work and are in place at 91% of significant operations. We are also increasing our internal capacity to work in partnerships.

Social forums

Social forums were held in South America, central Europe, China and southern Africa for 200 managers.

The South American forum heard from Peruvian and Chilean NGOs and debated issues around differing concepts of community consent, maximising community benefit from mining, local business development and indigenous people's perspectives. In contrast,

the southern African forum included input from organised labour and focused on HIV/AIDS, informal settlements, sustainable livelihoods, and the implementation of the social aspects of the Mining Charter in South Africa.

Understanding our world

Much depends on good governance and the presence of other constructive partners, but an essential element in addressing sustainable development is to understand more about the world beyond our perimeter fence. We use our Socio-Economic Assessment Toolbox (SEAT) to help each operation understand the extent and nature of its



◀ In June 2005 we received the UK's Business in the Community International Award for our contribution to the achievement of the Millennium Development Goals in Africa.



“
Our greatest ability to contribute to poverty alleviation is through our core business.
 ”

impacts on neighbours, build trust, be a more effective development partner and ensure that we are accountable. It is also part of our risk-management process and a way of building more responsive, measured and consistent social performance.

SEAT includes assessment tools that assist with the identification of stakeholder groups, culturally appropriate methods for engagement and understanding the dynamics between stakeholder groups. It provides guidance on forming and managing partnerships, the social aspects of closure planning, local-enterprise development and assessing human capacities. To complete the process, the site management must develop a plan that responds to community concerns and priorities. We recommend that a SEAT assessment is undertaken regularly, supported by continuing dialogue with local communities and annually reviewed Community Engagement Plans. We will track the implementation of these plans.

Thirty-one of the Group's major, managed operations will have completed SEAT assessments across 13 countries at operations as diverse as mines, paper mills and forests by April 2006. A further 17 assessments are under way and at least 12 more are at the planning stage. One additional assessment was carried out by AngloGold Ashanti in the USA. The process has been strongly supported by the Board, with the chairman and two non-executive directors visiting the Syktyvkar mill in Russia for the debrief on its assessment. Presentations were made to the Safety and Sustainable Development committee in Chile and in Durban.

Feedback essential

Integrating the process with the business mainstream is critical. So is providing feedback and follow-up to communities. Perceptions are a reality for the communities concerned, even if they are poorly informed. Better communication, or involving the community in environmental monitoring, can address misperceptions and any lack of trust.

Consistent themes include trust around environmental and health issues, dust, transport and road safety, the need for jobs, transparency about recruitment, and the potential for creating supply chain opportunities for local companies. There is also a need to manage rivalries between stakeholder groups such as traditional and democratic leaders, different communities or even generations.

The Hippo Valley sugar estate in Zimbabwe was one of the first sites to implement SEAT. The process highlighted community concerns about the environmental impacts from cane burning and dust, access to transport, access to land for the expansion of Chiredzi town, employee housing conditions, the status of chiefs and HIV/AIDS. Management has developed a comprehensive response to the issues raised, which will be implemented as resources permit.

The initiatives implemented or planned include a grant of land to Chiredzi to facilitate its expansion needs, the construction of a 600-metre causeway to provide access to the town for people from poor neighbouring communities (the alternative being a 150-kilometre round trip), and the establishment of an HIV project with the Global Fund.

SEAT is attracting external interest, particularly the partnerships with NGOs used for implementation in Chile and Namibia. Through the United Kingdom's Business in the Community, its applicability to an urban regeneration setting is being evaluated. The methodology will be published on our website for others to use. We are gathering feedback from the completed assessments to refine and improve the methodology.

Key stakeholder engagement in 2005	
Stakeholder Groups	Channels for Engagement
Investors	Annual results presentations and investor road shows, meetings on sustainable development performance, stakeholder surveys
Employees and their representatives	Performance contracts and development reviews, CEO briefings, climate surveys, European Information Council, trade union negotiations, information portal, internal publications
Governments	Direct engagement as well as through industry associations, national partnerships on social priorities, international partnerships, stakeholder surveys
International organisations	Membership of UN Global Compact, ICMM, WBCSD, Global Business Coalition on HIV/AIDS, participation in consultations on business and human rights and World Bank IFC draft performance standards
Communities (operational responsibility)	Community engagement plans and liaison forums, SEAT, roundtables, consultation with leaders, town hall meetings, surveys, EIAs/SIAs
Contractors and suppliers	Commercial interactions, tender processes, open days, safety inductions, performance reviews
Customers	Commercial relationships, satisfaction surveys, complaints procedures
NGOs	Engagement on specific issues, stakeholder surveys, involvement in partnerships (e.g. on biodiversity, human rights or HIV), international memberships

◀ Job creation and skills development in the South African jewellery industry is being supported by Anglo Platinum as a means of adding further local value to platinum and creating a vibrant platinum jewellery-making industry.



Tackling poverty

Our greatest ability to contribute to poverty alleviation is through our core business. In developing countries, we are also finding practical ways to increase the positive links between our operations and our host economies through, for example, local enterprise development, outsourcing, sustainable livelihoods schemes, and multiple resource-use initiatives. There are also many smaller scale initiatives under way at our operations across the developing world as the case studies highlight.

Anglo Coal in South Africa estimates that it has generated 150 new jobs through community projects in 2005 and Anglo Platinum reports that it supported the creation of 48 new businesses and provided training to 145 emerging entrepreneurs. Mondi Business Papers in South Africa has been successful in generating rural livelihoods through crafts, bee-keeping and charcoal manufacturing initiatives. In Brazil, the Catalão niobium mine increased its purchases from local suppliers by 14% in 2005. In Venezuela, the Loma de Níquel mine has established a demonstration vegetable growing farm, a tree nursery and a uniform manufacturing operation to support local incomes.

Open days at Chagres

Anglo Base Metals' Chagres smelter in Chile is opening its doors to gain the trust of nearby communities. The operation now holds regular open days to give local people an opportunity to express their concerns and obtain feedback from the SEAT assessments.

During 2005, the main issues were the impact of smelter air emissions on public health, a lack of trust in environmental data collection and the benefits of flash-furnace technology installed a few years ago. Local authority health reports, showing no differences between air quality in the smelter area and neighbouring areas, were presented to the public. The environmental monitoring system, operated by a third party,

has also been demonstrated. Local authorities and the smelter management are currently assessing the need for additional environmental studies. More than 2,000 visitors have toured the facilities on open days.

In addition, a social responsibility award has been created to recognise employees' and contractors' involvement in community projects such as sport, music and education for young people.

Providing expertise to Aboriginal small business

Anglo Coal is lending its business expertise to help the community of Woorabinda, near its Moura (now called Dawson) coal mine in Australia, set up a furniture making business.

The council of Woorabinda – an Aboriginal community of around 1,200 people in Queensland – was keen to pursue ideas for new businesses to create jobs and boost the town's prosperity.

The community decided to set up a furniture making business using timber from nearby woodland. It obtained government funding for the project in 2005 and approached Anglo Coal for business advice.

Anglo Coal will help the community plan and construct the manufacturing facilities and set up a business plan. It will help ensure that health and safety procedures are put in place and that the woodland is managed sustainably.

The new business will initially provide four full-time jobs for the community. Anglo Coal will also assist in developing a marketing strategy to sell the finished furniture products.

Creating a thriving town at Durnacol

When Bella Khumalo's husband could no longer work in the Durnacol coal mine, in South Africa's KwaZulu Natal, after an accident in 1992, her family's future looked bleak – until Kumba helped her start a dressmaking business.

Now she owns her own sewing machines, employs an assistant and supplies uniforms for the local primary school. Her husband has also found a new job with a security company.

Bella's is just one of many success stories that have emerged from Kumba's R24.4 million (\$3.8 million) plan to transform the old Durnacol mine site into a thriving town.

Kumba has worked in partnership with communities, government departments, trade unions and the local council for almost 10 years to transform the old mine into a vibrant community with more than 400 homes.

Around 1,800 people were employed at the mine before it closed in 2000. Of these, around 600 were either retained to work on the environmental rehabilitation of the site or were transferred to other Kumba operations.

Durnacol offered the remaining 1,200 former employees a redundancy package and helped them find other jobs. The mine invested R3 million (\$471,000) in training to help people develop skills and start their own businesses.

Durnacol became an official township in September 2003. The town's centre is made up of buildings, sports and medical facilities left from Kumba's mining operations. The company also

“
The need to recognise local differences in a global business was highlighted in a study of social and environmental impacts.
”

Anglo Coal Australia and the Aboriginal community at Woorabinda have signed an agreement which will assist the community in creating a timber products business.



funded infrastructure improvements including electricity, sewage and water treatment plants.

A welding workshop is being set up in Durnacol and Kumba donated 200 hectares of land to support farming in the area. The company also donated buildings for a pre-school and crèche to enable parents like Bella to go out to work and support their families.

Responding to stakeholder concerns

Mondi Business Paper has carried out assessments using the SEAT methodology at three forestry operations and two paper mills in South Africa.

At the Mkhondo, Peak Timbers and SiyaQhubeka forestry operations, stakeholders raised concerns about contractors' working conditions and the relatively small proportion of work provided for local people in an area of high unemployment. In response to these concerns, new tendering procedures are being introduced to increase the employment of local labour, where possible. More local suppliers will be included on the approved vendor list and managers will seek to ensure that contractors comply with Mondi's minimum wage and social policies.

The need to address HIV/AIDS in the communities was also seen as a priority. Existing HIV/AIDS awareness and education programmes at the forestry operations will continue with further support provided for HIV testing, treatment and counselling in communities nearby.

Local communities have expressed concerns about air pollution and its potential impact on health at the Richards Bay and Merebank mills. Measures have since been taken to reduce mill emissions (see page 30). Mondi Business Paper is supporting a multi-stakeholder initiative to improve air quality in the South Durban area. Local procurement and transformation challenges were also highlighted.

Contributing to the local economy in Swiecie, Poland

A socio-economic assessment conducted in 2004 in Swiecie, northern Poland, highlighted the positive contribution made by the mill to the community and helped identify priorities for the future.

The mill's social investment programme and tax payments to local government are vital community resources. The company supports local suppliers and also encourages sustainable forestry practices.

Mondi Packaging Paper is the largest employer in Swiecie, providing much-needed jobs in a region of high unemployment (almost 25%). The company downsized in the mid-1990s, and local people remain concerned about possible further redundancies in the future.

The mill's management is focusing on several key issues emerging from stakeholder engagement. These include job creation, economic development and increased transparency on how projects are chosen for social investment.

Recognising local differences in a global business

The need to recognise local differences in a global business was highlighted in a study of the social and environmental impacts of Mondi Business Paper's mill at Syktyvkar in the Russian Komi Republic.

The use of the SEAT process helped Group management understand better the Russian cultural context of local managers' decisions.

The SEAT results indicated an appreciation in the community that the mill was a fair employer and made valuable contributions to community projects and social infrastructure. But they also identified community concerns about the possible health effects of emissions, the level of local procurement and the security of jobs.

Anglo American chairman, Sir Mark Moody-Stuart, visited



Syktyvkar to review the assessment and spoke with some of the people who built the mill 35 years ago when the Komi Republic was part of the Soviet Union. He noted that although they had worked under a different socio-economic system, they shared today's goals of using natural resources to improve living conditions, create jobs and educate their children.

Certain NGOs in Syktyvkar have expressed concerns about mill emissions into the Vychegda river and the possible, resultant, health impacts. To address the potentially harmful impact of emissions into the river, the Mondi Business Paper Syktyvkar mill has committed to investing in an elemental chlorine-free bleaching process, due to be operational by September 2006. An independent study of the river was commissioned and the results have been given to the local authorities.

Anglo Platinum tracks down injured workers

Anglo Platinum is tracing former workers who retired because of ill-health or permanent disablement, beginning with those living in the O R Tambo district municipality in South Africa's Eastern Cape. It is evaluating specific medical or social care needs.

In the last quarter of 2005, it tracked down 66 people who have retired following ill health, and 13 with spinal injuries. Some

The head of Russia's Komi Republic, Vladimir Torlopov, receives a copy of the Syktyvkar socio-economic assessment from Sir Mark Moody-Stuart.

ex-employees are difficult to trace because they live in remote areas that can only be reached on foot. This makes tracing two or three patients a day a considerable achievement.

Working closely with local communities, including local chiefs and the clinics in the areas where its former workers are based, Anglo Platinum has identified a number of local needs.

These include supporting local hospitals and training village care workers. It will provide proper sanitation, where possible, and ensure that the necessary medical care is available for those with spinal injuries. Livelihood opportunities are being explored with representative NGOs and workers who retired because of ill health.

Supporting responsible small-scale gold mining

Communities near AngloGold Ashanti's operations in Ghana, Guinea, Mali and Tanzania depend on the income from small-scale, artisanal mining. But working conditions are often unsafe and mercury used to extract the gold can pollute local water supplies.

Governments find it difficult to regulate artisanal mining and are turning to large mining companies for help. AngloGold Ashanti is



The Mondi Business Paper SCP's annual goulash party has become a popular event with the children of Ružomberok, in Slovakia. The town has had a paper mill since the 17th century.

promoting alternative business and job opportunities for local people in its own operations, and encouraging responsible artisanal mining nearby.

In 2005, a workshop at AngloGold Ashanti's mine in Geita, Tanzania, attracted 95 artisanal miners. They wanted to find out more about safer mining techniques and loans to start up small businesses.

This led to AngloGold Ashanti hosting a trade fair for artisanal miners. Several non-governmental organisations and other large mining companies participated. Information was provided on micro-finance, loans and bank accounts, training in safe and responsible mining and alternative job opportunities in the area.

The company is exploring the possibility of allowing artisanal miners to work areas of its land where there is insufficient gold to justify commercial mining, but which could be successfully exploited on a smaller scale. This would help to legitimise artisanal mining, promote communications with local communities and reduce disturbance to the company's operations.

AngloGold Ashanti plans to help reduce mercury pollution from artisanal mining by offering

miners cleaner technologies in partnership with the UNIDO (United Nations Industrial Development Organisation) Global Mercury Project.

Improving quality of life in Ružomberok, Slovakia

People living in Ružomberok, Slovakia, are able to monitor the source of smells from the nearby paper mill and contact managers and ask for things to be put right. Mondi Business Paper SCP has set up local monitoring stations as part of its continuing efforts to improve environmental performance and its relationships with local communities.

Paper has been made in Ružomberok since the 17th century and the smell associated with traditional pulp production defined the town until Mondi invested €240 million (\$292 million) in plant improvements, including new technologies. This has reduced the sulphur dioxide emissions by more than 60% and malodorous emissions by more than 90%.

Without exception, every person consulted as part of a SEAT assessment in 2005 was impressed by the improvements.

One woman noted that, for the first time in her life, she could sleep comfortably with the window open. Employees said that they were now proud to work at the much-improved mill.



Companies also have a prime accountability for the impacts of their operations and products on surrounding communities and customers.



Sir Mark Moody-Stuart

Corporate social investment in Venezuela

In an effort to promote and transfer agricultural and horticultural skills and create the potential for self-help to its neighbouring communities, Loma de Níquel, an Anglo Base Metals mine in Venezuela, has established an experimental farm.

Environmental engineer Wilmer Perez and two local labourers from the town of Chaguaramas, Oswaldo Crespo and Jose Rivas, are demonstrating good agricultural practice including soil conservation, different planting techniques, erosion control, disease and pest control, fertilisation and commercial administration. The project will eventually train members of the local community.

Zucchini, cucumber and cilantro have been cultivated with no irrigation. Other plants such as manioc, corn, egg plant and a small sweet chilli pepper species, which are very common in Venezuela, are also being cultivated successfully for sale. ■



Arcangel Vaquez weighing produce from the experimental farm in the Loma de Níquel canteen. The farm is an effort to promote and increase horticultural and agricultural skills in the communities close to the operation.

Human rights focus increased



Companies have a clear and prime accountability for the human rights of their employees.



Sir Mark Moody-Stuart

Anglo American has engaged in the international dialogue about the role of business in the realisation of human rights, both directly with the special representative of the UN's Secretary-General and through the International Council on Mining and Metals (ICMM). While we believe that governments have the primary responsibility for protecting human rights, we have, since the publication of our business principles in 2001, included a commitment to support the Universal Declaration of Human Rights and promote human rights in our host countries.

Early in 2005 the Group joined the multi-stakeholder process, which supports the Voluntary Principles on Security and Human Rights. These principles provide companies with best practice standards in risk assessment, the training and control of security providers and interactions with public security forces. They were originally developed to assist companies working in areas of conflict but also have wider application.

We have developed a manual to guide operations in applying the principles and co-ordinating their implementation across disciplines such as procurement, human resources, legal and safety

and sustainable development. Training events were held in South Africa, Chile, China and in central Europe. A risk appraisal conducted by the Group in 2004 indicated that we operate in relatively few medium- to high-risk countries, though some concerns exist around Peru, Zimbabwe, Venezuela and the Philippines. In Venezuela, Loma de Níquel has worked with a local NGO to increase awareness of human rights by the local police and the operation's security contractor.

Zimbabwe

There were no human rights incidents that directly impacted

on our Zimbabwe workforce or associated communities during 2005. Anglo American has had operations in Zimbabwe for some 50 years and we believe we have been able to play a positive role during this time, most recently in alleviating poverty and assisting with food distributions in the areas where we work. We will continue to focus on human rights priorities as we develop the Unki platinum project.

At Hippo Valley we were able to extend antiretroviral therapy to employee's spouses suffering from AIDS, as a result of partnerships with NGOs and funding from the Global Fund. ■



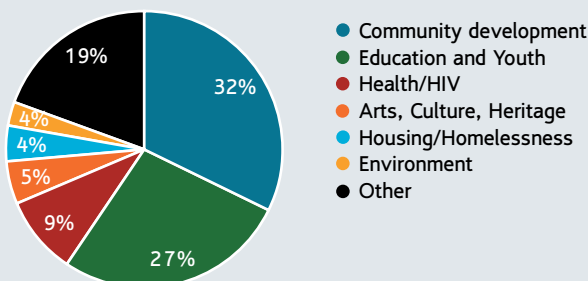
Resettlement

In southern Africa, our operations are working with authorities to address the challenges posed by the rapid growth in informal settlements. These often result from an influx of people in search of work – with significant impacts on the environment, public services, crime, ethnic tensions and long-term consequences for the company. Our Skorpion mine in Namibia, for example, is proposing to relocate an informal settlement of 4,500 people for health and safety reasons and Anglo Platinum has been working with municipalities and other authorities around its mines at Rustenburg and Amandelbult to improve social conditions.

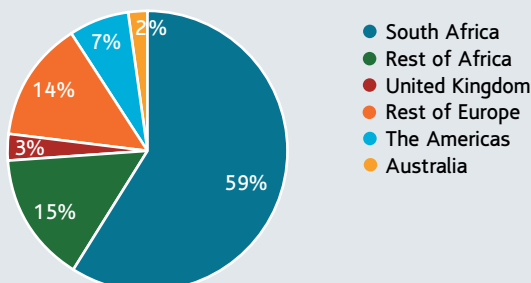
As part of Anglo Platinum's resettlement process for the Ga-Puka and Ga Sekhaolele communities near Makopane (Potgietersrust) in South Africa, socio-economic development projects are ensuring that the community benefits from job opportunities and capacity building.

Social investment

Distribution of expenditure by cause



Regional distribution of expenditure



Our social investment focuses on five core areas – international development, community capacity building, education, health and the environment. This includes skill, money and time put to use to build a better long-term future.

Broad recognition for our CSI programme

Anglo American swept the board in the annual rankings of South African corporate social investment funds as determined by a panel of 100 business and 100 NGO representatives. The Chairman's Fund secured top spot in 16 of 26 categories.

Both business and NGOs recognised it as the best corporate grantmaker, as the company most widely recognised for its corporate social investment (CSI), and for making the strongest contribution to education as well as HIV/AIDS and social development.

NGOs also ranked the Chairman's Fund as being most hands-on in

its approach to CSI, while business gave Anglo American another top ranking for making the strongest contribution through CSI to safety and security.

International development projects supported

We have maintained our focus on support for international development projects, including the work of SightSavers International in Africa and CARE in Zimbabwe and Brazil, and provided aid to smaller charities such as Engineers without Borders, Bees for Development, Children of the Andes and Leonard Cheshire's work with the disabled in Tanzania. Despite having little presence

in the region, the company also supported disaster relief from the United Kingdom, Australia and South Africa in the aftermath of the tsunami disaster. Other international commitments included support to a number of HIV/AIDS charities.

In London, it has become a tradition to run an auction of contemporary art and jewellery to support Starfish, a charity which supports AIDS impacted families in South Africa. In 2005, staff and invited guests bid a total of £50,000 (\$92,000) for the arts and crafts, many of them created by communities of HIV-positive people. The total donation to Starfish over three years has been £150,000 (\$277,000).



◀ Loma de Niquel executive director, John MacKenzie, with some of the villagers who have created a co-operative which will contract to make uniforms for the mine, other companies and schools. Loma employees provided expertise for developing a business plan, a workshop and raw materials (see page 14).



◀ Bee farming and honey production have become sources of income for the community around Chagres smelter in Chile (see page 14).

Corporate Social Investment		
Year	\$ spend	% of pre-tax profit
2002	28.8 million	0.9%
2003	38.3 million	1.5%
2004	47.4 million	1.1%
2005	56.7 million	1.0%

As part of an annual World Aids Day awareness programme R160,000 (\$25,000) was raised on the Johannesburg campus for the Little Sparrows charity. Staff donations were matched by Anglo American South Africa.

Supporting education

Higher education is a continuing theme for our social investment programme. A significant new line of expenditure was a \$2.9 million commitment by Mondi to funding scholarships to Austrian universities for students from Africa, Asia and central and eastern Europe. Investment continued in South Africa and for scholarships to British universities.

Maths and science prioritised

Mbilwi high school in South Africa has become renowned as a centre of educational excellence, particularly in mathematics, science and biology. Set in a poor rural area, where a lack of infrastructure and teaching resources make teaching and learning very difficult, this school has become one of the top performers in South Africa. It has produced outstanding results at the higher grade of the senior certificate for years, despite the fact that it does not have formal science or biology laboratories and has very little equipment. The Chairman's Fund has provided a grant towards the construction of fully equipped science and biology laboratories, a media/resource centre and

an administration block. This project is being undertaken in partnership with the Limpopo Department of Education on a matched-funding basis.

Retired nurses to the rescue

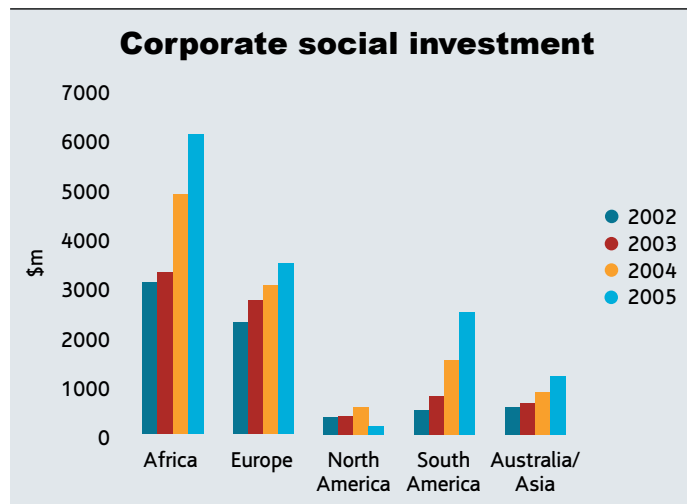
Retired nursing sisters in South Africa have added their considerable skills and experience to the fight against AIDS. The Soweto Retired Professionals Society was formed by a group of energetic senior citizens who realised how much they still had to offer their community as it struggles with the HIV/AIDS pandemic. The Chairman's Fund has agreed to provide a utility vehicle, one of their priority needs.

The community-based projects include a small hospice, the training of volunteers to provide home-based care and support for patients and their families, AIDS-awareness programmes for the youth and community gardens to provide nutritional supplements for those who cannot afford them.

Volunteering

In London, staff continue to provide regular support to an inner-city school. They read to the school children once a week and provide support to the principal and administrative staff when required.

In Johannesburg, an active group of volunteers was launched during 2005 and it quickly



identified children and HIV as priority items to address. A Celebrate Life party was co-hosted for the more than 1,000 HIV-positive children in the care of the Chris Hani Baragwanath hospital in Soweto. It was a day filled with fun and laughter and a true celebration of life. Staff also built and installed a computer back-up system for the clinic records using redundant equipment and sourced redundant furniture from Anglo American companies to furnish the satellite clinics in Soweto.

Since July 2005, staff have also supported a soup kitchen run monthly in an informal settlement in Soweto. Residents are being assisted to grow vegetables. Seeds, equipment and expertise have been provided. As a result of the soup kitchen, an epileptic child's life was dramatically changed. The volunteers ensure that he receives medication and care and he has had no further seizures.

Volunteers use company time for the organisation of these activities, although the events themselves occur over weekends.

Staff at Tarmac's Wolverhampton offices have a coaching and volunteer relationship with their local school. ■

Social investment as defined by the London Benchmarking Group includes cash donations, gifts in kind and staff time for administering community programmes or volunteering in company time. The Group consists of leading companies.



◀ In response to a need for increased economic opportunities at Catemu, near Chagres, strong Boer goat breeding stock was introduced to bolster goat product development (see page 14). ▶



Environmental overview



The mountains close to the Los Bronces base metals operation, in Chile.

As a natural resources group we extract resources and transform them from primary materials into pulp, paper and packaging, ores, concentrates and industrial minerals or metals. The nature of the resultant impacts varies throughout the lifecycle of our projects and operations. The most substantial usage of natural resources takes place within the operational phase and we review this under the headings of energy use, air quality,

The natural environment is under stress. Around the world our operations are striving to reduce energy use, minimise their impacts on water and find opportunities to conserve biodiversity.

water use, land stewardship and biodiversity management.

In recent years we have been working to benchmark and reduce negative impacts through the setting of long-term quantitative targets and the dissemination of best practice. We have a long way to go, but are confident that we are making progress. This is already evident in improving air quality around our operations and in biodiversity management – areas in which we are working closely with national and international non-governmental organisations, industry bodies and authorities.

Because of the diversity of our products, commodities and geographic locations, and the aggressive reshaping of the group in recent years, aggregation of data is not always helpful to the reader. We therefore publish tables of performance data for a range of key indicators for all our operations (see pages 56-60).

Priority risks

Risk identification and management is achieved through a variety of mechanisms at operational,

business unit and corporate level. All operations are required to have environmental management systems. They use these as a primary departure point for risk identification, management and continuous improvement. Communities of practice set up at corporate level provide further insight into the management and reduction of key risks and the sharing of best practice. An integrated risk management system for the Group will build on an extensive sustainable development risk and opportunities exercise conducted in 2004. These approaches confirm and inform the focus reflected in the key headings in this section.

Regulatory change is an ongoing risk and in South Africa and Europe there have been a number of changes. In South Africa, most notable is the repealing of the Atmospheric Pollution Prevention Act (Act 45 of 1965) and its replacement with the National Environmental Management Air Quality Act (Act 9 of 2004). Most of the operations have anticipated this change and a number of projects are already delivering



◀ Planting reedbeds in the Langford quarry restoration has restored an ancient floodplain and created a habitat for rare birds such as the Bittern (see page 34).

significantly improved local air quality (see page 30). All permits issued under the previous act are still valid.

Certification to ISO 14001

More than 88% of the Group's operations (measured by turnover) are now certified to third party environmental management systems – either ISO 14001 or the Forest Stewardship Council. All operations are required to be certified within two years of joining the Group. The ongoing target is that this level of certification, up from 83% in 2004, should be maintained.

Environmental incidents

Incident reporting is encouraged throughout the Group, as this is an indicator that our systems are functioning and that appropriate responses to incidents can be created and monitored.

Incidents are categorised by their impact and the duration of the effect. In the first years after ISO 14001 implementation it is typical to see a steep increase in Level 1 incidents, which have minor or short-term impact. As most Group operations are now certified, these incidents are starting to level off. Level 2 incidents increased by 5% in 2005 to 174. Operations take action to put in place preventative measures to address Level 2 incidents. No Level 3 incidents, which have major impact and long-term effects, were reported.

The Level 2 incidents were mostly related to water pollution. For example, at the Namakwa Sands Mineral Separation Plant in South Africa, a Level 2 incident owing to acid water seepage was raised each month until the remediation of the problem was successfully completed. This has been achieved by a



Many minerals occur in the less developed parts of the world. Mineral extraction almost always has a developmental effect. Making sure that this does not damage sensitive environments is essential if we are to maintain a societal licence to operate.



Sir Mark Moody-Stuart

project valued at over R30 million (\$4.7 million) for the construction of an acid neutralisation plant which treats acidic effluent before it is discharged to evaporation dams. We expect that no further Level 2 incidents of this nature will be reported for this site in 2006 (see page 31-32).

At Anglo Platinum, five Level 2 incidents occurred. Four were water-related and one resulted from a steam detonation in the furnace, which led to sulphur dioxide, smoke and dust being released in an uncontrolled manner. Action plans have been put in place to resolve problems and prevent repeats. These include installation of new equipment, increased monitoring, sampling and analysis and improved community liaison. The furnace was rebuilt.

Fines and legal actions

A total of \$29,292 was paid by the Group in fines during the year as a result of legal actions for environmental transgressions. The fines represent a decrease of 73% from 2004 and resulted from 15 criminal and 10 civil actions. There were 18 warnings, six prosecutions and one citation in a municipal court. The latter related to disturbance of native flora, for which a fine of \$2,800 was paid.

Partnerships

Mondi and WWF International signed a technical co-operation agreement during 2005. Mondi is also the main sponsor of the Mondi Wetlands Project in South Africa. In Russia, it is working in partnership with a Silver Taiga project for high conservation value forests. It is working at international level on projects to address illegal logging. With Anglo American it co-sponsored a WWF Freshwater conference held in South Africa.

Awards

Vergelegen, which has won multiple accolades for its wine and for its restoration project, has also scooped the first Biodiversity Wine Initiative Award. It has been awarded Champion status for playing an exemplary role in conserving the highly threatened fauna and flora of South Africa's Western Cape. The project was reported in a case study in our 2004 report and can be accessed via www.angloamerican.co.uk

Quantifying risks and opportunities

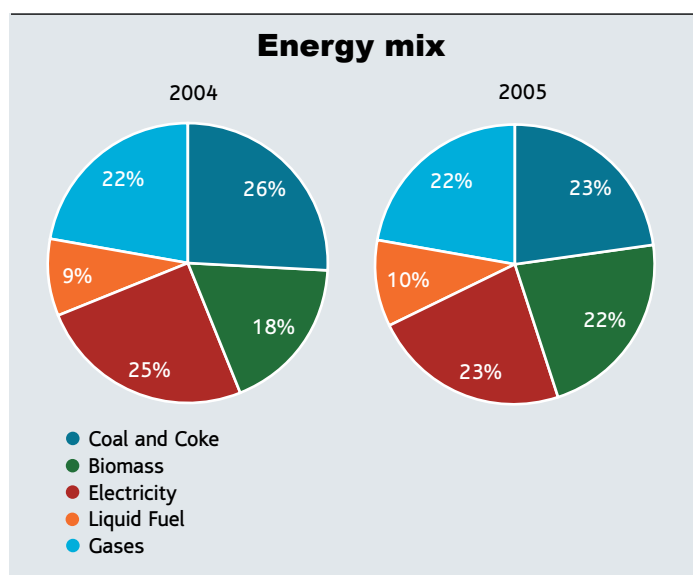
Anglo Coal Australia has engaged experts and the use of a Strategic Opportunities and Threats Analysis framework to help increase its beneficial impact on the environment and local communities. The methodology applies qualitative risk assessment methods to a group of organised themes. The resultant risk and opportunity registers assist in the identification of strategic issues, which can then be used to develop responses. ■



◀ Mondi is a partner in the creation of the eMakhosini valley natural and cultural heritage park (see page 53).

Energy use

The key to addressing climate change



Since 2003, as part of its sustainable development strategy, the Group has been actively reviewing its energy consumption and carbon emissions. We are now into the second year of a 10-year programme to increase energy efficiency, reduce carbon and energy intensity as well as address energy procurement issues.

In addition, we are taking a strategic view of major energy trends, energy security, world energy market prospects and potential opportunities to expand beyond Anglo American's core energy business in coal.

A particular focus has also been placed on those regions in which Anglo Coal has operations and where energy provision, prices or technologies require special response strategies.

For the coal industry, the energy challenge lies in addressing the need to reduce emissions that come from the use of coal, while continuing its role as the primary fuel for power generation and secure energy supply in many countries in the world.

Performance

Total energy used by the managed companies was 298 million GJ

in 2005 (including 66 million GJ biomass), up from the restated 2004 figure of 291 million GJ, (reported as 278 million GJ including biomass). The changes can largely be attributed to the current intense focus on energy, which has highlighted deficiencies in our energy accounting. This caused, for example, Highveld Steel energy usage for 2004 to be restated. We anticipate that further refinements will be made in 2006. Proportionally the use of energy from biomass increased by 4% to 22% (see pie chart), with a 3% reduction in coal and coke and a 2% reduction in electricity.

Business units have committed to reduce energy intensity by 15% and carbon emissions per unit of saleable product by 10%, by 2014.

Opportunities

The capture and use of coal mine methane for power generation is one way in which our business is being extended beyond the conventional uses for coal. Methane has traditionally been flared or vented because it creates significant safety risks in mines. Flaring reduces its potency as a greenhouse gas but still adds to the CO₂ burden from coal mining. Fugitive methane is, however,

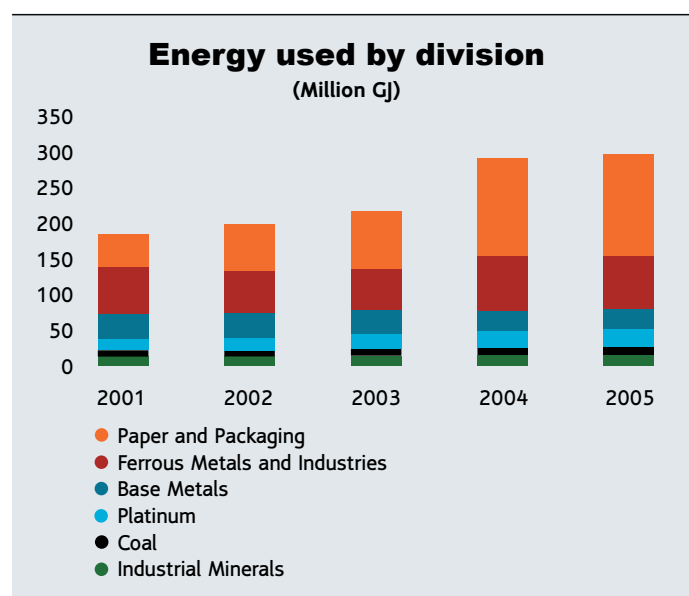
by far the biggest component of greenhouse gas emissions from Anglo Coal Australia's underground operations. Turning it to productive use, therefore, has double benefits.

Using the market

An Anglo American carbon working group focuses on the potential for using market-based instruments to facilitate emissions reductions. These include the trading of carbon credits, using schemes such as the Kyoto Protocol Clean Development Mechanism and investment in technologies that are not yet commercially viable.

Further research is, for example, taking place into using fungi to accelerate the weathering of raw coal and coal wastes to improve rehabilitation and increase the beneficial use of waste.

We are also looking at longer term projects that will respond to growing global calls for fundamental change in energy sources, use and technologies in the light of concerns about climate change. These include the implementation of clean coal combustion technologies that will significantly increase the thermal efficiency of coal-fired power generation, the deployment



Energy partnerships

- IEA Clean Coal Centre
- World Coal Institute
- Carbon Sequestration Leadership Forum
- Fossil Fuel Foundation
- CO2CRC
- Global Roundtable on Climate Change
- International Emissions Trading Association
- IEA Coal Industry Advisory Board



The biggest threat to sustainable development is climate change – driven by increasing energy demand in developing countries and profligate use.



Sir Mark Moody-Stuart

of carbon capture and storage technologies, improved and more extensive coal gasification and the production of liquid fuels and chemicals.

Prospective projects include Xiwan in China, which will use coal mining and gasification to produce chemicals, and Monash Energy in Australia, which will mine and gasify brown coal (younger coal deposits) to produce power and low-sulphur liquid fuel. This is combined with capturing and storing CO₂ in a depleted oil field in the offshore sector of Victoria's Gippsland basin.

If implemented, the Monash project would store as much as 13 Mt of CO₂ equivalent (CO₂e) gases a year. This dwarfs other Group carbon-abatement measures and radically changes the possibilities to mitigate the environmental impacts of coal use. We will also actively participate in FutureGen, a demonstration project in the USA involving coal gasification, power and hydrogen generation, coupled to carbon capture and storage.

At corporate level, we are also proactively participating in a number of international and national bodies tasked with addressing the wide range of issues that affect climate change and the business response to this threat.

Improved energy efficiency

Improved energy efficiency impacts both business performance and environmental benefits, and a wide range of initiatives are in various stages of development across the Group. The progress of these projects is being closely monitored to ensure maximum financial and developmental leverage is obtained to complete these projects successfully.

The expansion at the Richards Bay mill in South Africa highlights the effect of one of these projects. Purchased energy consumption has been reduced by 42%, amounting to a net purchased energy saving of 3.3 million GJ per annum.

Most of the business units individually signed the South African Energy Efficiency Accord

committing to a reduction of 15% in energy intensity in 10 years. As Tarmac in the UK had already set a 15% target, the Group target was restated to 15%, up 3% from the 12% target published in 2004. Anglo American is also assisting the Energy Efficiency Accord by identifying suitable international energy efficiency benchmarks and indicators.

Demand side management

Much effort is being spent on designing cost-effective systems throughout the Group to shift the time of energy usage without decreasing production throughput. This contributes to more efficient electricity generating patterns and assists as the network capacity and safe operating energy margins are being reached.

In South Africa, a significant number of peak load-reducing projects have been completed, with more in progress. These aim to reduce the cost of electricity to individual divisions by moving away from peak tariffs. This will enable the South African electricity supply system to operate more efficiently and provide further opportunity for economic growth.

From problem to power

At Dawson, German Creek and Moranbah North mines in Australia, methane is being drained ahead of mining and either piped to commercial generators or used on site. As reported in 2003, the pipeline sales operation at Dawson (formerly Moura) reduces the anticipated future emissions from the mine by approximately 2.5 Mt CO₂e a year. A similar pipeline-based operation is being developed at Moranbah North. At the German Creek underground mine, which does not have access to a gas pipeline, a 30 megawatt gas-fired power station will be in operation mid-year to use the drained methane. It will reduce German Creek's current emissions, which can be accurately measured, by approximately 1.1 Mt CO₂e a year (60%). The German Creek project has been supported by government emission-reduction schemes.



Low energy lightbulbs could save Amandelbult mine 2.4% of its annual energy usage (see page 29).

Responding to regulatory change

During 2005, Mondi commissioned a medium-sized steam and gas turbine in Slovakia and initiated the installation of five other steam turbines in Sweden, Poland, Czech Republic and South Africa. They have a combined electricity generating capacity in excess of 190 MW and address local electricity needs as well as the European Green Energy Legislation. Onsite generation has efficiency benefits and these units will contribute to an international decrease in greenhouse gas emissions. However, Anglo American's emissions and energy usage will marginally increase as a result of the generation sites having to include auxiliary services normally absorbed by the external electricity generation source.

Twelve of our operations are included in the pilot phase of the EU's emissions trading scheme, which has established a price for emissions' allowances. Although our EU operations do not face a shortage of EU allowances in the pilot stage of the scheme (2005-2007), there is now a keen awareness of the value of reducing emissions.

As part of an improvement plan for the lime shaft kilns of Buxton Lime Industries, the largest carbon emitter within Tarmac's UK operations, waste heat is being used to pre-heat the air for the kilns. This improves unit energy efficiency by 3-4% and reduces CO₂ emissions by 1%. Waste tyre chips, classified by the UK government as a carbon-neutral alternative fuel, will be used in the cement kiln, effectively reducing CO₂ emissions from the cement process by 9%.

The carbon challenge

Anglo American is a major emitter of greenhouse gases. The total CO₂ equivalent emissions, including 2.8 Mt CO₂e methane emissions from coal, were 32.43 Mt in 2005 (32.69 Mt in 2004).

The Group has a target of a 10% reduction in carbon intensity over the period 2005 to 2014, against a baseline reflecting the Group's energy usage and operations in 2004. Energy efficiency will be the critical success factor. As described earlier, the Group is also looking for cost-effective ways in which carbon emissions can be reduced directly.

This effort has been facilitated by the existence of a real and significant carbon price for the first time in 2005.

Clean development mechanism

Approximately two-thirds of our greenhouse gas emissions come from operations located in developing countries. The Kyoto Protocol's Clean Development Mechanism (CDM) is therefore a potentially valuable incentive for carbon abatement in those countries, as it allows them to achieve tradeable credits for emissions reductions that they undertake voluntarily using methodologies which are not yet commercially viable. Workshops were conducted during 2005 in South Africa and Brazil to inform managers of the opportunities of the CDM. Three of our operations

have now submitted methodologies for quantifying and reducing carbon emissions to the CDM executive board. The methodology must be approved before the project can be registered for the generation of carbon credits.

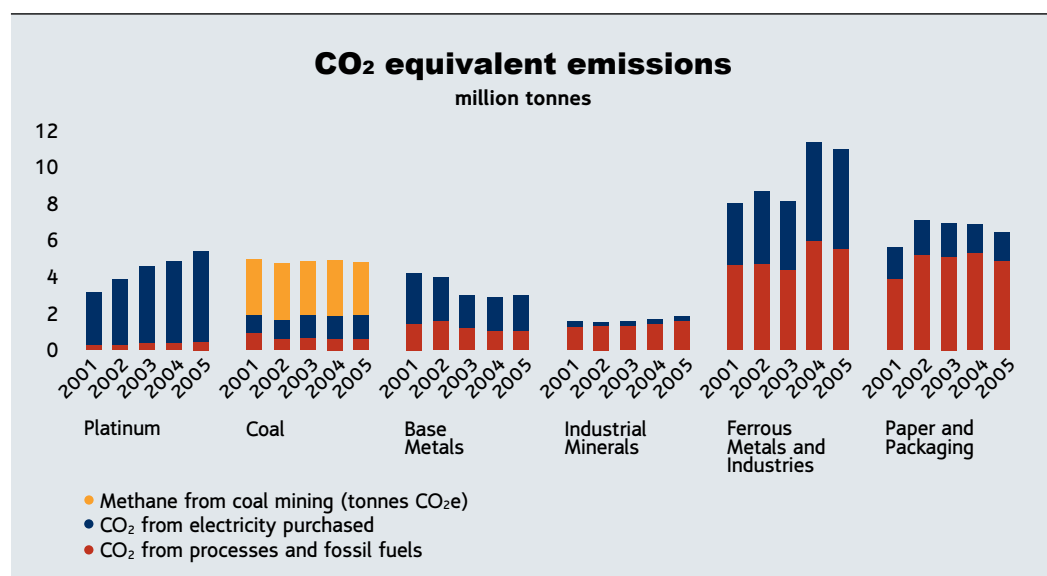
Codemin in Brazil has been looking at the carbon-saving possibilities of using wood chips grown from sustainably managed forests instead of charcoal, which emits hydrocarbons (including methane) in the production phase. So far, the challenges of ensuring complete combustion of off-gases produced during the ferro-nickel calcining process have delayed the submission of a CDM methodology.

A methodology has been submitted by the Niquelândia

plant for the sequestration of carbon by the forestry activities (see page 29).

Richards Bay's two CDM projects respectively save carbon emissions by switching from coal to waste wood as a boiler fuel (the biomass project) and by switching from the predominantly coal-fired South African grid power to power and steam produced by an on-site gas turbine.

The biomass project was originally designed as a small-scale CDM project, and therefore without the need to formulate its own methodology, but this designation imposed constraints on production flexibility which required it to be re-submitted as a large-scale project. The gas turbine project uses gas purchased from Sasol, the South



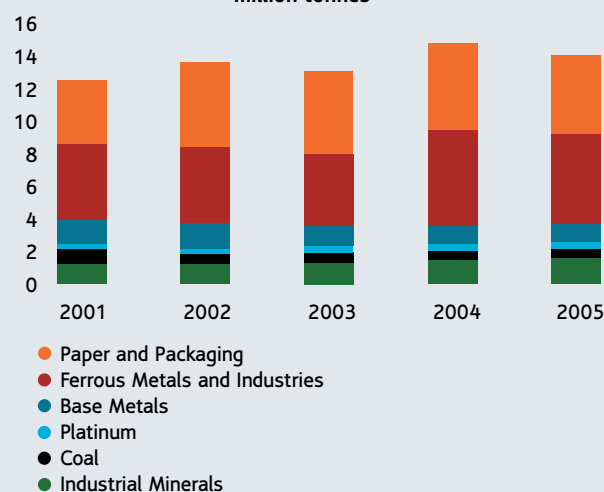
Different sectors of society need to work together towards the common goal of limiting, over time, the build-up of greenhouse gases in the atmosphere. Only by working together can we address the big common cause of climate change and development, helping to meet the needs of the present without compromising the ability of future generations to meet their own needs. At present we make little progress because each sector tends to pass the buck to another.

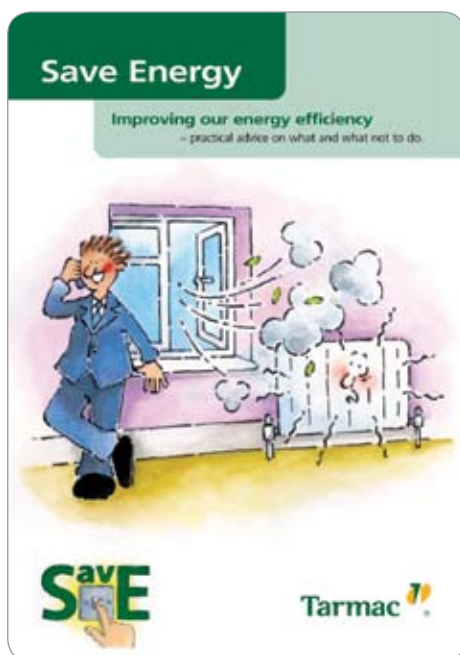
We need a simple, practical regulatory framework to guide the market. International carbon trading schemes and the Clean Development Mechanism (CDM) of the Kyoto agreement are critical in this. The frameworks we need to guide the market should be technology blind and it would probably be best to use carbon intensity as a framework rather than a broader area such as renewable energy.



Sir Mark Moody-Stuart

CO₂ from fossil fuels and processes

million tonnes




African chemical company. Sasol synthesises a methane-rich gas from coal and, therefore, the methodology includes the Sasol gas-producing facilities in the baseline, project monitoring and verification activities.

TransAlloys in South Africa has an energy-efficiency project that involves retrofitting its manganese smelters with a new electrode array. The CDM board has reconsidered its original acceptance of the methodology, resulting in delays to the approval process. The first new furnace has reduced energy use per tonne of alloy produced by more than 10%. The company plans to replace all seven furnaces by 2010 if those already installed perform well.

Cutting emissions in Brazil

Anglo American Brazil's Niquelândia plant burns wood chips from its own forests in its pyrometallurgical processes, with both carbon sequestration and energy efficiency benefits.

A forestation project was started 25 years ago to meet the plant's biomass needs. Fast-growing eucalyptus trees were planted in areas of Goiás province that had previously been cleared for livestock grazing. The plantations now cover 12,000 hectares managed under an ISO 14001 certified management system and act as a sink for absorbing atmospheric carbon by fixing it

as biomass. Each year, these trees absorb over 144,000 tonnes of CO₂, which offsets the carbon released from the project. In addition to environmental gains, the forestry project benefits adjacent communities by improving the sustainability of the operation.

Originally the timber was transformed into charcoal and then used to reduce the iron oxides and nickel. The company moved to the direct use of wood chips with the intention of improving energy efficiency, reducing fossil fuel and electricity consumption and eliminating environmental, safety and health risks associated with the charcoal production.

The carbon sequestration and energy efficiency dimensions of the project are currently under review to establish whether the emission reductions achieved can be certified and traded.

Saving energy at Tarmac, UK

Surging fuel costs and concern for the environment have encouraged Tarmac to launch a major energy-saving programme across its UK operations.

The SaveE programme aims to cut carbon dioxide emissions and reduce energy bills, which exceeded £70 million (\$122 million) in 2005. Good

progress was made and by year-end the annual target had been exceeded.

A booklet of practical ideas on how to reduce energy use in the business was developed and has been distributed to all employees. More than 200 employees were trained in energy awareness.

Tarmac has reviewed data on energy use at all its 550 sites and identified a number of 'quick-win' areas where energy use can be significantly reduced. For example, insulation applied to aggregate dryers at asphalt plants reduces heat loss. Energy-efficient motors are being fitted as standard, as motors are the largest users of electricity. Compressed air is an expensive form of energy and, by fixing leaks and improving the way we use it, significant benefits are achieved.

A detailed study is also being carried out at one of Tarmac's asphalt plants to identify opportunities to save energy. The findings will be applied to all its asphalt plants in the UK.

Low energy equals high saving

Anglo Platinum's Amandelbult mine in South Africa expects to cut its CO₂ emissions and save more than R3 million (\$471,000) a year by replacing its existing lights with low-energy light bulbs.

A survey found that hostels, shaft surface areas, training centres, hospitals and offices above ground consumed more than R1.46 million (\$229,000) worth of electricity a year. Underground lighting costs even more as the mine's 32,673 lights are switched on all year round.

The mine is now investing R4 million (\$628,000) to replace all its surface and underground lights with Voltex low-energy light bulbs. This should save the mine an estimated 68,186 GJ of electric energy annually – a cut of 2.41% compared with the mine's 2004 electricity usage (picture page 27).

The switch to low-energy bulbs should cut the mine's annual electricity bill by R2.6 million

(\$408,000). As the new bulbs will need replacing much less often, maintenance costs are expected to drop by around R1 million (\$157,000) a year.

Scaw reaps rewards of energy efficiency

Scaw Metals won the 2004 *eta* energy efficiency award for industry for its Shear Success initiative that has increased production and reduced energy and pollution from its arc furnace in Germiston, South Africa.

The award, sponsored by the Department of Minerals and Energy and South African electricity generation and distribution company Eskom, recognises initiatives to improve energy efficiency.

The Germiston operation contributes around 85% of the Scaw group's total energy use. A range of energy-saving initiatives introduced in 2000 have dramatically cut consumption at Germiston, contributing to a cut of 18.5% in the group's energy use (excluding coal) per tonne of product between 2000 and 2004.

The new fume and dust extraction system at the main arc furnace extracts three times the volume of the old system but only uses about 50% more electrical energy. Automatic on/off switching of the fume extraction water cooling plant has been implemented and, if the furnace stays in the waiting mode for a pre-determined period, two of the three main extraction fan control dampers close back, thus saving electrical energy.

A new shredder and a shear are being used to process scrap metal into smaller pieces before being melted. This increases the amount the furnace can hold, reducing the time and energy lost in opening the furnace to recharge it.

Scaw realises that its pursuit of energy savings will continue to provide difficult challenges. For example, shortages of scrap metal in 2005 led to greater use of directly reduced iron (DRI) which needs more energy to melt. Scaw is now looking for ways to improve DRI quality and hence reduce energy used for melting. ■

Air quality



Chagres general manager, Marcelo Cohen, third from left, and local journalists visiting the plant.

Improving efficiency and cutting emissions at Chagres, Chile

Anglo American has invested around \$20 million to ensure that Chagres smelter in Chile improves plant efficiency and production capacity. These improvements will also reduce sulphur and particulate emissions.

Key equipment – replaced and upgraded during a six-week maintenance shutdown – will enable production to increase by nearly 12% while reducing the plant's sulphur emissions from 5% to 3%.

Sulphur dioxide (SO₂) emissions will be cut by an upgraded converter gas capturing system, which includes newly designed water cooled hoods, radiation cooling chambers and ducts.

Dust emissions will be reduced by improved equipment and operation of converters. A new oxygen production plant on site has reduced the need for trucks to bring liquid oxygen for the smelter. This cuts costs and reduces transport emissions.

Mondi Business Paper mills cut emissions

Investment in new technology has significantly improved the environmental performance of Mondi Business Paper's mills at

Merebank and Richards Bay in South Africa.

The Merebank mill used to contribute about 12% of the SO₂ emissions in the south Durban basin, an industrial area infamous for its poor air quality. Local residents focused much of their frustration on the mill. Mondi Business Paper responded by installing flue gas desulphurisation equipment on the coal boilers. This has cut the mill's SO₂ emissions by more than 66%.

At the Richards Bay mill, a gas-handling system was installed as part of a R2 billion (\$314 million) expansion to boost production by around 30%. This has cut SO₂ emissions by around 60% and reduced sulphur emissions by around 90% in the months after completion of the project in February 2005, compared with 2004.

Other improvements at the mill have reduced CO₂ emissions by around 50%, specific waste water by around 50% and specific water consumption by around 40%.

Sulphur dioxide emissions

SO₂ is emitted from Anglo Platinum's Waterval, Mortimer and Polokwane smelters and from the base metal refinery. Total SO₂ emissions (stack and fugitives) in 2005 were 15.2 kilotonnes, of which the Waterval smelter contributed 51%. The average total SO₂ emissions from Waterval smelter decreased by 43% during 2005 to 21 tonnes per day. The overall SO₂ emissions for Anglo Platinum fell by 25% year on year.

Anglo Platinum open day

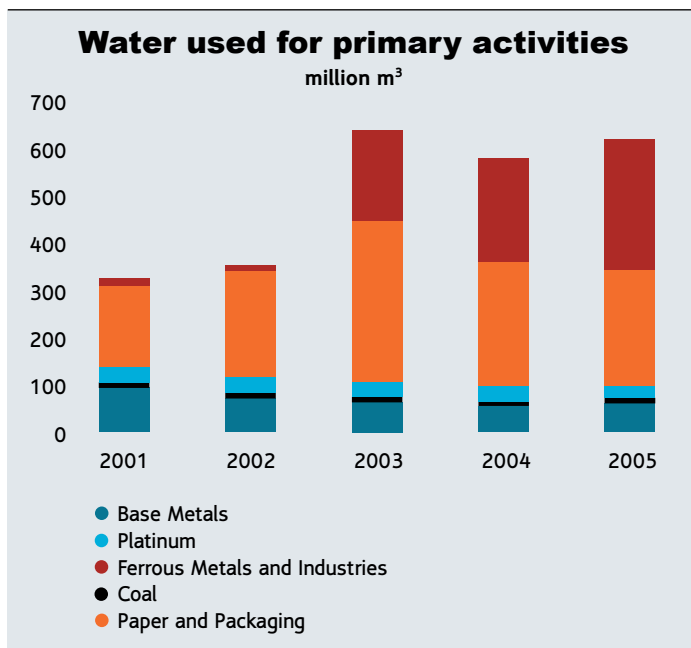
An open day held by Anglo Platinum in June 2005 showed that the people of Rustenburg, South Africa, are no longer complaining about emissions from the nearby Waterval Smelter.

Sulphur dioxide emissions have decreased by 79% since the company began an investment programme at the smelter in 2002. Non-governmental organisations, government officials and local residents have responded positively to this improvement.

More than 100 people attended the open day held to enable communities to raise concerns and be informed by the company. None complained about emissions from the smelter. In all, only 11 complaints were raised, compared with 23 at the open day held in 2004.

Most complaints related to cracked walls in houses, wells running dry and noise and dust from mine vehicles. A system is in place to record, investigate and address community concerns. The open day underlined the growing expectation that communities feel they should benefit more from Anglo Platinum's operations in the region. ■

Water use



Growing pressure on water resources has resulted in greater risks to business, resulting in increasing user and pollution charges, uncertainty over supply and ever-increasing regulation.

Our operations are significant users of water and we are located in environments that range from arid deserts to water abundant. Wherever we operate we expect our operations to use water responsibly and conserve it, recycle it and minimise pollution.

Performance

During 2005, we set ourselves the long-term goal of improving water efficiency. All business units have set targets appropriate to their business and sites, which vary considerably in both risk and operating environment, and production demands. A policy, strategy and guidelines for the production of Integrated Water Management Plans will be developed, with particular focus on acid rock drainage.

During 2005 our operations used 629 million m³ of water, a 6% increase on the 594 million m³ (restated) used in 2004. Key water users in the Group include Ferrous Metals and Industries, which

Access to clean water is one of the most critical aspects of sustainable development. It is essential to quality of life and to the survival of ecosystems.

accounted for 44% of Group water. Ferrous Metals and Industries' own water reduction targets were not met owing to drought conditions which required the use of primary water for irrigation at Hippo Valley. Hippo Valley usage increased by 35%. It is responsible for 85% of the business unit's consumption. Individual companies such as Kumba and Scaw Metals achieved notable year-on-year reductions of 21% and 13% respectively.

Mondi, our paper and packaging business, consumed 39% of the Group's water. Mondi recorded a 7% reduction in its water use from 2004 numbers, which were restated as a result of the exclusion of non-contact cooling water for Mondi Packaging Paper Frantschach.

Anglo Coal South Africa achieved an annual consumption of 40 litres per saleable tonne of coal, which is 11% below the target they set. The new water consumption target for 2006 is 39 litres per saleable tonne, around 3% below the 2005 actual.

Water use by Anglo Platinum for primary activities decreased in real terms from 32.7 million m³ in 2004 to 25.5 million m³ in 2005, as well as in water used

per ounce of precious metals in concentrate. This was in part due to the fact that recycled water at Lebowa platinum mine is no longer included in the water used for primary activities, owing to the use of a real-time water balance which calculates usage of new water and recycled water. Increases in water usage would have been reported by several operations had they not been offset by water efficiencies.

Anglo Base Metals has focused on key challenges in the arid areas in which it operates (see case studies).

As reported in 2004, Tarmac's accounting for water has changed to focus on reducing the use of potable water as most of its water is abstracted from untreated ground or surface water and returned after its use for product washing and dust suppression. Water used in the production process reduced by 4.3% and potable water reduced by 3.9% from 177 litres per m³ of concrete in 2004 to 170 litres per m³ in 2005.

Preserving fresh water

Namakwa Sands, a heavy mineral sands mine on the arid north

Anglo Coal turns a liability into an asset

Hydrologist Peter Günther describes a R300 million (\$47 million) project by Anglo Coal and Ingwe to convert waste water from mines into drinking water for the Emalahleni Municipality, in South Africa as “a world first”.

Years of mining activity in the area around Witbank in Mpumalanga have disrupted natural water cycles. Water that would otherwise flow into rivers is leaking into mines, where coal deposits make it acidic. This hampers mining activity and can lead to pollution of local water supplies. At the same time, growing demand for water from local communities and industry is draining supplies from local reservoirs.

“We saw an exciting opportunity to solve this problem by converting a mining environmental liability into a sustainable public/private partnership asset by addressing the water shortage challenge facing the local municipalities in the district,” said Günther.

Anglo Coal and project partner Ingwe began exploratory work in 2002 on the feasibility of a plant that would convert waste water from the mines to drinking water standards. Local communities and water regulators were closely involved in the plans and the project was given the go-ahead in 2005.

The plant and storage dams are being constructed at Anglo Coal’s Greenside colliery. The water treatment plant will neutralise acidic water from mines, remove metals and salt, and chlorinate the water. Water quality will be monitored regularly.

Waste products from the treatment process will be disposed of alongside other waste from Greenside mine. Ways of recycling – and possibly selling – waste minerals such as limestone, magnesite and sulphur are also being explored.

The plant, to be completed by 2007, will provide about 20% of the Emalahleni municipality’s daily water requirements. Local communities will also benefit from about 25 permanent positions at the plant and between 100 and 150 temporary jobs during construction.

Neighbouring municipalities are already planning to adopt a similar approach.

mine where it is covered with overburden and rehabilitated.

The treated water is currently used for dust suppression and could potentially be re-used in the heavy mineral separation process. Pilot testing of the water, to check that the final water quality is suitable for it to be re-used in the mineral separation process, has been approved as part of Phase II of the project.

Getting to grips with groundwater contamination

A plume of contaminated groundwater has been found below the Rustenburg Base Metals Refiners’ plant in South Africa. It was caused by a past spillage from the Anglo Platinum plant and contains sodium, sulphate, nickel and copper.

Environmental modelling has shown that the plume is moving towards the north of the plant but poses no immediate risk. It is not flowing into the river and there are no groundwater users in the area.

The plant is taking steps to avoid risks of further spillage and contamination. It has completed work on separating clean and dirty water, and increased maintenance to prevent spillages. It has lined all waste-water storage facilities and tanks to prevent seepage. All reservoir linings are being inspected and any contaminated soils are treated or removed. ■

west coast of South Africa, has dramatically reduced its freshwater consumption at its Brand se Baai mine site.

The mine extracts heavy minerals from the sands, in the process using considerable quantities of fresh water. Studies undertaken in 2004 showed that the high salinity in sea water meant it could be used as make-up water to settle the resultant clay slime, reducing dependency on fresh water.

The heavy mineral concentration process of the plant was successfully converted to using sea water in the late 1990s and the system was extended in 2005, following the 2004 studies, to reduce fresh water use in the management of the slimes. Settled slimes are pumped to the tailings dams and from there the recoverable sea water is returned to the process for re-use.

This has reduced the 2005 fresh water consumption by 97% at the primary concentration plant. Average fresh water consumption

at this plant was 5,556 m³ per month from January to May 2005. With the increased use of sea water the average consumption from June to September 2005 was 145 m³ of fresh water per month. Using sea water saves precious fresh water resources and cuts costs. The new system of pumps and pipes will pay for itself in three years by saving on the cost of fresh water.

Neutralising acidic waste water

Namakwa Sands has also commissioned Phase I of a project to neutralise acidic waste water at its heavy mineral separation plant near Koekenaap, at a cost of R30 million (\$4.7).

Heavy mineral concentrate is treated with a hot sulphuric acid solution to remove iron coatings and facilitate effective separation. The resulting acidic effluent is stored and treated in ponds where it evaporates, leaving solid waste deposits.

Neutralisation significantly improves the acidic effluent before it is sent to the evaporation ponds.

The effluent pH has increased from 1.2 prior to treatment to a pH of 6.5-11 post-treatment. Sulphate concentration is significantly reduced and metals contained in the effluent are removed from the effluent with the gypsum precipitate.

The neutral gypsum waste is used to fill old areas of the



Tarmac is focusing its water management programme on reducing use of potable water and recycling process water.

Biodiversity



As we are significant land owners, biodiversity conservation is an important part of our environmental management programme.

Los Bronces division in Chile has backed a project to support the re-introduction of Andean Condors on the Yerba Loca reserve, near Santiago.

Land stewardship

The Group is a significant land owner and in 2005 had 2.6 million hectares under its charge. This increased from 1.2 million hectares in 2004 owing mainly to improved reporting of land over which Mondi Business Paper holds lease agreements in Russia's Komi Republic.

We have been proactive in finding opportunities for the management and conservation of biodiversity of sites as diverse as the well-trodden and well-tamed fields of the UK to the Andes in Chile and areas of significant diversity in South Africa.

Land utilised by operations in 2005 was 93,000 hectares, up from 72,000 in 2004 (full details in the tables on pages 56-60). Total provision for closure amounted to \$1,088 at the end of 2005.

During the year, our exploration division undertook an assessment of our land holdings and protected areas listed by the United Nations Environment Programme on the World Conservation Monitoring Centre database. It did not identify any major risks but did identify opportunities for future collaborative work, particularly

in relation to definitions and criteria for determining conservation status.

Rehabilitation of land used by operations is undertaken in stages during the operational phase and as part of closure activities when further conversion of land may take place.

Peer review of action plans

During 2003, we set ourselves the target of having biodiversity action plans in place at all significant sites by the end of 2004. Although, this was achieved, we were not convinced that all of these management plans met our expectations.

As a result, for 2005 we set up teams of internal environmental specialists to review 10 of these biodiversity action plans to promote Group learning, share best practice and assess whether the plans satisfied the requirements of good practice. We also made it a requirement that biodiversity action plans should be fully integrated into the mandatory ISO 14001 or FSC management systems at each site. This encourages systematic, periodic assessment of

materiality and ensures that key issues are identified, managed and assessed.

We completed 13 reviews across a range of operations in Australia, Brazil, Chile, UK and South Africa. A biodiversity management standard was prepared, based on the latest international thinking and the benchmark assessments of the extractive industries undertaken by two UK fund managers.

The review process provided a real opportunity for interaction and collective learning. The exercise showed that the Group is strongly positioned with respect to biodiversity management. Six of the 13 sites reviewed are fully engaged and actively managing their biodiversity. The other seven are well aware of biodiversity and are developing appropriate management plans.

Environmental managers generally understood their brief to encompass biodiversity but it was often not explicit in the operations' policy statements, nor was the business case for conserving biodiversity clearly stated. There is also room for improvement in the assessment of biodiversity risks, the

identification of opportunities and addressing these in practice.

Owing to the success of the exercise, further peer reviews will be conducted in 2006, with the original participants leading reviews within the various business units.

Chilean condors soar

Since 2005, it has been easier to catch a glimpse of the endangered condor soaring high over the Andes, thanks to a biodiversity project at the Yerba Loca nature reserve near Santiago.

Anglo American's Los Bronces division has backed the project, which aims to support and enrich the biodiversity of the reserve. It involves planting native flora species, providing training and helping in the conservation of the Andean Condor and other birds of prey.

Three condors, raised in captivity, were released into their natural Andean habitat at the beginning of 2005, along with a dozen other rare birds of prey including the eagle, aguilucho, sparrow hawk and tiuque.

The company is working with organisations such as the



The restored areas of Langford quarry, in the UK, have become a haven for rare birds.

Conservation of the Andean Condor Program, the Chilean Ornithologist Union, the National Forest Corporation and the local government office at Lo Barnechea.

Restoring habitats at quarries in the UK

Tarmac is continuing work from 2004 to restore natural habitats and encourage wildlife at its quarries in the UK. The company has created a wildflower bank at Wolverhampton, kestrels have been nesting in a hopper at Bolton, and it is helping to bring back a rare species of bird at Langford. "It's not just legislation, there's a genuine interest among quarry personnel to encourage wildlife," said George Elliott, a restoration manager at Tarmac.

Quarrying inevitably has an impact on the environment and some habitats will be destroyed as a result of extracting rock, sand and gravel. The challenge is to restore these habitats or use the opportunity to create new ones when quarries close and, in many cases, this can be achieved whilst they are still in operation.

For example, Tarmac is working with the Royal Society for the Protection of Birds (RSPB) to create reedbeds on previously excavated land at its Langford site in Nottinghamshire. The reedbeds encourage rare Bitterns to return to the area. In 1997, only 15 of these shy birds were found in the UK, but numbers have now increased to more than 50.

Areas at a number of our quarries have been designated sites of special scientific interest (SSSI) in recognition of their rich biodiversity. The company plans to implement biodiversity action plans at over 200 of its active sites by 2008.

Rehabilitating wetlands at Isibonelo

Even before the first coal was produced in 2005 at Isibonelo coal mine in Mpumalanga, South Africa, Anglo American had planned how it would restore the mine at the end of its life. This includes a commitment to the restoration of some of the wetlands on site.

Wetlands are important habitats for many species of plants and unfortunately some of these habitats will be destroyed during mining. Anglo American is working to preserve wetland plants and grow more to use in populating rehabilitated mining areas.

A group of local women was hired to dig up wetland plants in areas that would be affected by mining activities and replant them in special plots where they could be protected.

The plants will be used to replenish wetland areas nearby or to rehabilitate the Isibonelo site over the 20-year life of the mine.

Anglo American is partnering with a South African non-governmental organisation, Working for Wetlands, to train local people in rehabilitation skills and care for off-site wetlands to compensate for those lost on site owing to mining. This is a relatively new approach to biodiversity conservation in mining.

Some plants from the mine site were collected by the South African National Biodiversity Institute to be showcased at the Pretoria National Botanical Gardens.

Exploration geologists working with NGOs to increase their conservation expertise

Bushmanland in South Africa is a part of one of the world's richest desert ecosystems, the Succulent Karoo, which during the past few decades has been subjected to the impacts of mining and mineral exploration activities. In its planning to minimise environmental impacts, Anglo American's Exploration Division has been receiving botanical advice from the Bushmanland Conservation Initiative.

Exploration teams are often the first company representatives in an area or on a site and it is therefore essential that they have a sound understanding of the effects of their activities on the environment.

A recent collaborative initiative was the production of a pocket notebook that describes the various habitats and offers advice on how to avoid damaging sensitive areas. These notebooks are supplied to all staff and contractors.

Quartz patches make up one of the most sensitive habitats in this area. A variety of dwarf succulents, some of which are unique to this area, prefer the cooler surface soil temperatures caused by the white quartz.

Geologists and conservationists have recently worked on a plan to reduce impacts on the white quartz patches that largely underlie the drilling area and to study the feasibility of transplanting succulents out of the affected area so that they can be saved for the rehabilitation programme.

The environmental management plan goes beyond plants. Existing roads and tracks are used for transportation and, wherever possible, as drill sites to minimise impacts on the

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Companies have prime accountability to ensure the negative effects of operations in relation, for example, to land use or availability of water are avoided or fairly compensated.”

”
Sir Mark Moody-Stuart

environment. Drip trays are positioned to contain any oil or fuel spills and the drilling site impact area is reduced.

The collaboration with the Bushmanland Conservation Initiative has helped exploration staff understand the constraints and opportunities of operating in environmentally sensitive areas and develop an appreciation of the special area in which they work. Where possible, highly sensitive areas are avoided, and if they cannot be avoided mitigation and management programmes are put in place.

Black rhino calf born at Kumba reserve

The first black rhino calf to be born to the four black rhino at the 22,000 hectare Manketti Biosphere around the Grootegeluk coal mine in South Africa arrived in July 2005.

The Biosphere project, created in 1995, is a co-operative social responsibility and conservation project, with a primary goal of conserving biodiversity. It is an example of Kumba's commitment to responsible mining and protection of biodiversity. This is a self-contained habitat with very little management interference and one of its purposes is the breeding of endangered species. The Manketti Biosphere is one



Logs arriving at Syktyvkar from the forests in the Komi Republic in Russia. Mondi Business Paper is working with NGOs to protect high conservation value forests.

of very few private conservation areas in South Africa that has breeding black rhino. It also has 36 white rhino.

Sourcing from sustainable forests at Syktyvkar

Mondi Business Paper in the Russian Komi Republic is helping to preserve pristine areas of forest that are not protected by the state.

Mondi is working in partnership with a local non-governmental organisation, the Silver Taiga Foundation, using methodology developed by WWF, the global conservation group, to identify high-conservation-value forests for protection. Communities – in some areas dependent on nearby forests for wood and food – are closely involved.

In addition, Mondi is committed to source wood for its Syktyvkar paper mill from sustainably-managed forests. The company is helping to put in place management standards that will allow forest land to be certified by the Forest Stewardship Council (FSC).

By the end of 2005, 1.15 million hectares of forest land in the southern region of the Komi Republic has been recommended for certification. A further 1.2 million hectares are expected to be certified by the end of 2007, thereby enabling Mondi to achieve its target of certification of all forest land that it owns or leases. ■



Anglo American's exploration team is working with NGOs in Bushmanland to protect rare dwarf succulents and the sensitive desert ecosystem. A typical drill site, on the left, shows the new practice of using drip trays to contain any oil or fuel spills and the small area impacted.

Building human capital across the world



Anglo American's strategy is centred around achieving world class performance in all areas of our business with and through our people. We employ more than 128,000 permanent employees who are located in over 50 countries around the globe.

Inter-divisional team work is a key theme at the Management Development Programme held at Henley-on-Thames in the UK.

Giving effect to our sustainable development principles requires creating and managing links with every aspect of the way we do business. This section reports on our strategy to attract and develop good employees and future leaders, to address international norms on labour standards and equity, and to create safer and healthier environments for our employees.

A principled approach

During 2005, we adopted a set of 14 principles and policies, which form the cornerstones of the human resources strategy and amplify our business principles. Our aim is to create an environment in which employees can give of their best and which enables them to develop rewarding careers. Core principles include commitments to eliminating any unfair

discrimination, promoting equality and employing the best person for the role. Employees can expect to be treated with dignity and respect and that intimidation or harassment will not be condoned. Meaningful support will be provided to previously disadvantaged employees so that all staff members can realise their full potential.

The Group is committed to fair labour practices and freedom of association. It will not tolerate any abuse or inhumane treatment of employees. The use of child labour is prohibited.

In turn, employees are expected to comply with the law, to be conscientious and honest and to avoid conflicts between their personal interests and those of their employer. Employees are expected

to take personal responsibility for ensuring compliance with the business principles. Issues may be raised directly with management or through anonymous whistle-blowing facilities. Employees who, in good faith, raise concerns about any violation of corporate policies, will be protected.

Given the complexity of our multi-national working environment, wages and working hours will be fairly determined in accordance with local employment legislation and industry standards. No-one will earn less than the local living wage.

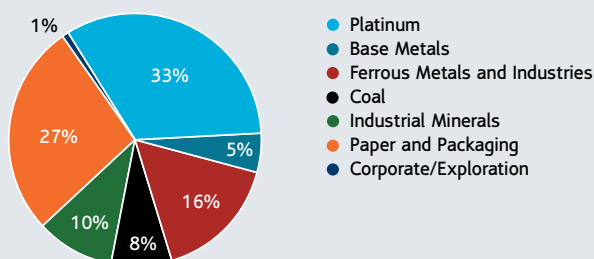
All employees have access to formal grievance procedures which, like the disciplinary procedures, will be based on principles of fairness, representation and the right of appeal.



◀ Rynette April is a female haul truck driver, who drives the 90 ton Cat 777D trucks at Skorpion zinc.

Permanent employees*

by division



* Excluding JVs and independently managed subsidiaries

The Group will invest in employees and provide them with opportunities to enhance their skills and build fulfilling careers that maximise their contribution to the business.

All individuals and teams will be regularly assessed against their performance targets. Managerial and professional employees will have a performance contract and an annual performance, learning and development review. www.angloamerican.co.uk

Safety and health

In 2005, we made renewed efforts to create a safer workplace for our people across the Group (see page 40). A number of our business units worked with academics from the University of the Witwatersrand in South Africa to explore the impacts of socio-economic factors, including company culture, on workers' perceptions and compliance with safety procedures and practices. Communication, stress, ergonomics and exposure to health hazards all impact on worker health (see page 42) and their ability to realise career goals. We also take a broader view of health, addressing the huge social challenge of HIV and AIDS within our workforce and the wider community (see page 44).

Senior executives and line managers are held accountable

for safety and occupational health. We strive to prevent any work-related injury, fatality or impairment to the health of our employees and contractors. Management and employees at all levels are, however, required to take responsibility for their own health and safety and to report any potential health and safety issues.

Resourcing and reward

A number of regional and global initiatives have been undertaken to increase our profile as a preferred employer. These included the launch of our Anglo Alumni programme and our MBA website, continuing our recruitment of graduates, selecting experienced and senior level individuals and ongoing focus on training and development of existing and new staff. We currently offer 1,250 bursaries a year, employ 2,000 graduate trainees, 780 apprentices and over 3,000 other trainees each year.

Our focus is on building closer links between performance and reward programmes. Linked incentive programmes, subject to annual scrutiny and review by our remuneration committee, start at Board level and cascade downwards within the organisation.

Attracting and retaining the best talent

Over the past five years we have been investing in the

identification and development of top talent. Regular strategic reviews of staff are led by the chief executive and the Group's operating committee to provide us with assurance about our succession plans, the health of our key functions and to identify areas in which we need to take further action to strengthen our executive leadership group.

Initiatives include a specially commissioned suite of executive programmes and a number of regional development courses for middle managers, new managers and graduates. These are supplemented by skill-enhancing career moves and the opportunity to gain experience in different businesses and different places.

Diversity management

Change is taking place in our workforce. We continue to promote and support diversity initiatives within our global workforce and the graph below reflects the increase in the proportion of female employees.

As part of the transformation agenda within our South African business units, we have made significant progress in increasing the proportion of historically disadvantaged South Africans in

management positions, from 37% in 2004 to 40% in 2005.

Attracting more women

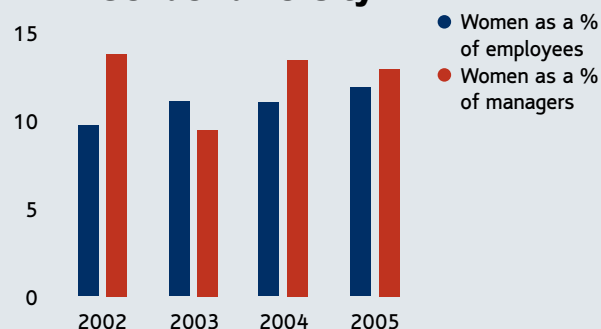
Anglo Coal is successfully encouraging women in South Africa to take mining jobs, which were traditionally seen as men's work. In 2005, the company met its targets for increasing the proportion of female employees in its workforce to 11%, with 50% of jobs performed by women designated as technical.

A forum of women managers and trade union officials has been established to encourage debate, improve the working environment for women and help change attitudes to female employees. An important part of this is making sure there are adequate facilities for women on sites that were built for male workers.

The forum has succeeded in achieving a review of company housing and maternity benefits. A website raises employee awareness of challenges and opportunities for women in mining.

Women constitute almost 9% of our Australian permanent workforce. A paper presented in Australia in 2005 found that 3% of the Australian workforce at

Gender diversity



◀ Anglo Platinum's first female mine shift supervisor, Mercia Coetzee, is being fast-tracked to prepare her for a role as a mine overseer.



◀ A female underground LHD driver.

Employee numbers by continent*	Managed companies
	'000
South Africa	76
Rest of Africa	2
Europe	38
North America	1
South America	6
Australia and Asia	5
Total	128

* Excludes JVs and independently-managed subsidiaries

mines and processing operations and 18 of the minerals industry total employees are women.

Women make up 15% of Tarmac's workforce – compared to 9% of women in its non-metallic mining and quarrying in 2002 studies. Internationally significant cultural constraints and behaviours are cited as barriers to gender equity in the mining industry.

At Highveld Steel, women make up 6.4% of employees and 9% of management. It has a target of 30% of women for the 2006 apprentice intake.

Employing people from previously disadvantaged groups can contribute to economic empowerment – an important part of sustainable development. Mondi has achieved good progress in its diversity targets at board level in South Africa. However, progress has been mixed within the top management of its operations. While Mondi Shanduka Newsprint has achieved a target of 40% of top managers coming from previously disadvantaged groups, other operations have identified their slow progress in this area as a priority for improvement.

Special Mondi teams, including senior executives, will develop plans over the next five years to increase the representation of previously disadvantaged people in top management through recruitment, retention and succession planning. Diversity training will be expanded. The transformation progress is closely monitored by the Mondi South Africa board, chaired by Godfrey Gomwe.

Fair labour practice

The percentage of employees represented by works councils,

trades unions or other consultative bodies was 91% (80% in 2004). About 8% of our employees worked more than a 48 hour week (9% in 2004) and 0.4% had less than one day a week off (2% in 2004).

Local employment

We are often challenged by local people to ensure they benefit from our operations, both through indirect effects such as boosting GDP and through direct employment.

In many parts of the world, such as the Middle East and South Africa, migrant labour has been a workforce necessity for many years. Sometimes this migration is within the country and sometimes from neighbouring areas. The South African Mining Charter recognises this reality and provides formal protection against discrimination for foreign migrant labour. We minimise our use of expatriots and as far as possible, we employ local people and assist them in developing their skills and capabilities.

Social and labour plans

Kumba Resources, part of our Ferrous Metals and Industries operations, is one of the first South African companies to have completed social and labour plans for all its operations. These have been submitted to the Department of Minerals and Energy as part of the process of converting their mineral rights as required by recent legislation.

South Africa's Mineral and Petroleum Resources Development Act, passed in 2004, requires companies to develop the plans for each site in order to obtain and retain a state licence to mine.

The plans outline how each mine will contribute to black economic

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Our investment in long-term training initiatives continues, with the number of trainees increasing to more than 7,000.
”

empowerment, encourage enterprise and reduce poverty in local communities. They also show how the company plans to minimise the impact on communities at the end of the mine's life.

Developing employees to realise their full potential

Training and development

We have maintained our focus on investment in employee training and, in 2005, training costs were 3.6% of employment costs.

Our investment in long-term training initiatives continues with the number of trainees increasing to more than 7,000 (over 10,000 if we include our independently-managed subsidiaries). This investment includes substantial contributions to programmes which benefit young people who may subsequently join our company, or who will gain skills and experience that will enable them to create or take up alternative employment opportunities to boost their local economies.

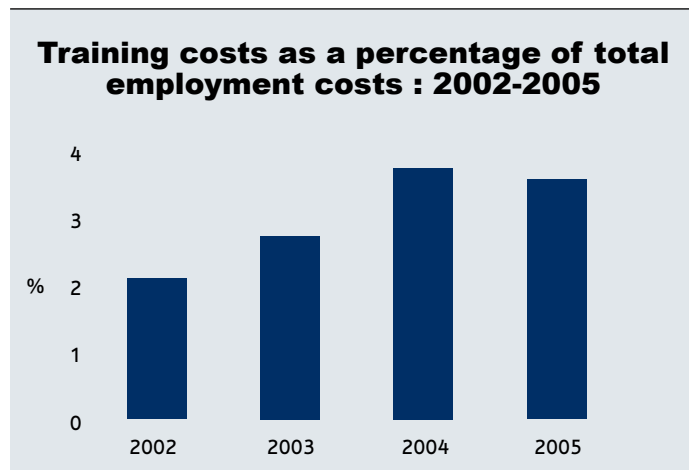
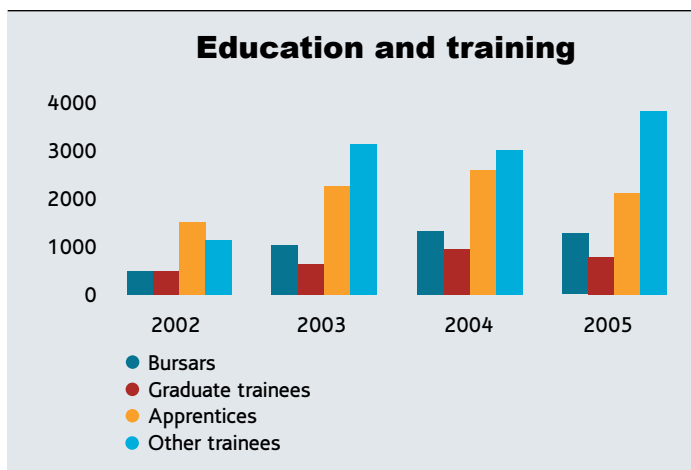
Over 51% of our employees now participate in formal performance and individual development reviews, which lead to the formulation and implementation of individual training and development plans.

Anglo Coal Australia

Anglo Coal Australia has launched a training and development programme to strengthen the business, encourage leadership and help every employee achieve maximum potential.

A key goal of the programme is to streamline the business by refreshing management systems and to ensure that roles and reporting relationships are clearly defined within the company.

The company's 100 top managers attended a summit in May 2005 to initiate a programme that would help them develop leadership qualities and build more constructive relationships with their teams.



Employees receive coaching from their managers and are encouraged to take ownership of the tasks associated with their job. Twice a year the managers discuss career goals, evaluate progress and identify appropriate training. All employees at every level of the company will be involved by the middle of 2006.

Training young people in Ekurhuleni, South Africa

Scaw Metals has started providing training in welding and computing skills to members of the local community. Working with the mayor and welfare department of the local municipality they have so far included 114 school leavers who normally could not afford further education.

Given the real difficulties these youngsters have in finding

employment and their lack of access to good communication facilities, Scaw is also considering providing more support, such as assistance in writing and distributing CVs. Several of the trainees are now working for Scaw Metals and surrounding businesses.

Employee communication survey results

During 2005, over 3,000 employees took part in a communication survey. This showed that more employees understand the Group strategy and their individual role in achieving it than they did during our previous survey in 2002. Those business units which have assigned a high priority to improving communication and corporate culture, most notably Anglo Coal South Africa, showed a particularly big improvement.

Significantly more staff rated Anglo American as world class, performance-driven, socially concerned and committed to cultural diversity. However, ratings about cultural indicators such as sharing knowledge, openness to diverse opinions, responsible risk-taking and innovation remained relatively poor. An action plan has been accepted to address these cultural issues and to examine the best means of promoting greater sharing of knowledge. The survey will be conducted again in 2007 to check on the efficacy of the measures undertaken.

A Group information portal has been established, which provides a platform for better communication, improved access to information and for greater collaborative working. This is currently being rolled out around the Group. ■

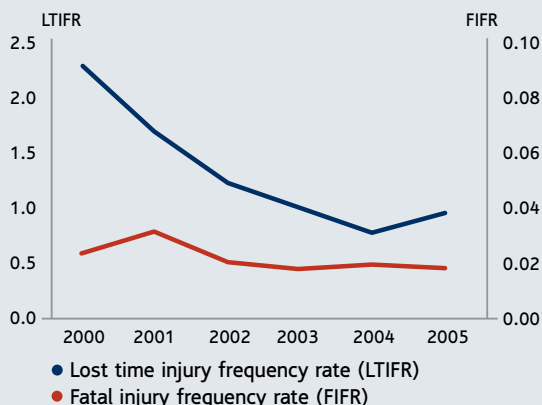


The human resources departments at Copebrás and Catalão in Brazil have been preparing older employees for retirement. The *Genta Madura* (GEMA) programme, for mature employees, was well received by management and the participants and their partners.

Safety is our first priority

Rethinking our approach to safety from the executive suite to the mining stope, the transport bay and at our industrial operations is an ongoing process.

Lost-time injury and fatal injury frequency rates



During 2005, in response to early signals that the steady improvement in our safety performance experienced in previous years was no longer occurring, our chief executive initiated a programme to strengthen the Group's approach to safety and reinforce our ultimate goal of zero harm.

Workshops were held with the Group's top 30 executives to re-energise our goals and our standards. A revised strategy was built on three clear principles:

- All injuries and occupational illnesses are preventable.
- All necessary steps must be taken to learn from incidents in order to prevent any recurrence.
- Common, simple, non-negotiable standards must be consistently applied.

We are refining core standards and providing refresher training

for line management and supervisors and improving our ability to communicate our safety message simply, clearly and unequivocally.

Peer reviews of safety systems started in August 2005 with the objectives of highlighting the new, higher standards, identifying gaps in implementation and sharing good practice.

We are determined to achieve improved safety performance as well as the culture change needed in some parts of the Group, and are building on the existing centres of excellence.

Performance

We are deeply saddened by the deaths of 21 employees and 25 contractors in 2005. While this is three fewer than in 2004 and

represents an 11% decrease in our fatal injury frequency rate (from 0.019 to 0.017), it remains unacceptable to us. Every fatal accident is fully investigated to determine the cause and to prevent similar incidents. All fatal accidents are preventable and we remain committed to our goal of zero fatalities.

Between 2000 and 2004, we substantially improved our lost-time injury frequency rate (LTIFR) but, in 2005, the LTIFR increased.

In 2003, we broadened our definition of lost-time injuries to include restricted work cases (relatively minor injuries where the injured party can return to work without losing a day, but not to his or her usual job). This is in line with industry norms. We believed that the broader definitions were fully implemented in 2004, but this was not the case. Full inclusion of Anglo Platinum's restricted work cases in 2005 has resulted in an apparent 22% deterioration in the reported LTIFR for the Group, from 0.77 to 0.94. Anglo Platinum describes this change in reporting in more detail in its 2005 Sustainable Development Report. It is pleasing that the rest of the Group has shown an improvement in LTIFR from 0.43 to 0.37.

Significant change was also seen in factors contributing to fatal injuries. Underground injuries accounted for 52% (two thirds in 2004) and 13% were as a result of falls of

ground (35% in 2004). These reductions are an indication of the success of targeted interventions. We are still working to achieve consistent improvement. About 30% of incidents were transport related (14% in 2004). One of the contractor deaths was a road traffic incident, which occurred while travelling between places of work.

Management systems

Most of the Group (75% by turnover) have formal third party certification of their safety management systems, in line with our target. Our 12 new safety standards, known as the Anglo Safety Way, and our safety peer review system, will be our focus in the immediate future. These may, in time, replace third party safety certification.

Legal action

Legal actions taken against the Group resulted in costs totalling \$453,000 – a 6% reduction from 2004. The total included two civil claims resulting from incidents in 2002 and 2003 (\$317,000) and two prosecutions for regulatory non-compliance (\$112,000).

Successes

Our continuing emphasis on safe working has also shown some major successes. Our Base Metals division operated without a fatal injury in 2005 and reduced its LTIFR by 19%. Of our 214 reporting business units, 27% did not have a lost time injury during the year.



◀ Teaching employees to identify potential hazards such as falls of ground is part of the safety training at Anglo Platinum.



◀ Safety and Sustainable Development Board Committee members underground at Amandelbult platinum mine.

“
We are refining core standards and providing refresher training for line management and supervisors
 ”

Goedehoop, a colliery with almost 2,000 people on site, experienced only a single lost-time injury.

Safety Award

Every year, the chief executive rewards excellent safety performance. Anglo Coal South Africa's Kriel colliery took top position last year, Mondi Packaging Paper Steti in the Czech Republic was second and Tarmac France had shown the greatest improvement in safety performance. Tarmac Precast Concrete at Henlade in the UK was first in the small business units category, with Drayton coal mine in Australia second and Mondi Coating Zeltweg in Austria most improved.

Engaging employees on safety

Tarmac is using professional stuntmen and actors to get its safety message across.

The company safety video, 'Once too often, Dave', won the Golden Camera Award – the top award for an employee safety film – at the 2005 US International Film and Video Festival for business, documentary and industrial productions.

The 10-minute film opens with three quarry workers talking in a bar. It turns out they have each died in accidents and the drama

uses flashbacks to follow their misfortunes as they repeatedly ignore safety warnings. The film is being shown to employees, new recruits and contractors at Tarmac sites across the UK.

Following its success, a second film was produced specifically for resurfacing teams who face additional safety hazards from traffic while they work on busy roads. 'Never Walk By' highlights the dangers of reversing vehicles, overhead and underground services, and the importance of wearing the correct safety gear. The film features a contractor, who could have stopped an incident occurring, going to visit the injured colleague in hospital.

The films aim to raise awareness of safety hazards and help Tarmac achieve its overall target of zero lost-time injuries, building on 2004 improvements – 92% of Tarmac sites were free of lost-time injuries in 2005.

Rewarding safety leadership at Steti

Mondi Packaging Paper's Steti mill in the Czech Republic was awarded a Du Pont safety award in November 2005 for its commitment to safety and dramatic reduction in lost-time incidents since 2002.

Du Pont awards are widely acknowledged as a top accolade for high performance in safety practice.

The importance of safe working conditions had a low priority at the former Eastern bloc company but is now a recognised priority in Steti's culture. The award recognised this transformation and praised Steti's leadership in safety.

From the mid-1990s to 2002, there were three fatalities at the mill and dozens of lost-time

injuries. In 1998 alone, there were 45 lost-time injuries and the LTIFR was 3.79.

Since then managers have focused on the prevention of accidents by raising awareness among employees and encouraging them to recognise and report unsafe practices.

Steti's safety performance has shown a vast improvement since February 2002, with a stretch of 1,294 days without a lost-time injury being incurred by Mondi employees or its contractors, which represents more than 6.5 million hours of labour.

Mel Racinsky, Steti human resources director, said: "Our success requires 100% commitment from 100% of the workforce. It is driven by people who value safety, take personal ownership and responsibility for safety, and who work as a team to achieve the desired results."

Safety drive at Ticor South Africa

A new safety project has halved the lost-time injury rate at Ticor South Africa, part of Anglo American's Ferrous Metals and Industries business unit.

The I CARE project was implemented after a sharp decline in Ticor's safety performance during 2003 and 2004. For 483 days, until the end of 2002, Ticor had no lost-time injuries. This excellent safety record was, however, followed by 18 lost-time injuries during 2003 and 2004.

I CARE was successful, and safety performance has improved from a 12-month rolling average LTI frequency of 1.19 in 2004 to just 0.40 in 2005. ■

	Work-related fatal injuries		Lost-time injury frequency rate	
	2004	2005	2004	2005
Platinum	24	24	1.45	2.07
Coal	2	6	0.44	0.48
Base Metals	9		0.57	0.46
Industrial Minerals	1	2	0.62	0.60
Ferrous Metals and Industries	6	9	0.37	0.30
Mondi	7	5	0.40	0.29
Exploration			0.20	0.86
Technical and other			0.20	0.29
Total Anglo American plc (managed companies)	49	46	0.77	0.94
AngloGold Ashanti	31	25	1.31	1.35



◀ Gareth Williams (far left), general manager of Anglo Coal's Kriel colliery in South Africa and Stewart Bradley, works manager at Tarmac Precast Concrete, Henlade received crystal trophies and certificates from Tony Trahar for, respectively, the most outstanding safety performance by a large business unit and a small business unit.

Occupational health

The linkage between occupational health and safety and the development conditions in which we operate is strong. We are making ongoing efforts to understand it and implement both systemic and cultural change as well as targeted interventions.



Elmie Stoop, an audiologist, conducts a hearing test on Mauakatshela Makhenke at Bleskop hospital in South Africa.

We are committed to doing all we can to minimise cases of occupational illness. Our businesses assess themselves against our Occupational Health Management Guidelines. In addition, 75% of the Group, by turnover, undergo third party audits and certification (principally OHSAS18001), in line with the target we set. We expect a decline in new cases of occupational disease as a result of systematic identification of workplace hazards, active interventions to manage and minimise potential exposures and a risk-based health monitoring programme.

In 2004, we reported 2,033 new cases of occupational disease, the majority related to noise-induced hearing loss (NIHL), which resulted from retesting and reassessment required by changes to South African legislation. We anticipated that the programme would have some carry-over into 2005, and the figures show 1,003 new cases (51% down) of which 629 (63%) result from NIHL.

There were 247 cases of pneumoconiosis, 71 cases of other occupational lung disease, 41 cases of musculo-skeletal

injury and 15 cases of hand-arm vibration syndrome (HAVS). There have also been a few cases of illness related to skin disorders and exposure to metals in dust and fumes.

During 2005, Tarmac completed a three-year programme to establish a new occupational health baseline. At this stage we do not know how many of the cases identified will be eligible for compensation from Tarmac and they are excluded from the totals.

Worker exposure to the range of hazards and to the risk of



◀ Acid mist in the tank house at Mantos Blancos has been reduced by 80% as part of a continuous improvement programme.

contracting occupational illness is reduced through a variety of programmes. Anglo Platinum has now muffled 96% of all pneumatic drills. Quieter electric drills have also been piloted at two sites.

At Anglo Coal South Africa's underground operations, the number of employees potentially exposed to noise levels above 95 dB(A) has declined from 13% to 9.4%, and the number potentially exposed to high dust levels continues to fall.

We report cases of occupational illness when the case has been accepted by the local authorities for compensation. There is, however, considerable variability in the approach taken by the authorities in different countries and so there is a continuing need to treat the numbers with some circumspection.

The occupational illnesses recorded in 2005 represent an incidence rate of 6.5 per 1,000 employees compared with a rate of 12.8 reported in 2004.

Compensation

No health-related fines were incurred but approximately \$1.9 million was paid in workers' compensation.

Acid mist control at Mantos Blancos

Mantos Blancos, an Anglo Base Metals copper producing operation situated 45 km northeast of Antofagasta in Chile, is an open pit mine with crushing plants and oxide and sulphide ore treatment plants. Copper is extracted from oxide ores using solvents followed by electro-winning. In this process, acid mists are generated. These resulted in excessive equipment corrosion

and required the wearing of personal protective equipment at all times in the electro-winning tank house.

As part of its continuous improvement programme, the company launched a project to reduce the amount of acid mist in the tank house. With the use of a special suppressant, the acid mist concentration has been reduced by 80% with no secondary effects on operations.

As a result, the acid mist concentration is now significantly below the expected future regulatory levels of 0.8 mg/m³. Anticipated operational costs of \$180,000 will be offset against reduced employee risk, improved working conditions and reduced corrosion. Personal protective equipment is now only required as a preventative measure.

Managing bad vibrations

Tarmac has launched a major new programme in the UK to protect its employees from potential health problems associated with prolonged exposure to hand-arm vibration.

A points system is being implemented across the company in 2006 to help employees monitor their exposure to HAVS. All tools have been assessed and labelled according to their HAVS impact. The label on each tool provides a number to calculate HAVS exposure per ten minutes of use. No employee should accumulate more than 100 points in a day.

Tools that cause high levels of HAVS are being systematically replaced with new low vibration equipment across the business.



Pneumatic hand-held drills, used to break up old road surfaces during construction and repairs, transmit significant vibrations to operators' hands and arms and can cause damage to blood vessels and nerve endings. Tarmac aims to reduce the use of these hand-held drills by more than 80% by introducing cabin-operated road breakers mounted on tractors. More than 70 of these are being purchased. ■

Tarmac is labelling all equipment to help employees calculate and manage their exposure to health hazards. The streetmaster, which reduces exposure to HAVS, is being introduced throughout the company.



◀ The streetmaster reduces exposure to HAVS.

HIV and AIDS

In the Anglo American workplace



Employees from Goedehoop colliery celebrate their achievements for 2005, including a VCT uptake of 96%, on the steps of Anglo American's 44 Main Street offices in Johannesburg.

The management of HIV and AIDS is an ongoing challenge for Anglo companies operating in countries with a high burden of HIV disease. The greatest risk is in eastern and southern Africa, where we estimate the HIV prevalence among employees to be 23%.

Our main thrust is getting employees to know their HIV status through voluntary counselling and testing (VCT) and ensuring that those who are HIV positive get access to proper care, support and antiretroviral treatment when necessary.

We encourage employees to check their HIV status on an annual basis and in this way we can begin to measure the incidence of new HIV infections. At some of our operations our employees have achieved a high level of

understanding and awareness of HIV, and we can begin to target ZERO new HIV infections in the workforce during the course of a calendar year.

VCT uptake is a key indicator of our performance in managing HIV and AIDS. Although our target for 2005 was that 50% of our staff, across all operations, would undergo new or repeat HIV tests, we only managed to achieve a 29% VCT uptake (up by 10% from 21% in 2004). We are determined to improve on this figure in future years as it is our firm belief that this is the entry point for an effective workplace AIDS response.

Results

Antiretroviral therapy (ART) has proved extraordinarily effective, both in terms of keeping HIV infected individuals healthy and

free from AIDS and also in terms of reducing absenteeism and improving productivity. At the end of 2005 we had 3,034 employees on ART. More than 90% of them are well and able to continue with their normal work.

The percentage of HIV positive employees taking ART is 10.7%, an uptake figure which is in line with international experience, but nevertheless a figure we wish to improve. Our working hypothesis is that in communities with an advanced HIV epidemic, about 25% of HIV positive people are likely to be in need of ART.

Our experience has clearly demonstrated that those who start ART before getting sick with AIDS (defined as a CD4 lymphocyte count in the blood below 200 cells/ml) have much better



◀ The HIV/AIDS awareness initiative at Anglo Base Metals in Brazil is being implemented with the special efforts of Silvia Almeida, an employee who is HIV positive. This is her way of thanking the company for helping her acquire the necessary medicines before they were available in Brazil. She has run workshops for Anglo American Brazil employees and members of the local community to educate people on the prevention of HIV/AIDS. She also volunteers on behalf of the non-government organisation, Grupo Incentivo à Vida (GIV), which helped her to understand the illness better.

CD4 count at start of ART	Interpretation	Deaths/person years on ART	Mortality rate (per 100 person years)
< 50	Advanced AIDS	72/365	19.7
51 – 200	Clinical AIDS	86/1,300	6.7
> 200	HIV infection before the onset of AIDS	38/823	4.6

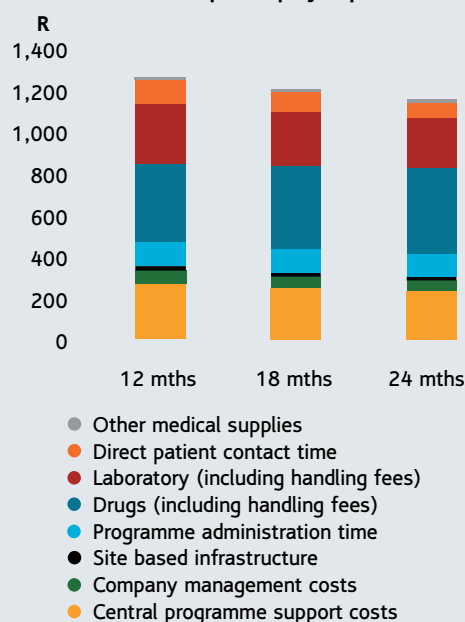
Anglo American HIV/AIDS data for 2005 (eastern and southern Africa only*)

Number of employees*	121,113
Best estimate of HIV prevalence*	23%
Estimated number of HIV positive employees*	28,291
Number of employees who received VCT during 2005 (first test or repeat)	37,982
Percentage VCT uptake	31%
Number of HIV positive employees enrolled in HIV disease management programmes*	8,315
Number of employees taking ART*	3,034
% of estimated HIV positive employees taking ART*	10.7%

*Employee numbers refer only to those employees who participate in HIV/AIDS programmes managed by Anglo American associated health service providers. This includes employees in independently-managed subsidiaries.

Group trends in costs of ART provision

South African Rand per employee per month on treatment



“
Our challenge is to get all employees to know their HIV status.

treatment outcomes as shown in the CD4 count table. The highest mortality is within the first three months of treatment, but for those that have been on treatment for 18 months or longer, our mortality rate is only 1.34 per 100 person years on treatment. Over 94% of employees on ART are able to carry out their normal work and live healthy, productive lives.

Our challenge is to get all employees to know their HIV status, so that HIV disease can be diagnosed early and treatment started before the onset of AIDS. We aspire to a situation where none of our employees get sick or die from AIDS.

The table above gives some of the key indicators of performance with regard to our HIV/AIDS response in 2005.

Economic impact

An economic evaluation of the impact of HIV/AIDS has been

ongoing since 2003. The work is carried out by the Aurum Institute for Health Research – Health Economics and Systems Programme. The study has evaluated the impact of HIV and AIDS without antiretroviral treatment, and also the costs and benefits from implementing the treatment programme.

Results to date show that HIV/AIDS costs to Anglo companies would constitute 2% of payroll (range 0.12-2.55% based on 2003-2005 data) if ART was not available. The projected costs would peak between 2007 and 2009. Variations across our business units are attributable to differences in HIV prevalence, downsizing and growth plans, the presence or not of our own health services, and death and disability benefit structures.

Costs of providing treatment vary across Anglo American group companies. Over the first 12 months of implementing the

programme in each site, costs averaged R1,234 (\$194) per patient per month on treatment, the larger sites with greater patient numbers having lower cost structures. The lowest cost model was seen when ART was provided at outpatient clinics at company-owned hospitals – mainly owing to economies of scale. When ART was provided by contracted general practitioners, it was more expensive over the first year.

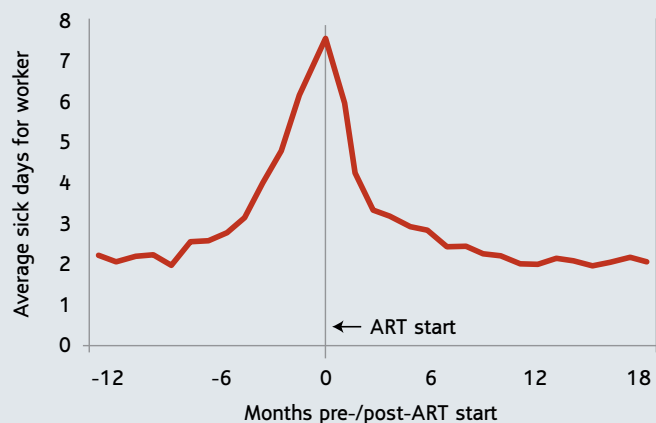
Costs to the company have declined over time, due to declining drug prices and the spreading of fixed costs over a greater number of patients on treatment as the programme progresses. At two years of implementation, costs had declined to between R915 (\$144) and R 1,700 (\$267) per patient per month.

Offset against this treatment cost are short-term savings that are achieved through a reduction in absenteeism. Across our business



◀ Gillian Gresak, HIV/AIDS manager for Anglo Platinum, receives the Khomanani excellence award for the best corporate HIV/AIDS programme from the South African Minister of Health, Dr Manto Tshabalala-Msimang.

Short-term trends in absenteeism



units, this absenteeism showed a continual decline from 6-12 and 18 months after commencing treatment, levelling off in later months. This is illustrated across companies in the graph above.

Savings resulting from these absenteeism declines lie within a range of 20% to 60% of the treatment provision costs, excluding additional savings related to increased labour productivity whilst at work. This varies significantly between companies.

Health care utilisation has shown similar declines and, in the short term, produced additional savings within a range of 45% to 70% of the costs over the first 18 months of a worker's antiretroviral treatment provision.

From these initial analyses, it appears that, in the short run, the cost of ART is more than covered by the reduction in absenteeism, reduced health care costs (particularly hospitalisation), retention of skilled employees and improved productivity.

A particular challenge that we have not yet resolved is to ensure that the dependants of our employees in southern Africa have access to the same level of care, support and treatment as our employees. Those employees who have contributory health insurance arrangements have complete cover for their families. Other employees, who rely on the South African national health system for family health care, have access to free ART for their dependants in theory, but in practice, it often

VCT programmes

Kumba Resources, Anglo American's iron ore mining business in South Africa, has set a target for 75% of employees to take part in voluntary HIV counselling and testing by the end of 2006. Around 40% of employees have been tested for HIV so far, of whom 10% were positive.

AngloGold Ashanti in 2005 launched a major awareness campaign to encourage employees in South Africa to take part in voluntary HIV testing and seek treatment if they are positive, resulting in a doubling of the average number of employees starting ART each month. Patients are also brought into the programme earlier.

proves difficult for them to obtain comprehensive HIV/AIDS services.

In 2006, we will start introducing a new target of ensuring that no babies are born HIV-positive in the families of our employees. This is a good entry point for improving our AIDS response to dependants.

The Anglo American community HIV and AIDS partnership programme

Our community programmes are designed to build capacity for comprehensive HIV/AIDS services in communities associated with our operations. These initiatives are carried out in partnership with local government, NGOs, trade unions and other health service providers.

The value of these initiatives has been recognised by two recent awards:

- 1) The UK's Business in the Community International Award for contributions towards achievement of the UN's Millennium Development Goals in Africa, and
- 2) The South African Khomanani Excellence Award to Anglo Platinum for its Community HIV/AIDS programme.

The Anglo American community HIV and AIDS partnership programme was launched in 2003. It provides visible and material support to the many individuals and organisations who use their resources and courage to face up to the realities of the HIV/AIDS epidemic and change their own circumstances.

Through the Anglo American Chairman's Fund, the company made an initial grant of R30 million (\$4.7 million) over three years to loveLife, a national South African youth HIV-prevention and skills development programme. The community HIV/AIDS programme has a presence across eight regions of South Africa, all of which are closely associated with our business operations. All eight sites have aspects of the loveLife youth leadership programme in different combinations, taking local context into consideration. In addition, the partnership programme has provided an umbrella for several new initiatives and pilot projects across the sites where the collective energies of organisations have together become more than the sum of their parts.

For example, on the far north of the Cape West Coast in South Africa there is a unique partnership between the programme, Namakwa Sands management and a local organisation – the West Coast HIV and AIDS Initiative. Together they have undertaken a variety of projects, from the establishment of support groups for people living with AIDS, to nutrition programmes and the establishment of community gardens. The programme also has a relationship with the West Coast Forum – a multi-stakeholder representative body including government, labour and the informal sector. On World AIDS Day 2005, all these organisations collaborated on a project called the West Coast 1000 Club, during



Youth representatives from communities associated with Anglo Coal's mines shared their experiences with Dr Brian Brink, chief medical adviser, and Lauren Wilson, HIV/AIDS community programme manager, at Anglo American South Africa's head office in Johannesburg.

which over one thousand people from the local community came forward for HIV counselling, testing, post-counselling and referral to support services.

Piet Retief is a rural community in South Africa positioned along a major trucking route. It has been hard hit by AIDS and there are hundreds of orphaned children living in the area. The Chairman's Fund programme has broadened its focus and is participating, together with Mondi management, in a multi-stakeholder forum of community representatives from over 80 villages to find solutions. The project has strong local-government support.

In Witbank, Anglo Coal mine management and local youth have created five youth centres, on mine property, supported by both the Chairman's Fund and the operations. Young leaders are now represented on mine HIV committees and at community events. Parents' forum debates are often hosted. This is helping young people to feel a part of the mining community.

The centres provide a safe place for after-school activities, including homework groups, sports and debates. Young people obtain free advice on issues such as avoiding teenage pregnancies and preventing the spread of sexually transmitted diseases.

Enthusiastic Anglo Coal employees and youth programme leaders called 'groundBreakers' are helping to motivate young people to

“
Our community programmes are designed to build capacity for comprehensive HIV/AIDS services.
”

pursue their studies and achieve their goals. But there is still scope for improvement. A workshop highlighted a number of challenges. The provision of transport at the centres needs to be improved, and frequent changes in mine personnel have been seen as disruptive to young people who wanted continuity.

Each site tackles unique issues such as age-appropriate education and training programmes for apprentices at Scaw Metals, the introduction of a large youth sports programme across Lebowa (based in local clinics), funding for local women's home-based care initiatives in informal settlements, and establishing youth centres and outlets in Standerton and Rustenburg.

The Chairman's Fund is also supporting and encouraging the development of a new youth HIV and AIDS prevention programme for the Partnership Foundation Trust, an organisation through which hundreds of youth participate in leadership opportunities each year.

Projects have grown organically within programme regions. These have grown stronger with more local buy-in as working relationships between company personnel and the Chairman's Fund have improved. During 2006, selected areas of the programme will be evaluated. There is a strong belief that this community engagement will yield real results in helping to turn the tide of the HIV/AIDS epidemic.

Princess Mabel van Oranje-Nassau visited the West Coast community HIV/AIDS initiative. She is seen here with Desiree Queiroz (left), manager of the initiative, examining some of the T-shirts used in the awareness campaign.



HIV therapy leads to fewer TB cases at Anglo Coal

Far fewer Anglo Coal employees are contracting tuberculosis (TB), which is a welcome side-effect of the company's efforts to tackle HIV.

The number of new cases of TB – a potentially fatal respiratory disease – has dropped by almost 75% since 2001. “TB has recently taken a lower profile,” says Dr Jan Pienaar, chief medical officer at Anglo Coal. “It was a social problem at one time – now it has devolved into being just a medical matter.”

Increased health awareness and medical testing as a result of HIV programmes have led to early diagnosis and treatment of those with TB. Because their immune system is weakened, people with HIV are at a much higher risk of developing active TB. Antiretroviral treatment for HIV can help to prevent TB and other opportunistic diseases.

The absenteeism rate of Anglo Coal employees who have been on ART for more than a year halved after ART was introduced, compared with the previous year.

Nursing skills

There is an acute shortage of trained nurses in the villages around the Lebowa platinum mine. While there are many people in the area who want to nurse, they do not have access to training.

As part of its commitments under South Africa's Mining Charter, Anglo Platinum is paying for 12 women, who previously worked as community peer educators in the HIV programme, to train as auxiliary nurses.

The student nurses start in the classroom and then work in different wards in a hospital to gain hands-on experience. The students have to pass practical and written examinations, including those of the South African Nursing Council.

After graduation, the women return to their villages with a formal qualification and the skills needed to make a difference to their communities. ■

Materials stewardship



We transform natural capital into processed products and wastes, interacting along the way with a significant supply chain and many stakeholders.

Boosting Mondi's critical mass in central and eastern Europe: the Ružomberok mill in the Slovak Republic. An expansion and upgrading programme has significantly increased production of both paper and pulp.

In the process of adding value we use technology, conduct research into product, process and technology improvements, and play a significant part in the building of infrastructure in many developing countries. The man-made environment is not new. We build on a long history of industrial activity, minerals beneficiation and cultural heritage. This section addresses all of these issues.

Working with the supply chain

During 2005, the Anglo American procurement council and the sustainable development team developed a set of guidelines to facilitate the incorporation of our principles and good practice into the business at the front end of the process. These include a checklist, guidelines for purchasers and suppliers, a matrix to develop understanding of the issues within the procurement function, and

guidance on adapting existing policy. The guidelines will be published early in 2006.

We are working with key suppliers to further develop our approaches and ensure that throughout our value chain we make a commitment to sustainable development.

Product stewardship activities

REACH has impact

During 2005, the European Union's new chemical legislation, REACH, which is intended to reduce environmental and human health exposures to harmful chemicals, went through its first reading in the parliament and the competitiveness council.

At the time of writing, it was undergoing technical revision and is expected to be adopted during 2006. The legislation has the potential to impact Anglo American companies

that export metals, ores, concentrates and alloys to the European Union.

In terms of the proposed legislation, all metals will require registration, evaluation and authorisation. Ores, concentrates and alloys will require authorisation if they are above trigger volumes of 1,000 tonnes per year. Lobbying at industry and country level continues in a bid to ensure REACH does not impact detrimentally on the potential to use mining and minerals exports as a catalyst for much needed development in poor countries, or distort the markets for metals and minerals within Europe. Technical preparation is ongoing within the Group.

Informing consumers

Namakwa Sands mines and processes the mineral rich sands on the west coast of South Africa, producing a variety of raw materials such as zircon,



◀ Guidelines to assist Anglo American employees in addressing sustainability and the supply chain will be released in 2006.

rutile and ilmenite for industrial use. Zircon is, for example, used for making glazing for ceramic tiles. Rutile is also used in ceramics and ilmenite is smelted to produce titanium slag used for making white pigments. Smelting also produces iron which is used by the casting industry – in some cases to produce traditional African three-legged cooking pots.

All of these products are sent to industrial facilities, mostly in Europe, which are subject to integrated pollution prevention and control (IPPC) legislation.

Product safety data sheets are available for all the products. These provide chemical and physical properties (all are stable, non-flammable, non-explosive), their toxicological properties, information on radioactivity (if any), information on storage, handling and disposal, hazard identification and emergency action.

For all Namakwa Sands products, the sheets recommend wearing industrial face masks to prevent breathing in the dust. No other special precautions are necessary and, in case of spills, sweeping or vacuuming is sufficient with due caution not to create or inhale the dust.

Because of the diverse and dispersed use of the end-products into which these raw materials feed, recycling of these materials is not possible at this early stage in their life cycle.

However, for other base metals such as copper, zinc and lead, the Base Metals division works within commodity associations to promote responsible use and recycling. The Green Lead initiative, for example, is a programme to promote zero harm



To be completed by the customer before discharge

Date:

Ticket No.:

Vehicle Id.:

I confirm that I have read and understood the contents of the leaflet entitled: **Danger! Fresh Wet Concrete, Mortar & Screed Can Cause Burns** prior to discharge of material and will pass this important safety information to all others involved in working with these materials.

Signature:

Name:

(BLOCK CAPS)




DANGER!
 FRESH WET CONCRETE, MORTAR & SCREED CAN CAUSE BURNS

Skin contact with fresh wet concrete, mortar or screed may cause:

- Cement burns
- Irritant or allergic dermatitis

Damage will increase with contact time.

Chemical burns can develop without pain being felt.

The abrasive nature of the sand in the materials can aggravate the situation.

Fresh wet concrete, mortar or screed is heavy (approx 2.5 tonnes per cubic metre). This may cause strains if you are not used to physical work. Have sufficient help so that you can place, compact and finish the concrete, mortar or screed, without straining yourself and before it sets.

LOOK If concrete / mortar / screed gets in your boots, STOP. Remove them, wash them and your skin thoroughly clean

LOOK If patches of skin, and especially your eyes, come into contact with fresh wet concrete, mortar or screed, wash immediately and thoroughly with clean water

LOOK Clothes impregnated with fresh wet concrete, mortar or screed should be taken off, washed, and the skin washed thoroughly to avoid any irritation.



Wear safety spectacles or goggles

Protect your hands at all times with waterproof gloves

If you can't avoid kneeling in concrete, mortar or screed, wear knee pads or use an impervious mat

Always wear long trousers

Safety boots

Safety wellington boots (to be worn when working in concrete)

Protect your skin at all times!

If contact occurs, wash thoroughly. If irritation persists after washing, seek medical attention immediately




from potential lead exposure to people and the environment. At present, an estimated 80% of lead is recycled through battery recyclers.

Concrete consciousness

Tarmac in the UK sends customer advice notices with its loads. These require customers to complete and sign a ticket confirming their understanding that fresh wet concrete, mortar and screed can cause burns. The ticket goes back to Tarmac, but a notice left with the customer informs of the potential dangers, the required safety equipment and what to do if the concrete touches eyes, skin or clothing.

Cleaning up abandoned sites

An official from the Kativik regional government in Canada has praised Anglo American exploration teams on their assessment and remediation of

abandoned mining exploration sites. The clean-up projects would, he said, enhance the relationships between the company and local communities, and reduce environmental impacts. Exploration teams are increasingly working in partnerships with NGOs and local communities to build their knowledge of, and sensitivity to, the local environment. They are guided by a SHEC (safety, health, environment and communities) checklist. ■

Tarmac uses delivery notes to raise consumer awareness about product safety.



◀ Recognising the importance of heritage, AngloGold Ashanti has chosen the turbine hall of the original power station – one of the oldest buildings in Johannesburg – for the site of its new head office in South Africa. The distinctive exterior will be preserved. This is yet another contribution by the Anglo American Group to upgrading the inner city, following the development of the Main Street campus and the Brickfields low-cost housing development in Johannesburg.



Waste reduction



At Anglo Platinum's Rustenburg Section, waste contractor costs currently amount to R1 million (\$157,000) per month, offset against earnings of R1,5 million (\$236,000) per month for sales of recyclable materials and scrap metal. Anglo Platinum's waste-management strategy has also resulted in the development of ways to minimise waste with a significant reduction in waste allocated for landfill. This represents a saving of R12,7 million (\$1,9 million) against the 2004 waste-disposal costs.

Providing a broad overview of waste management for a diverse Group such as Anglo American poses some challenges. Materiality with regard to waste substances, volumes and treatment varies significantly across the operations.

For most of our mining operations the biggest challenge, by volume, is that of waste rock. Our large-volume tailings facilities pose perhaps the greatest potential risk. A technical guideline and a programme of management control and audit by second and third parties is in place. We recognise that improved waste management presents opportunities and innovative approaches are being explored. These are highlighted in the case studies.

Targets

New targets have been set at corporate level and within business units. They include the expansion of the existing tailings guideline document to include other mine waste such as waste rock, heap leach pads, backfilling and slag

disposal. The baseline will be set in 2006 with reduction targets set for 2007. We have an ongoing programme to improve the quality and collection of data.

Anglo Coal South Africa will be focusing on improving the recovery of waste oil for recycling. Industrial Minerals set a target of reducing waste sent to landfill by 25% (on a 2004 benchmark) by 2010. Ferrous Metals and Industries has an ongoing focus on recovery, recycling and re-use of wastes. Mondi has set a 2006 target for reducing non-hazardous solid waste to landfill per unit of production by 10%.

Recycling

At Scaw Metals, recycled steel is an important raw material. During 2004, for example, their sales of primary carbon steel products to industrial groups was 536,260 tonnes. The scrap-metal component was about 60%. The South African industry average was 61% or 2.7 million tonnes.

Cost savings owing to improved waste management

Anglo Platinum finalised various waste-management contracts during 2005. These contracts

provide a prime opportunity for sub-contracting to accredited historically disadvantaged black-owned companies, which now receive up to 80% of Anglo Platinum's total waste business. The waste-management system is a good example of blended value with investment in sustainability while improving the bottom line.

Solving social problems with waste

Anglo Coal is exploring ways to use coal waste from its Greenside mine to create briquettes for sale to high-density informal settlements around the mine. The project will, at the same time, support black economic empowerment (BEE) in the Mpumalanga region of South Africa.

Coal slimes from the coal washing plant are currently pumped to a settlement dam. Head of environment and rehabilitation for Anglo Coal South Africa, Biele van Zyl, says that if it proves feasible briquettes will be made by mixing the fine coal in the dams with wood pulp. This binds the coal and makes the briquette burn more effectively, emitting less smoke than normal domestic coal.

Around 1,000 tonnes of coal briquettes will be produced

Waste facilities	2004*	2005	Increase
Total number of process waste disposal facilities	119	174	55
Number of facilities in active use	58	96	38
Total area occupied by facilities (hectares)	5,357	9,454	4,097
Total number of audits (third party and in-house)	89	124	35
* 2004 numbers exclude Hudson Bay			



◀ The Chagres (Chile) recycling drive was supported by a school competition which produced the winning slogan.



◀ Women volunteers from Catemu near Chagres (Chile) created awareness of waste collection and recycling.

in a trial to determine the economics and market potential. If successful, a BEE group will be appointed to operate the briquette business.

The plant could produce around 20,000 tonnes of briquettes a month for sale to the local community which is currently burning coal or wood harvested from the surrounding areas. This would create a new business and turn a long-term liability into a marketable product with local air quality benefits.

Blowing up the problem

Kleinkopje colliery is looking for cost-effective and sustainable solutions for the disposal of end-of-life tyres from earth-moving vehicles. Anglo Coal South Africa's fleet of haul trucks consumes about 200 tyres each year. The size of the tyres makes their disposal problematic. In the absence of a viable solution, the tyres have been stockpiled.

Tests indicate that the rubber from these tyres could replace fuel oil in the explosive used at the mine. The process involves stripping the rubber from the tyres and granulating it to a 1 mm diameter. The explosive usually contains 6% fuel oil by weight. Successful trial blasts at Kleinkopje have been achieved with a 4% rubber and 2% fuel oil mix.

The remaining carcass of the tyre contains some rubber and the steel-reinforcing wires, for which a suitable use has yet to be found. In South Africa, the application of rubber in explosives was pioneered by Sishen iron ore mine, where granulated rubber from earth moving vehicle tyres has been applied in emulsion explosives for several years.



Tarmac boosts concrete recycling

Tarmac's Garstang operation has sent only 20 tonnes of waste to landfill sites in two years – a model it wants other concrete plants to follow. The benefits will include more efficient use of primary aggregates, reduced transport and fuel costs, and reduced disposal costs.

Garstang and another efficient site in north-west England, Poulton-le-Fylde, use wedge pits with a sloping floor towards the rear. These receive wash water from truck mixers. The aggregate "fines" (fine particles) settle and are separated from the water, which is re-used in production.

These fines can be remixed with other aggregates and reused. The key to the success of the pits is making sure that the settled fines are removed every day.

Creating new roads from old in the UK

Tarmac is recycling material from a worn-out highway in Devon, UK, to create a new surface for the same road.

About 70,000 tonnes of waste material planned from an 8 km stretch of the road will be recycled in foamed bitumen used as a base for the new road surface.

Environmental benefits include the re-use of waste material and its reprocessing at the point of use, which saves on transport and cuts emissions.

The £8 million (\$13.9 million) contract is the largest ever awarded in the UK using recycled asphalt. It will create a best-practice model for the future use of this material.

◀ Redundant tyres pose a major environmental problem and Anglo Coal is exploring various solutions, including using the rubber as a substitute for fuel oil in rock blasting.



Recycling waste at Catemu, Chile

Anglo American's Chagres smelter in Chile worked with local communities in 2005 to launch a campaign to encourage people in nearby Catemu to recycle their waste.

The smelter donated bins to collect the waste. It also distributed leaflets on recycling and trained 68 women volunteers to raise awareness of the campaign.

A competition was held at local schools to devise a slogan for the campaign. Two primary school students from the Nihue school produced the winner: 'Catemu, I love you like this'.

Liquids packaging to paper

Liquids packaging – made from laminated plastic, aluminium and paper – is difficult to recycle. Mondi Packaging is one of the

Mondi Packaging in Raubling, Germany, is one of the few companies in Europe which recycles juice containers.

few companies to take on the challenge. Its operation in Raubling, Germany, recycles 35,000 tonnes of liquid packaging each year. Paper fibers are separated, cleaned and recycled, and used in packaging paper. The company produces 11 recycled products in seven countries across Europe. ■



◀ Tarmac is committed to reducing waste sent to landfill and the re-use of fine waste material is making a major contribution.

Research and development



Tarmac is increasingly using recycled materials and energy-efficient processes in its road building activities (see page 51).

Absorbent roads help prevent flooding in the UK

Flash flooding could become a thing of the past thanks to Aquifa, Tarmac's reservoir pavement technology that captures, retains, purifies and recycles water from torrential downpours.

The new porous road surface material, if implemented across the UK, could absorb millions of gallons of water, easing pressure on conventional drainage systems.

Tarmac's Aquifa system allows water to seep through specially engineered porous road surfaces to be retained below the surface where naturally-occurring bacteria break down organic impurities. The porous roads also trap sandy material, helping to remove harmful heavy metals and impurities such as oil.

Trapped water can be released into drains at a slower controlled rate to avoid flooding, or be allowed to permeate into natural watercourses. It can also be diverted and used for farm irrigation, or to flush lavatories to conserve drinking water.

Although similar technology has been used in France and the US, the Aquifa system is the first of its kind in the UK. Trials have been completed and it is now ready for use in new housing developments, retail and business parks, and car parks, in line with the UK Environment Agency's Sustainable Drainage Systems (SUDS) strategy.

Policy advisor, Phil Chatfield, says: "Tarmac's development adds another useful tool to reduce flooding and pollution."

Management of spontaneous combustion at Kleinkopje colliery

Anglo Coal has set up a team to tackle the problem of spontaneous combustion of coal at its Kleinkopje colliery in Mpumalanga, South Africa, which has experienced severe problems in recent years.

Spontaneous combustion, or sponcom, normally originates in old underground workings which have to be dewatered before opencast mining of the reserves can proceed. The process of dewatering coupled with the ingress of air conveying oxygen into the workings facilitates sponcom of the coal in the pillars and roof of the old workings. Once sponcom has started, it is extremely difficult to extinguish the fires. This impacts negatively on the environment in and around the mine.

The team at Kleinkopje has developed a strategy to manage, control and mitigate the sponcom through a combination of mining, fire-fighting and preventative methods which monitor and identify vulnerable areas. The team also plans to raise awareness of sponcom among employees working in the mine and provide training on prevention and fire fighting.

Drying coal with microwaves

Anglo Coal Australia is investigating the use of microwaves to dry coal and capture the evaporated water for re-use. Initial studies confirm that microwave drying is highly efficient and recovers more than 80% of the water.

Dry coal burns more efficiently, reducing the amount of coal required to produce the same heat. This cuts carbon dioxide emissions in power generation and steel production. Wet coal is also heavy, making it more costly (and more polluting) to transport.

Innovation at Mondi Business Paper

Mondi Business Paper has invented a biodegradable packaging for paper. The cellophane wrapper protects reams of paper in transit to consumers and is kinder to the environment because it can be composted after use.

The packaging was developed from an idea submitted to the company's global innovation website. This encourages every employee to submit ideas that could contribute to the success of the business. Innovation managers select good ideas for further development. The website, Mondi Innovation Zone, has dramatically increased the number of new ideas generated by the company from 44 in 1997 to 6,190 ideas in 2005. ■



◀ The Aquifa reservoir paving system will help control urban flash floods, by capturing and recycling water.

Cultural heritage



Preserving our cultural heritage and upgrading urban environments are part of our broader contribution.

The eMakhosini valley in South Africa's KwaZulu-Natal houses the graves of seven Zulu kings. Mondi land is now part of this cultural and natural heritage park.

Cheviot's window on the past

Evidence of Neolithic – or Stone Age – activity has been uncovered at an ancient settlement in the north of England, found at Tarmac's Cheviot quarry in Northumberland. It has revealed for the first time that early Britons (at least in that area) were settlers and not nomads, according to Dr Clive Waddington of Archaeological Research Services Ltd (ARS Ltd).

Working closely with archaeologists at many sites around the country, Tarmac is proud to have contributed to some very interesting and significant finds. The project has become a great example of partnership with English Heritage, ARS Ltd and the Northumberland County Council.

The remains at Cheviot cover an area roughly the size of two football pitches. Some of them pre-date Stonehenge.

Of six buildings discovered so far, three are from the early Neolithic (around 4,000 BC) and the rest are from the later Neolithic (around 3,000 BC) period.

Excavations at the edge of Cheviot quarry have found hearths, rubbish pits, storage pits and a human burial site. Hundreds of pieces of pottery have been found, as well as flint tools and a stone for grinding cereal.

The work has been funded by Tarmac and a grant from DEFRA delivered through English Heritage.

"The Spirit of eMakhosini"

Mondi has agreed with KwaZulu-Natal, South Africa, authorities, Amafa/Heritage and Ezemvelo Wildlife to incorporate an area of approximately 1,600 hectares of land within the eMakhosini-Ophathe heritage park. About 400 hectares will be retained as plantation forest within the

park, some will be returned to conservation and about 950 hectares are grassland and krantzes (rocky outcrops) currently not afforested. This exciting venture makes Mondi part of this cultural and natural heritage park that abounds with South Africa's Zulu history, including the grave sites of seven Zulu kings, legendary Zulu battlefields and large areas of relatively undisturbed vegetation and scenery typical of the time of King Shaka. The eMakhosini valley is essentially a microcosm of the development of south-eastern Africa over many years. The park, including the Mondi area, will see the return of animals that existed at the time of King Shaka. ■



◀ Open day for archaeologists at Tarmac's Cheviot quarry, Northumberland.



◀ Cheviot estates manager, Mike Young, showing archaeologists one of the finds from the site at the edge of the quarry.

Reporting and assurance

Reporting and Assurance

The scope of this report is outlined on pages 2-3. Our sustainable development database is used for collecting safety, health and environmental (SHE) data and is continually being expanded, for example as selected HIV and AIDS and human resources data is being incrementally included. Our glossary on pages 61-62 provides further information on specific parameters. Key environmental data is summarised, by business unit, on pages 56-60.

Comparability

The comparability of the data is affected by changes to the structure of the company resulting from sales of operations and acquisitions, by refinements in the methodology for determining certain data and improvements in data collection systems, including greater consistency in interpretation of definitions.

In addition, as our new strategy is given effect, further changes will take place that will materially affect our ability to draw trends and comparisons.

The main impacts during the year were:

- Boart Longyear and Zimbabwe Alloys were sold and their performance is only reported for the first six months of 2005.
- Platinum further refined its reporting of restricted work cases to align itself to our updated definition of lost-time injuries. This has significantly impacted the Group's safety performance as described on page 40 and in the Anglo Platinum 2005 Sustainable Development Report.
- During 2005, Eskom, the South African electricity utility, restated the factor it uses for calculating CO₂ emissions related

to electricity purchased. This has had a material impact on the group total CO₂ emissions from electricity purchased.

- Level 1 environmental incidents, which have minor short-term impacts that are important to local management, will no longer be externally reported as we have focused on group level reporting on Level 2 and Level 3 incidents with medium and longer-term environmental impacts.
- Notable differences in land under company charge are as a result of including, for the first time, the forest areas in the Russian Komi Republic over which Mondi holds logging rights.

Restatement

During 2005 restatement of 2004 data occurred for a number of parameters. These were chiefly owing to improved understanding of data and to a focus on material risks, as well as to a number of errors which had occurred.

Increased focus on group energy resulted in two significant restatements. Highveld Steel identified issues with its energy accounting, resulting in a significant increase in its energy used and CO₂ from processes and fossil fuels and a number of sites were identified that had not reported biomass used for energy during 2004.

Areas for improvement

We have once again identified the need to improve data baselines, data collection and understanding of the definitions and calculation methodologies. We will work to improve the guidance underlying our SHE data-reporting requirements to achieve more consistent reporting across the Group.

Specific areas identified in the targets section (pages 6-7) are:

- Waste – reporting of non-mineral waste parameters and increased focus on developing appropriate reporting systems for reporting on the disposal of hazardous waste, the reduction of waste where possible and recycling of residual waste.
- CO₂ emissions from transport – a significant amount of preparation work has taken place which will enable us to begin reporting meaningfully on these emissions.
- HIV and AIDS reporting through our database is relatively new and we expect the quality to improve significantly in 2006.
- Water remains a strategic and limiting resource. Ongoing improvements in understanding our use of water, areas for reduction and recycling and pollution management are being targeted.
- Some of the less quantifiable areas of reporting are gaining prominence and we will be working within a variety of codes and frameworks, including the GRI's Mining and Metals Sector Supplement, to find ways of presenting this data in measurable and comparable formats.

Independent Assurance

KPMG undertook a review of our sustainable development performance indicators and targets. Their report on page 55 provides external stakeholders with an independent view of the completeness and accuracy of our reported performance as presented in the data tables, the targets table and the text of this report. KPMG also provide management with a report summarising their key findings and recommendations for improvement.

KPMG determine the parameters to be reviewed and sites to be visited. This was based on their understanding of the material

risks which confront the Group during the period of review. This results in different parameters being within the scope of their work each year. 2005 was the sixth year that they have conducted the assessment. ■



Independent assurance report to Anglo American plc

Anglo American plc engaged us to review selected sustainable development performance indicators and targets ('sustainable development criteria') in its Report to Society 2005 (the report). The sustainable development criteria we selected are set out below.

This report is made solely to Anglo American in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Anglo American those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Anglo American, for our work, for this report, or for the conclusions we have reached.

Respective responsibilities of directors and reviewer

Anglo American's directors are responsible for the preparation of the report and the information and assessments contained within, for determining the Group's objectives in respect of sustainable development performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Our responsibility is to express our conclusions to Anglo American on the findings of our review, based on the work referred to below. We also report if, in our opinion, any of the relevant disclosures are misrepresented or inconsistent with our findings, if we have not received all information and explanations we required to conduct our work, or if we became aware of additional information, the omission of which may result in the selected sustainable development criteria in the report being materially misstated or misleading.

Basis of our work

Anglo American applies its own Safety, Health and Environmental Reporting Guidance, Community Engagement Guidelines and Socio-Economic Assessment Toolkit for reporting ('Anglo American's sustainable development guidance'). The Reporting and Assurance commentary on page 54 sets out the basis, scope, restatements and certain areas of improvement in Anglo American's reporting and the Glossary on pages 61-62 gives further information on specific definitions.

We conducted our work in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board. Our work was carried out by a multi-disciplinary team of safety, health, environmental, stakeholder engagement and assurance specialists.

Work performed

We selected the following sustainable development criteria for review drawing on an understanding of the risks associated with reporting sustainable development performance and the systems and processes in place to mitigate these risks: *total fatal injuries* and total lost-time injury frequency rate including restricted work cases set out on page 40; total new cases of occupational disease set out on page 42; total number of community engagement plans in place and number of Socio-Economic Assessment Toolkit assessments conducted set out on pages 16-17; total HIV prevalence, total number of employees who received VCT during 2005, total number of employees on HIV disease-management programmes and total number of employees taking ART set out on pages 44-45; total number of Level 2 and 3 environmental incidents set out on page 25, *total energy used excluding biomass*, total energy from biomass and *total CO₂ emissions from processes, fossil fuels and electricity purchased* set out on pages 26-28; total coal mine methane CO₂ equivalent emissions set out on page 28; total water used for primary activities set out on page 31; total number of waste facility audits set out on page 50. Our initial selection included the Group total amount of non-mineral hazardous and non-hazardous waste generated and disposed of. However, as Anglo American is still in the process of developing the reporting systems in place, we were unable to reach a conclusion in relation to this data. We selected 25 sites for visit and review by taking into account risks and issues that may influence reporting in a geographically and operationally diverse organisation like Anglo American.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to give reasonable assurance over the sustainable development criteria set out above in italic text and limited assurance over the sustainable development criteria set out above in plain text.

Our work consisted of:

- obtaining an understanding of systems used to generate, aggregate and report based on Anglo American's sustainable development guidance and the selected sustainable development criteria at 25 selected sites, divisional and Group level;
- conducting interviews with management at the sites, divisional and Group level and review of relevant supporting documentation to obtain an understanding of the consistency of the reporting processes and explanations of the trends in sustainable development performance;
- performing an analytical review of the sustainable development criteria submitted for central aggregation;
- testing the accuracy of the aggregation process for the selected sustainable development criteria;
- reviewing the presentation of the selected sustainable development criteria in the report in light of the findings from site visits, divisional and Group levels and our cumulative knowledge of the industry and the Group's operations.

Conclusion

Based on the work described above, in our opinion:

- Anglo American's sustainable development criteria set out in italics above for the year ended 31 December 2005 are fairly stated; and
- nothing has come to our attention that causes us to believe that Anglo American's sustainable development criteria set out above in plain text for the year ended 31 December 2005 are not fairly stated.

KPMG LLP (UK)
Chartered Accountants
London
1 April 2006

Data for managed companies

For the year ended 31 December 2005

	CO ₂ from processes and fossil fuels ^a	CO ₂ from electricity purchased ^b	Total energy used ^c	Land utilised by operations	Water used for primary activities
	1,000 tonnes	1,000 tonnes	1,000 GJ	ha	1,000 m ³
Anglo American plc					
Totals for Year 2005	14,120	15,483	298,113	93,129 ^e	629,406
Totals for Year 2004	14,954 ^d	14,736 ^d	291,479 ^d	71,887 ^d	593,886 ^d

	CO ₂ from processes and fossil fuels ^a	CO ₂ from electricity purchased ^b	Total energy used ^c	Land utilised by operations	Water used for primary activities	Tonnes mined/ tonnes milled
	1,000 tonnes	1,000 tonnes	1,000 GJ	ha	1,000 m ³	1,000 tonnes
Anglo Platinum						
Bafokeng Rasimone Platinum Mine	2	273	1,044	950	1,868	2,576
Lebowa Platinum Mine	7	192	822	407	1,511	1,609
Potgietersrust Platinums	78	280	2,155	1,941	3,438	4,535
Precious Metals Refiners	1	48	193	34	237	0
RPM Amandelbult Section	11	754	2,977	915	5,525	6,000
RPM Rustenburg Section	12	1,495	5,757	3,476	7,531	17,425
RPM Union Section	54	686	3,257	2,911	2,817	6,258
RPM Waterval Smelter	106	732	3,978	57	1,694	0
Polokwane Smelter	30	288	1,397	728	289	0
Rustenburg Base Metals Refiners	134	191	2,203	145	607	0
Anglo Platinum Research Centre	0	3	12	0	9	0
Totals for Year 2005	433	4,942	23,795	11,564	25,525	38,402
Totals for Year 2004	418	4,451	23,184 ^d	10,390	32,671 ^d	37,925

a CO₂ emissions from processes and fossil fuels consumed are calculated using the WBCSD Greenhouse Gas Protocol calculation tools, and do not include emissions from purchased electricity.

b CO₂ emissions from purchased electricity are calculated using country specific factors for national grid electricity.

c Total energy used is calculated from electricity purchased, energy generated from biomass and fossil fuels consumed.

d These data are not the same as reported in 2004 owing to data refinements during 2005.

Note: Exclusion of data from minor contributors from the list will result in totals for the year not being equal to the sum of listed units.

	CO ₂ from processes and fossil fuels ^a	CO ₂ from electricity purchased ^b	Total energy used ^c	Land utilised by operations	Water used for primary activities	Tonnes mined/ tonnes milled ^d	Coal mine methane CO ₂ equivalent
	1,000 tonnes	1,000 tonnes	1,000 GJ	ha	1,000 m ³	1,000 tonnes	1000 tonnes
Anglo Coal							
Anglo Coal Australia							
Callide	89	76	1,451	2,284	707	10,152	19
Dartbrook	97	69	302	917	103	2,687	262
Drayton	78	33	935	1,216	1,117	4,726	9
German Creek	48	169	1,049	4,387	4,459	7,291	1,240
Moranbah North	19	81	379	1,180	1,216	4,800	1,060
Moura	123	150	2,149	6,445	1,112	7,753	8
Anglo Coal South Africa							
Bank	6	48	259	885	214	4,359	25
Goedehoop	4	147	609	1,026	595	8,835	51
Greenside	9	54	324	904	90	4,609	2
Kleinkopje	48	136	1,195	2,636	93	7,402	2
Landau	14	78	495	1,778	300	6,326	2
Kriel	14	89	536	2,224	547	12,112	9
New Denmark	2	70	293	2,605	317	4,160	138
New Vaal	39	121	1,011	2,276	90	17,585	4
Mafube	19	1	266	145	20	2,134	1
Isibonelo	10	30	257	381	82	1,377	0
Totals for Year 2005	619	1,352	11,514	31,287	11,062	106,310	2,830
Totals for Year 2004	599	1,317	10,267	29,779 ^d	9,395	102,148	3,002

a CO₂ emissions from processes and fossil fuels consumed are calculated using the WBCSD Greenhouse Gas Protocol calculation tools, and do not include emissions from purchased electricity.

b CO₂ emissions from purchased electricity are calculated using country- or region-specific factors for national grid electricity.

c Total energy used is calculated from electricity purchased, energy generated from biomass and fossil fuels consumed.

d These data are not the same as reported in 2004 owing to data refinements during 2005.

Note: Exclusion of data from minor contributors from the list will result in totals for the year not being equal to the sum of listed units.

	CO ₂ from processes and fossil fuels ^a	CO ₂ from electricity purchased ^b	Total energy used ^c	Land utilised by operations	Water used for primary activities	Tonnes mined/ tonnes milled ^d
	1,000 tonnes	1,000 tonnes	1,000 GJ	ha	1,000 m ³	1,000 tonnes
Anglo Base Metals						
Mantos Blancos	105	131	1,850	1,888	3,563	3,954
Mantoverde	92	37	1,383	1,557	2,584	9,364
El Soldado	48	49	1,516	945	3,363	7,004
Los Bronces	99	147	4,171	4,710	25,905	21,034
Chagres	37	23	1,003	40	1,125	437
Codemin	111	9	3,717	1,231	2,290	516
Loma de Níquel	408	121	8,803	240	3,524	1,140
Catalão	3	1	154	217	4,765	577
Namakwa Sands	142	588	2,938	2,946	7,260	17,246
Skorpion	11	611	2,441	521	3,264	6,825
Black Mountain	8	138	636	848	2,322	1,350
Lisheen	4	88	496	406	17	1,389
Totals for Year 2005	1,068	1,942	29,109	15,549	59,981	70,836
Totals for Year 2004	1,083 ^e	1,825	28,979 ^e	14,827	54,516	74,531

a CO₂ emissions from processes and fossil fuels consumed are calculated using the WBCSD Greenhouse Gas Protocol calculation tools, and do not include emissions from purchased electricity.

b CO₂ emissions from purchased electricity are calculated using country- or site-specific factors for national grid electricity.

c Total energy used is calculated from electricity purchased, energy generated from biomass and fossil fuels consumed.

d For Base Metals Namakwa Sands, Skorpion and Catalão figures are tonnes mined.

e These data are not the same as reported in 2004 owing to data refinements during 2005.

Note: Exclusion of data from minor contributors from the list will result in totals for the year not being equal to the sum of listed units.

Data and assurance

	CO ₂ from processes and fossil fuels ^a	CO ₂ from electricity purchased ^b	Total energy used ^c	Land utilised by operations	Water used for primary activities
	1,000 tonnes	1,000 tonnes	1,000 GJ	ha	1,000 m ³
Anglo Industrial Minerals					
Copebrás	64	6	2,410	730	7,285
Steetley Iberia	4	9	135	141	669
Tarmac Central Europe	24	50	689	3,106	589
Tarmac China	11	2	163	4	12
Tarmac France	6	2	166	225	129
Tarmac Middle East	48	5	703	346	478
UK Aggregate Products	291	96	5,137	7,732	1,904
UK Building Products	1,159	86	6,938	773	272
Totals for Year 2005	1,607	257	16,352	13,067	11,338
Totals for Year 2004	1,478 ^e	217 ^e	15,387 ^e	12,305 ^e	11,412 ^e

	CO ₂ from processes and fossil fuels ^a	CO ₂ from electricity purchased ^b	Total energy used ^c	Land utilised by operations	Water used for primary activities
	1,000 tonnes	1,000 tonnes	1,000 GJ	ha	1,000 m ³
Anglo Ferrous Metals and Industries					
Highveld Steel	4,523	2,867	49,923	1,357	8,389
Scaw Group	682	847	13,153	159	1,759
Zimbabwe Alloys Limited ^d	24	68	510	999	258
Amfarms	0	1	4	0	10
Boart Longyear Ltd. ^d	15	22	297	45	652
Hippo Valley	44	4	2,475	1,618	239,722
Kumba	242	1,635	9,562	18,045	23,597
Totals for Year 2005	5,530	5,443	75,925	22,223	274,387
Totals for Year 2004	6,033 ^e	5,351 ^e	78,798 ^e	4,148	218,010

a CO₂ emissions from processes and fossil fuels consumed are calculated using the WBCSD Greenhouse Gas Protocol calculation tools, and do not include emissions from purchased electricity.

b CO₂ emissions from purchased electricity are calculated using country-specific factors for national grid electricity.

c Total energy used is calculated from electricity purchased, energy generated from biomass and fossil fuels consumed.

d Data was reported for the first half of 2005 only for Zimbabwe Alloys and Boart Longyear.

e These data are not the same as reported in 2004 owing to data refinements during 2005.

Note: Exclusion of data from minor contributors from the list will result in totals for the year not being equal to the sum of listed units.

	CO ₂ from processes and fossil fuels ^a	CO ₂ from electricity purchased ^b	Total energy used ^c	Raw material used	Water used for primary activities	Particulate emissions
	1,000 tonnes	1,000 tonnes	1,000 GJ	1,000 tonnes	1,000 m ³	tonnes
Anglo Paper and Packaging						
Mondi Business Paper						
MBP Austria	159	92	4,411	489	6,556	-
MBP Hungary	77	52	1,917	177	2,578	-
MBP Hadera	-	74	335	96	1,117	-
MBP SCP Ružomberok	233	73	13,129	1,397	26,015	91
MBP Syktyvkar	1,875	1	49,398	1,286	86,483	2,904
Mondi South Africa						
Merebank	446	344	6,461	372	5,698	31
Richards Bay Pulp	305	234	18,294	2,146	25,954	628
Mondi Packaging Paper						
Sack Paper Mills						
MPP Frantschach	40	4	6,552	445	9,087	78
MPP Steti	444	122	11,175	1,420	35,889	116
MPP Vaja	14	10	4,522	447	11,707	-
Containerboard Mills						
Cartonstrong	26	20	643	108	1,336	-
Fröhnleiten	50	8	1,126	172	1,221	-
Niedergösgen	8	-	314	145	1,389	-
Raubling	-	-	4	176	1,678	-
Swiecie	751	129	16,335	1,869	21,663	403
United Kingdom	28	16	696	103	544	-
Mondi Packaging SA						
Felixton	118	70	1,577	180	2,415	-
Piet Retief	138	89	1,462	151	1,035	298
Springs	120	109	1,746	149	1,658	124
Totals for Year 2005	4,858	1,543	141,340	13,639	244,416	4,673
Totals for Year 2004	5,339 ^d	1,572 ^d	134,787 ^d	13,292	261,689 ^d	4,848

a CO₂ emissions from processes and fossil fuels consumed are calculated using the WBCSD Greenhouse Gas Protocol calculation tools, and do not include emissions from purchased electricity.

b CO₂ emissions from purchased electricity are calculated using country specific factors for national grid electricity.

c Total energy used is calculated from electricity purchased, energy generated from biomass and fossil fuels consumed.

d These data are not the same as reported in 2004 owing to data refinements during 2005.

Note: Exclusion of data from minor contributors from the list will result in totals for the year not being equal to the sum of listed units.

	Solid waste generated	Waste water discharged	COD in waste water	AOX in waste water	TSS in waste water	Production for 2004	Production for 2005
Anglo Paper and Packaging (continued)	tonnes	1,000 m ³	tonnes	tonnes	tonnes	1,000 tonnes	1,000 tonnes
Mondi Business Paper							
MBP Austria	107	5,752	3,288	-	229	409	405
MBP Hungary	2,479	2,041	3,341	-	1,962	229	229
MBP Hadera	559	952	833	-	1,817	128	126
MBP SCP Ružomberok	22,775	30,547	2,818	8	238	733	878
MBP Syktyvkar	38,258	72,800	11,100	305	1,001	1,471	1,496
MBP South Africa							
Merebank	107,848	5,921	3,488	-	994	452	315
Richards Bay Pulp	42,378	21,183	33,406	109	6,097	612	626
Mondi Packaging Paper							
Sack Paper Mills							
MPP Frantschach	6,388	6,028	380	-	-	296	299
MPP Steti	20,615	31,336	3,631	17	528	436	451
MPP Vaja	11,254	11,707	3,232	-	1,051	213	223
Containerboard Mills							
Cartonstrong	887	1,172	505	-	117	-	92
Fröhnleiten	-	1,017	-	-	-	-	157
Niedergösgen	3,225	1,239	1,079	-	300	-	142
Raubling	3,760	1,460	-	-	-	-	181
Swiecie	-	18,739	2,527	-	634	760	797
United Kingdom	7,281	602	2,485	-	215	-	95
Mondi Packaging SA							
Felixton	6,691	2,411	51,243	-	12,068	112	114
Piet Retief	10,966	702	3,663	-	1,177	126	124
Springs	19,440	1,162	2,394	-	81	129	138
Totals for Year 2005	318,989	216,992	129,576	439	28,508	9,290^a	9,098
Totals for Year 2004	409,765 ^a	254,465	133,827	533	27,071		

Anglo Paper and Packaging (continued)	Land under company charge	Total land area planted ^d	Total grasslands and wetlands area ^c
Paper and Packaging			
Totals for Year 2005	1,930,187^b	257,633	76,091
Totals for Year 2004	502,503	285,362	102,421

a These data are not the same as reported in 2004 owing to data refinements during 2005.

b Total land under company charge for Paper and Packaging is only reported for SA Forests and MBP Syktyvkar logging companies (reporting for the first time in 2005).

c Total land area planted and total grassland and wetlands area are reported for South African operations only.

Note: Exclusion of data from minor contributors from the list will result in totals for the year not being equal to the sum of listed units.

Glossary

Term	Description
ADT	Air dried tonne
AIDS	Acquired Immune Deficiency Syndrome
ART	Antiretroviral therapy
BAP	Biodiversity action plan
BEE	Black Economic Empowerment (South Africa)
CAP	Common Agricultural Policy of the European Union
CDM	Clean development mechanism
CH ₄	Methane, a highly potent greenhouse gas
COD	Total quantity of chemical oxygen demand
CO ₂ CRC	Cooperative Research Centre for Greenhouse Gas Technologies, Australia
CO ₂ emissions conversion factor	Eskom, the South African electricity provider, changed their factor for conversion of electricity used to CO ₂ equivalent emissions in 2005. "This is owing to the use of electricity sold rather than electricity purchased figures to calculate the factor" (Eskom Annual Report, 2005).
CO ₂ emissions from fossil fuels	Carbon dioxide emissions calculated by applying conversion factors to fuel usage volumes.
CO ₂ emissions from electricity	Calculated quantity of carbon dioxide emitted in the generation of electricity, which is subsequently purchased by a business unit. Country-specific conversion factors are used in the calculation, unless region or site-specific conversion factors are available
CO ₂ emissions from processes	Carbon dioxide emissions from point or fugitive sources, excluding: <ul style="list-style-type: none"> • carbon dioxide from coal seam gas venting and spontaneous combustion from Anglo Coal South Africa • carbon dioxide from biomass sources relevant to Paper and Packaging • carbon dioxide from the consumption of sulphuric acid in the leaching process relevant to Base Metals refining processes
CO ₂ e	Carbon dioxide equivalents, which enable the comparison of the impact of various greenhouse gases using CO ₂ as a benchmark, thereby facilitating impact assessment and trading
Contractor	A contractor is any non-Anglo American person who is on Anglo American premises under contract for business purposes or anyone providing materials, personnel or services that directly benefit Anglo American and relate to a contract or sub-contract
Controlled activities	Activities for which the managed operating company can set SHE standards and directly supervise and reinforce their application
CSLF	Carbon Sequestration and Leadership Forum
Currencies	Figures are quoted in both local currency and dollars, where possible, or in dollars. Conversions are done at the time of announcing a project or at an average annual rate and are therefore indicative rather than exact.
dB(A)	Decibels on the A-weighting scale, a frequency-weighted noise unit widely used for traffic and industrial noise measurement. The A-weighting scale corresponds approximately to the frequency response of the ear and thus correlates well with loudness
DEFRA	UK Department for Environment, Food and Agricultural Affairs
EIAs/SIAs	Environmental impact assessments and social impact assessments
EITI	Extractive Industries Transparency Initiative
Environmental incidents	Environmental incidents are classified as either: <ul style="list-style-type: none"> • Level 1: minor impact, short-term effect • Level 2: moderate impact, medium-term effect • Level 3: significant impact, extensive or long-term effect
Fatal injury	The death of an employee or contractor resulting from a work-related injury
FSC	Forest Stewardship Council
GBC	Global Business Coalition on HIV/AIDS, an NGO dedicated to enhancing the business response to HIV/AIDS
GHG	Greenhouse gas
GJ	Giga joules

Global Fund	Global Fund for HIV/AIDS, tuberculosis and malaria
GRI	Global Reporting Initiative
HAWS	Hand-arm vibration syndrome
HDSA	Historically disadvantaged South Africans – African, coloured and Asian men, and women
HIV	Human Immunodeficiency Virus
Hours worked	Total number of hours worked by employees, including overtime and training, excluding leave, sickness and other absences. Includes the total number of contractor hours worked on site during the year
IEA	International Energy Agency
ISO 9001	A quality management systems standard published by the International Standards Organisation
ISO 14001	An environmental management systems standard published by the International Standards Organisation
ICMM	International Council on Mining and Metals
ISRS	International Safety Rating System
IUCN	World Conservation Union
Lost-Time Injury (LTI)	Any occupational injury which renders the person unable to perform his/her regular duties for one full shift or more following the day on which the injury was incurred, whether a scheduled work day or not
Lost-Time Injury Frequency Rate (LTIFR)	The number of lost-time injuries, including restricted work cases, per 200,000 hours worked
Managed companies	Companies in which Anglo American has management control. These companies are individually responsible and accountable for managing SHE matters associated with their operations
Methane emissions	Quantity of methane generated and emitted to atmosphere from point sources and fugitive emissions, as a result of coal mining activities
Mt	Million tonnes
NGO	Non-government organisation
NIHL	Noise-induced hearing loss
NO _x	Nitrogen oxides
OEL	Occupational exposure limit
OHSAS 18001	Occupational health and safety assessment series (specifications for occupational health and safety management systems)
OTTO	Zero tolerance towards unsafe working practices and target zero for injuries
REACH	European Union Directive for the Registration, Evaluation and Authorisation of Chemicals
Restricted Work Case (RWC)	An occupational injury which renders the person able to return to work but unable to carry out his/her regular duties (light duty or light work)
SEAT	Socio-economic assessment toolbox
SHE	Safety, health and environment
SHEQ	Safety, health, environment and quality
SO ₂ emissions from fossil fuels	Sulphur dioxide emissions from the combustion of fossil fuels
SO ₂ emissions from processes	Sulphur dioxide emissions from point sources or fugitive emissions
SO ₄ , sulphates	Sulphate is a component of various pollutants such as acid rain and acid mine drainage, generally sourced from the combustion or oxidation of sulphur or substances containing sulphur, eg coal or sulphide ores
TB	Tuberculosis
Total energy used	Calculated from electricity purchased, biomass, charcoal and fossil fuels consumed
Value-Added	The value added to the materials and services purchased for production
VCT	Voluntary counselling and testing for HIV
Water used for primary activities	Total new or make-up water entering the operation and used for the operation's primary activities. Primary activities are those in which the operation engages to produce its product(s) and include dust suppression within the operational area. This excludes non-contact cooling water used by Mondi
WBCSD	World Business Council for Sustainable Development
Work-related incident	Work-related incidents from controlled activities are reported. An incident is considered work-related if an event or exposure in the work environment caused or contributed to the incident in any way. The work environment includes the employer's premises and any other locations where employees go to perform work-related activities in the interest of the employer
WWF	Worldwide fund for nature

Response card

Anglo American plc
Report to Society 2005



Please let us have your views on this report.

☐ Format

☐ Content

☐ Not sufficient detail

☐ Too much detail

☐ Other comment

Name

Organisation

Address

<input type="checkbox"/> Government/Regulator	<input type="checkbox"/> Academic	<input type="checkbox"/> Investor/Shareholder	<input type="checkbox"/> NGO	<input type="checkbox"/> Other
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Data Protection: As a result of completing this form your name and address may be added to, or updated on, our central database which is accessible by our offices worldwide and our associated companies. The information we collect will be used to help us improve the format and content of reports and for purposes otherwise disclosed to you. We may also use this information to send you business communications in the future. If you would prefer not to receive such communications, please tick here. ☐

Thank you.

Please forward completed response card to:

Analize van Aswegen

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Cover story

Vuyelwa Galawe (left) and Sibongile Duba are multi-operators at the Goedehoop colliery coal beneficiation plant.

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