

ANGLO COAL

TOWARDS SUSTAINABILITY 2004



Report scope

GRI INDICATOR KEY

- VISION AND STRATEGY
- PROFILE
- CORPORATE GOVERNANCE
- ECONOMIC PERFORMANCE
- ENVIRONMENTAL PERFORMANCE
- SOCIAL PERFORMANCE INDICATORS – LABOUR PRACTICES
- HUMAN RIGHTS
- SOCIETY
- PRODUCT RESPONSIBILITY
- 2.1 | 2.10 | 2.11 | 2.12 | 2.13
- 2.15 | 2.21

Anglo American Creating Enduring Value – Report to Society 2004*

✓ Anglo Coal – Towards Sustainability 2004

Anglo Coal Australia – Towards Sustainability 2004

Anglo Coal South Africa – Towards Sustainability 2004

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This report covers the operations owned and managed by Anglo Coal, and excludes all non-managed operations.

Background

Anglo Coal is wholly-owned by Anglo American plc. The ownership structure is reflected on page 4. The report is in accordance with the Global Reporting Initiative’s (GRI) guideline for sustainability reporting.

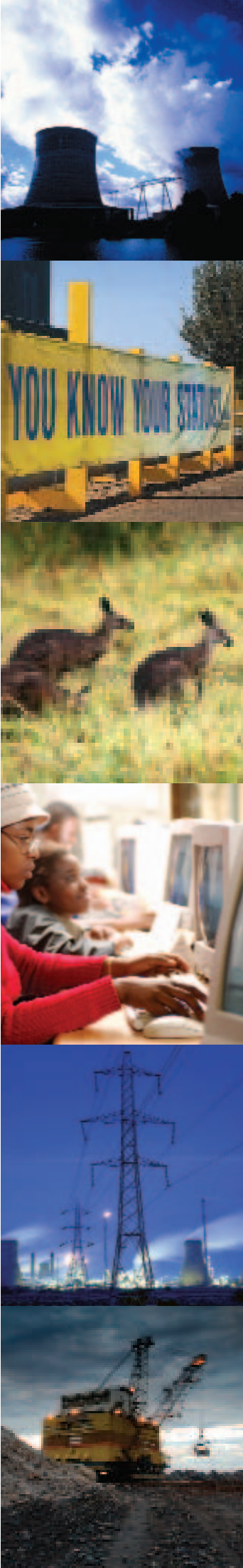
Additional reports

This report aims to provide information about how we, as a global coal business, are setting about achieving our goals to be a sustainable enterprise. It is intended to bridge the gap between our regionally based sustainability reports and the Anglo American Creating Enduring Value – Report to Society 2004.

Independent assurance

KPMG has undertaken an external, independent review, at selected sites, of selected sustainability performance indicators reflected in this report and associated Anglo Coal regional reports. The review statement issued by KPMG is on page 19.

* <http://www.angloamerican.co.uk/susdev/>



Chief executive officer's review

1.2

It gives me great pleasure to present you with the first combined Anglo Coal sustainable development report for managed operations in Australia and South Africa. This report provides insight on values and policies that guide our operations and a broad overview of performance on some of the key sustainability issues.

Safety, health and environment

Continuous improvement in safety is our fundamental priority, and in 2004 we achieved gains in lost-time injuries and total recordable case frequency rates. However, our primary objective of zero fatalities was not achieved. Tragically, we had a fatality in both Australia and South Africa.

Intense focus has been placed on implementing Dupont style site-specific programmes to improve the safety of employees through visible leadership, risk management processes and training. Our progress thus far was recognised at the recent Anglo American plc safety awards function, where four of our collieries were among the finalists. Kriel colliery achieved top honours in the large business category and Drayton colliery placed

second in the small business category. Our ultimate goal is to achieve sustained focus on safety and achieve zero harm.

We have made progress with integrating social and environmental priorities at our operations. The roll out of the Anglo American plc Socio-Economic Assessment Toolbox (SEAT) and our environmental stewardship approach continue to enhance our community relationships.

There are significant challenges that remain for Anglo Coal and its wider stakeholder community. In South Africa HIV and AIDS remain a primary concern. We have taken a proactive approach which focuses on workplace programmes to raise awareness and manage the impact of HIV and AIDS. The corner stone of our strategy is voluntary counselling and testing, which achieved success, with 63% of Anglo Coal SA employees participating in the 2004 campaign. Our programme is delivering encouraging results, with nearly all of those who remain on treatment able to return to normal duties. We are particularly proud of the contribution Goedehoop colliery has made to Anglo Coal's campaign against HIV and AIDS.



Corporate citizenship

In Colombia, where we have a one third non-managing interest in Cerrejón colliery, the operation has had to address legacy issues connected with past relocation and resettlements. Cerrejón has made progress on this issue, with only eight agreements from the relocation of the Tabaco community still outstanding. Due to the activity of armed groups in the region, state military personnel are deployed in the vicinity. Cerrejón security policies are based on the Voluntary Principles on Security and Human Rights and the colliery is working with non-governmental organisations to provide human rights training to military personnel deployed near the mine, with 328 participants completing the programme in 2004.

Achieving the objectives of the South African Mining Charter is an imperative and we have made progress on all our Black Economic Empowerment Scorecard elements. Most notable was the joint venture with Eyesizwe Coal in establishing Mafube colliery, which initially will produce 1.2 million tonnes of coal a year for Eskom's Arnot Power Station.

We recognise that climate change is a concern for all our stakeholders and have adopted a product stewardship approach, where we lobby for and actively pursue the development and implementation of clean coal technologies. Anglo Coal is involved in activities of the World Coal Institute, the Coal Industry Advisory Board, the International Energy Agency Clean Coal Centre and the Carbon Sequestration Leadership Forum.

In Australia we have assumed controlling interest in Monash Energy, a project in Victoria which will see the extraction of brown coal for the production of diesel, hydrogen and power generation. Associated with this process is the capture of a concentrated CO₂ stream for storage in deep geological underground formations. At our coal mining operations in Australia, where inherent methane concentrations are relatively high, we focus on methane capture and use.

I trust you will find the compendium of Anglo Coal sustainability reports of interest.



John Wallington, CEO of Anglo Coal

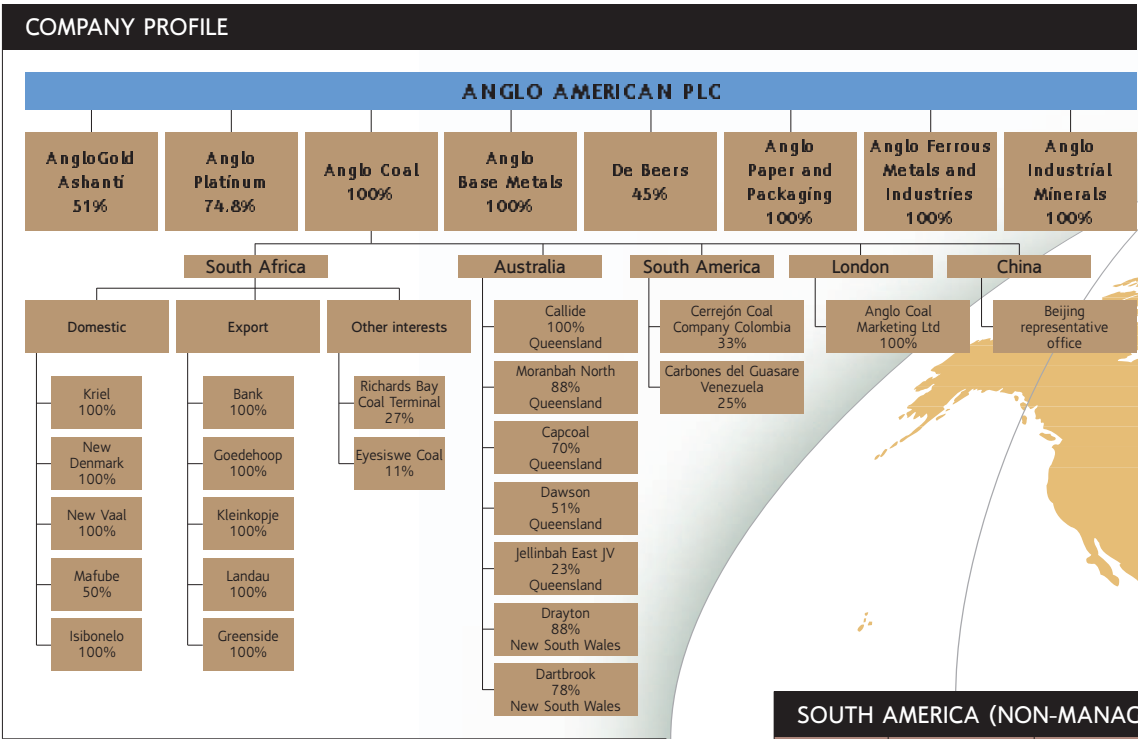


About Anglo Coal

2.1 | 2.2 | 2.4 | 2.5 | 2.6
LA1

Anglo Coal is a wholly-owned division of Anglo American plc, which has a primary listing on the London Stock Exchange and is also listed on the JSE Securities Exchange in Johannesburg. Information about Anglo American plc and its divisions is available on the website www.angloamerican.co.uk.

Anglo Coal is an international coal producer with mining operations in Australia, Colombia, South Africa and Venezuela, a marketing office in London and a representative office in Beijing. We produce thermal and metallurgical coals for customers in the international export markets and



SOUTH AMERICA (NON-MANAGED)

Mine	Export metallurgical	Export thermal	Domestic
Venezuela CdG	X	X	
Colombia Cerrejón		X	
Total attributable production			9.6 Mt
Attributable earnings (EBITDA)			US\$205 m

SALEABLE COAL RESERVES (Mt)

	SOUTH AFRICA		AUSTRALIA *		SOUTH AMERICA	
					Colombia*	Venezuela*
	Export mines	Domestic mines	Export mines	Domestic mines	Export mine	Export mine
Proven & probable [†]	327	936	568	271	268	38
Life of mine	>10 years	>15 years	>10 years	>25 years	>25 years	>20 years

Note: * Reflects Anglo Coal's share of joint ventures and associates

[†] Estimates reported are in compliance with the relevant regional codes and requirements

for domestic customers in South Africa and Australia.

Anglo Coal employs 13 436 permanent employees and full-time contractors, 74% of whom work in South Africa. Anglo Coal permanent employees make up 7% of the Anglo American plc workforce.

ANGLO COAL – INTERNATIONAL GROWTH

1996
Anglo Coal operates only in South Africa.

Strategy of geographic expansion and access to new markets.

1997
1st international investment
Colombia – 50% of CdelC, subsequently 33% of a consortium owning CdelC and Oreganal.

2000
Acquired Shell's Australian and Venezuelan coal assets – increased product portfolio and exposure to Asian markets.
Subsequently, Colombian consortium acquired 50% of Cerrejón Zona Norte (CZN) from the Colombian government.

2002
Colombian consortium acquired remaining 50% of CZN from Exxon Mobil.

2004
Development of \$653m Dawson Complex in Australia is approved.
Exploring opportunities in China.

UNITED KINGDOM

London

Marketing office

CHINA

Beijing

Representative office

SOUTH AFRICA

Mine	Export metallurgical	Export thermal	Domestic
Goedehoop	X	X	
Kleinkopje	X	X	X
Bank	X	X	X
Greenside		X	X
Landau		X	X
Isibonelo			X
Kriel			X
Mafube			X
New Denmark			X
New Vaal			X
Attributable production			54.5 Mt
Employees and full-time contractors			9 877
Attributable earnings (EBITDA)			US\$297 m

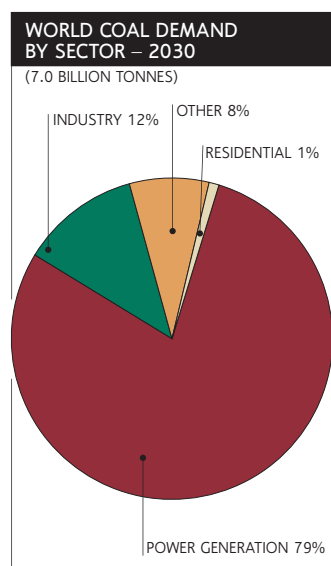
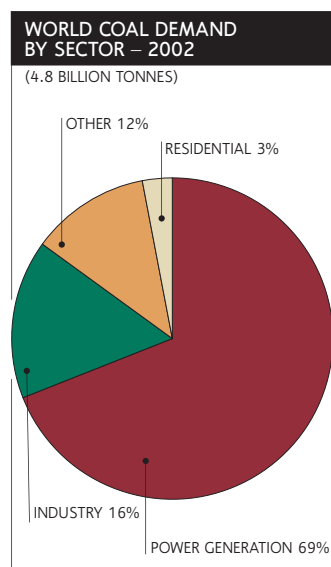
AUSTRALIA

Mine	Export metallurgical	Export thermal	Domestic
Capcoal	X		
Moranbah North	X		
Jellinbah	X		
Dawson	X	X	
Dartbrook		X	
Drayton		X	X
Callide			X
Attributable production			26.0 Mt
Employees and full-time contractors			3 559
Attributable earnings (EBITDA)			US\$184 m



Our business and its sustainability

1.1
3.14 | 3.17
SO1



Coal use projections

The global energy prognosis, as forecast by the International Energy Agency (IEA) in its World Energy Outlook 2004 (Reference Scenario), is for primary energy demand to expand by 60% between 2002 and 2030, with electricity use forming the largest part of that increase.

In that time, the world's requirement for coal is projected to increase by 1.5% a year, on average. Coal's share of the total primary energy demand is 23% and is not expected to fall below 22% by 2025. By then, it is expected that 7 billion tonnes of coal a year will be required. A major portion of this demand is expected to emerge from China and other developing countries in Asia. Proven reserves of coal amount to nearly 200 years of production at current rates.

Cleaner sources of energy

Given the increasing demand for coal, it is imperative to develop and implement cleaner coal technologies if the global community is to lower the impact of energy demand on the natural environment. Despite renewable energy being the fastest-growing energy source, renewables are not expected to contribute more than 14% of the total energy demand by 2030.

The Anglo Coal response

As part of a global community, our understanding, as well as that of our stakeholders, of the road to a more sustainable future is only just developing. Our response to the challenges of sustainable development is to minimise the negative effects of our operations on society and the environment, and to work with stakeholders to maximise our positive contribution. Our progress with this overarching goal is guided by the following key objectives:

People

It is our goal to provide a fair, safe and healthy workplace where our people can develop skills and be rewarded for their contributions. Employees and contractors should be able to assimilate skills and knowledge and realise work opportunities that contribute to their prosperity beyond their association with us.

Economic performance

We aim to contribute positively to the economic growth and development of our host communities at local level. Our economic performance will enhance our regional, national and international economies.

Ecological responsibility

We work to minimise our impact on the environment (land, water and air). Wherever possible, we maximise the benefits we impart upon our local and regional ecosystems.

Product stewardship

We seek to reduce the harmful effects of coal over its life cycle. In exploration and mining activities we undertake research and implement technologies to improve efficiencies in production and reduce waste generation. We contribute to research into and implementation of clean coal technologies, and work with suppliers and customers to improve the socio-economic and environmental performance of coal over its life cycle.

Asset transformation

We recognise the finite nature of mining in local communities by cooperatively planning for the future prosperity of the regions in which we work. Our operations are geared towards maximising the positive legacy after mine closure.

Community partnerships

It is our objective to forge partnerships with our community stakeholders to create advantages and long-term benefits for all. Our partnerships are based on balance, active engagement, mutual trust and a desire to invest in future generations.

Investing in the future

The challenges that face us in our quest to contribute meaningfully to lasting socio-economic benefits for the communities and regions in which we operate are varied. We are continually helped by government agencies, non-governmental organisations and industry partners and representatives in achieving this aim.

In South Africa, these concepts are embodied in the term "transformation", which has been adopted and customised for the mining industry



Tim Baker and Hayley Pyne at Dartbrook's tailings filter press

Socio-Economic Assessment Toolbox

Anglo American plc recently identified the need to improve the management of the direct and indirect socio-economic impact of our mining projects. The Socio-Economic Assessment Toolbox (SEAT) was developed to pursue this process.

The objectives of SEAT are to:

- ▶ identify the key social and economic issues that need to be managed
- ▶ assess existing initiatives, provide feedback on their success and suitability and identify areas for improvement
- ▶ ensure a useful resource in developing a community relations plan
- ▶ provide an analytical framework to help operations assess their overall sustainability, especially in balancing the extraction of natural resources with the enhancement of social and human capital
- ▶ ensure that best practice is captured and shared within the company
- ▶ provide a planning tool for managing an operation or plant's social and economic impact, including social investment and mine closure
- ▶ gather and collate data for corporate social reporting purposes as well as for the development of indicators that are relevant to local communities.

By the end of 2004, all of our Australian sites – Moranbah, Drayton, Dawson, Dartbrook, Callide and Capcoal collieries – had utilised the SEAT process to further this strategy. At Anglo Coal SA, SEAT appraisals were carried out at New Denmark and Goedeboom collieries and plans are in place to implement SEAT at the remaining collieries.

It is intended that by continuing to use SEAT, a more transparent and effective basis for sustainable partnerships with communities will be established. In the long term, this will provide a more stable platform upon which to build economic and social sustainability in our host communities.

through the Mining Charter. This charter has long- and short-term goals, the key elements of which encompass:

- ▶ human resource development
- ▶ employment equity
- ▶ migrant labour
- ▶ community development
- ▶ housing and living conditions
- ▶ procurement
- ▶ ownership and joint ventures.

Our South African operations are progressing in each of these areas. For instance, in respect of our aim to have 25% of employees living in their own homes by 2007, we have already achieved 31%. (For details on how we are meeting the Mining Charter goals, see the Anglo Coal South Africa – Towards Sustainability 2004 report.)

In Australia, the Minerals Council has formulated its “Enduring Value” philosophy, to which our Australian operations adhere. Enduring Value is the operational framework through which signatories such as ourselves can apply the 10 key sustainable development principles of the International Council of Mining and Metals (ICMM). These principles are underpinned by 46 detailed elements which mirror the reporting expectation of the Global Reporting Initiative.

The elements of Enduring Value have, largely, been practised by our operations through alignment with the Minerals Council of Australia and our leadership stance in Mining and Metals for Sustainable Development (MMSD). As with the Mining Charter in South Africa, Enduring Value gives our Australian operations guidance regarding where efforts could better be applied against the backdrop of social, environmental and economic prerogatives.

In the Australian context, the lasting operational and post-closure benefits we can impart to local and regional communities are of great strategic importance. Focus is on two main areas:

- ▶ investment in human capital
- ▶ transfer of assets to community infrastructures.

Through application of the Anglo American plc Socio-Economic Assessment Toolbox, we hope to identify, on an individual community basis, the strategic approach that will be of greatest benefit in the long term.

Governance and management

3.13

HR10

LA11

Anglo American plc's board is responsible for setting the direction of the company, through the establishment of strategic objectives and key policies. These objectives and policies are applied to Anglo Coal either as part of broad Anglo American plc initiatives or as initiatives specific to Anglo Coal.

At Anglo Coal, corporate governance rests with divisional executives and senior managers whose responsibility is to:

- ▶ drive safety, health, environment and community (SHEC) leadership and commitment across the business and increase senior management focus on SHEC issues
- ▶ provide a high-level review forum for SHEC incidents and initiatives and ratify SHEC standards and policies
- ▶ provide a governance support role on SHEC matters.

In accordance with company policy, the executives responsible for operations annually submit a safety, health and environment letter of assurance to the chief executive officer of Anglo Coal. The submissions review the effectiveness of risk management procedures and the extent of operational compliance with legal requirements, internal company policies and management principles.

Based on regional submissions, the chief executive officer then issues an annual letter of assurance to Anglo American plc. This includes adherence to the Anglo American plc standards set out in Good Citizenship: Our Business Principles*.

Whistleblowing

In 2003, Anglo American plc launched its independently managed "speakup" facility to encourage the reporting of unethical practice. This facility was initially rolled out in Johannesburg, London and Luxembourg, and in October 2004 was extended to Australia.

The facility guarantees anonymity to those reporting irregularities about behaviour that may endanger the health or safety of people or cause damage to the environment; unethical financial or

other practices; failure to comply with business principles or legal obligations; fraud, bribery and corruption; and miscarriages of justice.

During 2004, 24 tip-offs were received and the investigation of 19 of these cases has been completed.

Risk management

Our application of the precautionary principle extends beyond our environmental concerns; it is reflected in the way we address risk generally. Our risk management process involves defining and recording the level of risk faced by our operations or business units, then exercising a philosophy of prudent avoidance.

As part of an Anglo American plc exercise in 2004, we undertook a division-wide project for identifying and ranking short-, medium- and long-term sustainable development risks and opportunities. This assessment recognised risk in the areas of employee safety, market access, the breadth and pace of legal change in Europe and South Africa, skills shortages, industrial action, rapid change due to growth and employee health.

* <http://www.angloamerican.co.uk>

Our stakeholders

2.9

3.9 | 3.14 | 3.15

SO01

As community awareness of corporate behaviour increases, so too does the public expectation that corporations will act responsibly within the communities in which they operate. Our business affects many stakeholders directly and indirectly. Yet others who are only minimally affected, or not at all, nonetheless have an interest in the way we go about our business.

Local stakeholders

Local stakeholders are the people who experience the most direct and lasting impact, both positive and negative, from our business activities. Most prominent are our employees, contractors, suppliers and neighbouring communities.

We are committed to the safety and health of employees and contractors, their human and cultural rights, and to fair and equitable employment conditions.

Our neighbouring communities are culturally, economically and socially diverse, and have varied concerns and issues. Most notable are health, education, infrastructure, employment, social values, culture, the natural environment and quality of life. All our operating sites have engagement plans to help build community relationships. More recently this process has been enhanced by the roll out of the Anglo American

Socio-Economic Assessment Toolbox (SEAT).

Our initiatives with neighbouring communities include elements of partnership and philanthropy with the intention to deliver sustainable socio-economic benefits.

In South Africa, the black economic empowerment process serves to build local capacity through targeted employment and contracting strategies. In Australia, we concentrate on land and asset use, and community enterprises.

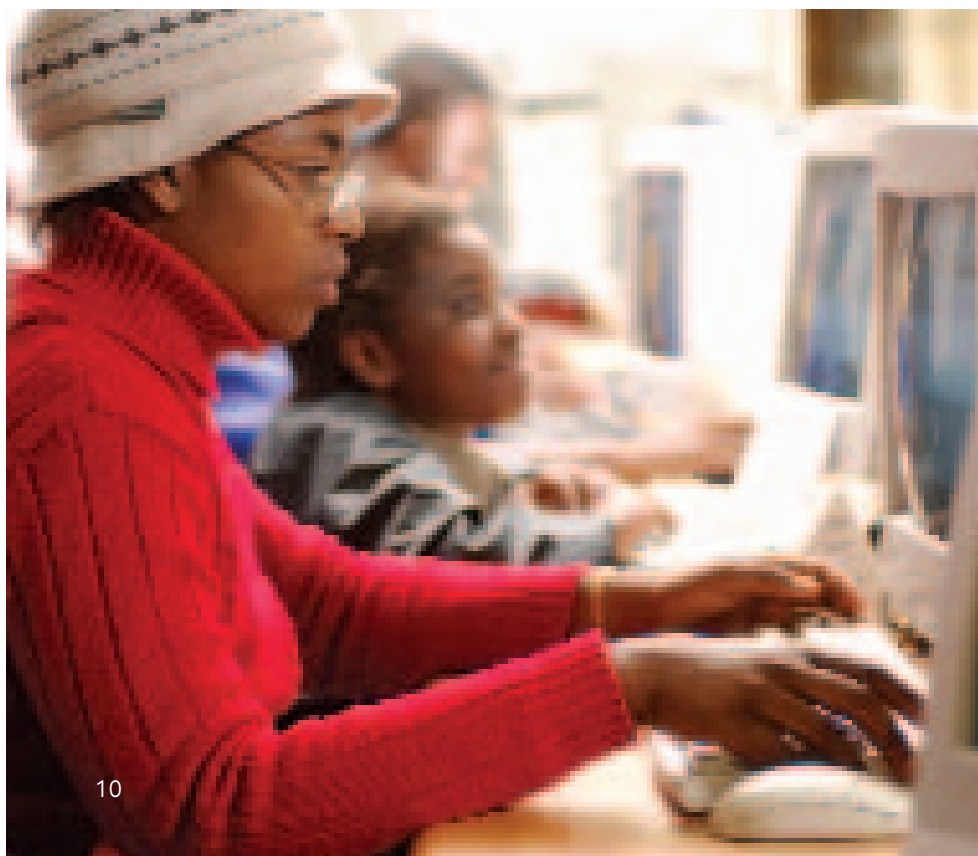
Regional stakeholders

We are involved in mining operations in four countries in three diverse regions of the world. Each country has its own laws, standards, guidelines and socio-economic context. Our regional stakeholders include customers, suppliers, industry associations, regulatory authorities, non-governmental organisations, and a host of organisations and individuals who promote social, economic and environmental development.

We engage with, and sometimes lead, stakeholders in working towards policies and practices for sustainable outcomes in coal mining. Such outcomes are beyond the reach of any one organisation and coordinated industry efforts are required.



At the Anglo American plc safety awards function are, from left to right: Vusi Maseko, Greenside colliery mine manager, Steve Hedges, general manager at Drayton mine (Anglo Coal Australia), Tony Redman, chairman of Anglo Coal, Gareth Williams, Kriel colliery mine manager, John Wallington, CEO of Anglo Coal, and Gerhard Stenzel, Landau colliery general manager



By way of example, in South Africa Anglo Coal has embarked on a joint venture to treat mine water in the Witbank and Middelburg areas. Waste water from Anglo Coal mines and the BHP Billiton Ingwe mines will be treated. The project includes a collection system stretching over 30km, a 20 Ml/day desalination plant, a 15km distribution system to the municipality and residue handling and disposal. This pilot plant will be run by a water treatment technology company for three

years, with the long-term intention of creating a black economic empowerment company to take over.

In Australia, we coordinate activities and efforts around defining better educational and training needs to prepare people for the future.

Global stakeholders

Our global stakeholders include customers, suppliers, shareholders, non-governmental organisations, industry peers and industry advisory bodies.

In our engagement with these stakeholders we seek balance and partnership in developing policies and practices for sustainable development. Many of the ground rules we observe originate from these stakeholders, such as the Sustainable Development Framework of the International Council for Mining and Metals.

Emerging global issues that have particular relevance to coal include developments in greenhouse gas emissions abatement and carbon capture and storage technologies.



Sustainability issues

HIV and AIDS

LA8

HR4

SO2

Anglo Coal subscribes to the Anglo American plc policy on HIV and AIDS. This aims to reduce the fear associated with the disease and contribute meaningfully towards reducing the social, economic and developmental effects of the epidemic. The goal is four-fold:

- ▶ to remove discrimination associated with real or perceived HIV status
- ▶ to prevent new infections
- ▶ to care for and support employees infected by HIV and AIDS
- ▶ to ameliorate the impact of HIV and AIDS.

Although our policy applies equally throughout Anglo Coal, our main challenges are in South Africa, where the disease is most prevalent.

Elimination of discrimination

Our attempts to eliminate discrimination associated with HIV and AIDS are based on confidentiality, avoidance of stigma, the promotion of gender equality and effective social dialogue. We support the rights of all employees to maintain confidentiality and privacy regarding their HIV/AIDS status. No employee or job applicant is required or expected to disclose his or her status to management or fellow employees. Where a person makes his or her status known voluntarily, such status will not be a basis for refusing to commence, continue or renew an

employment contract. The only health-related criterion we apply is fitness to perform the work offered.

Where information on HIV status is provided voluntarily to Anglo Coal, such information is protected and not disclosed to anyone within or outside the organisation without the employee's written consent. All employees who may have a real or perceived knowledge of another person's HIV status are made aware of their responsibilities regarding non-disclosure and the consequences of not upholding those responsibilities.

We recognise that the empowerment of women is a key element in preventing the spread of HIV. Women are more likely than men to become infected and are often more adversely affected by the epidemic. Women's biological, socio-cultural and economic exposure to the disease is a major focus of our programmes.

We understand that the efforts of ourselves and others are more likely to succeed if we work together in a spirit of cooperation and trust. Employees, employers, our communities, government and industry stakeholders need to work towards a common vision. Anglo Coal participates in, and sometimes leads, alliances and partnerships in this regard.



Preventing new infections

Our preventative programmes are based on the following pillars.

- ▶ Communicating knowledge about the disease and its prevention.
- ▶ Informing our employees about voluntary counselling and testing, well-being and medication programmes. The voluntary counselling and testing uptake for Anglo Coal in South Africa at the end of 2004 was 63%.
- ▶ Informing employees about appropriate protection measures if they could potentially be exposed to HIV while performing their duties.
- ▶ Striving to build community acceptance of people living with HIV and AIDS. Acceptance closes the loop of education and understanding.

Our education programmes acknowledge the variation in education and literacy levels within our workforce and in neighbouring communities. Consequently, much of our effort is spent on ensuring our preventative programmes are tailored for maximum effect.



Care and support

We apply the following approach in managing HIV positive employees.

- ▶ Employees who become HIV positive continue to be employed until they are medically unfit to work. No distinction is made between HIV/AIDS and other medical conditions resulting in inability to work.
- ▶ No employee may refuse to work with HIV positive individuals provided normal working contact does not place them at risk from infection.
- ▶ Ill-health retirement conditions do not make any distinction between HIV/AIDS and other medical conditions that may place an infected person at any disadvantage relative to others. Sick leave and pension and medical benefits are the same for all employees irrespective of HIV status.

More information on our fight against HIV and AIDS is available in the 2004 Anglo Coal South Africa Towards Sustainability 2004 report and in Anglo American plc's Report to Society 2004. Both can be found on www.angloamerican.co.uk/susdev/reports.htm

Tony Trahar (right), CEO of Anglo American plc, receiving the Award for Leadership at the Global Business Coalition's HIV/AIDS Business Excellence Awards ceremony in Berlin. Sir Mark Moody-Stuart, chairman of Anglo American plc, was named the new chairman of the Global Business Coalition on HIV/AIDS



Sustainability issues

Climate change and product stewardship

3.13

EN8 | EN14 | EN17

We recognise that climate change is a real international and community concern. Anglo Coal's response has evolved to a point where we actively participate with other stakeholders to lobby for and pursue the development and implementation of clean coal technologies.

At international level, the World Coal Institute (WCI) – in which Anglo Coal plays a leading role – is an important driver for an industry-wide stewardship approach to the production and use of coal. Anglo Coal is also a member of the International Energy Association Clean Coal Centre, which facilitates coordination by industry players on clean coal technology research and participates in the activities of the Carbon Sequestration and Leadership Forum (CSLF). The CSLF is a 10-year project to facilitate international collaboration on separation, capture, transportation and storage of CO₂.

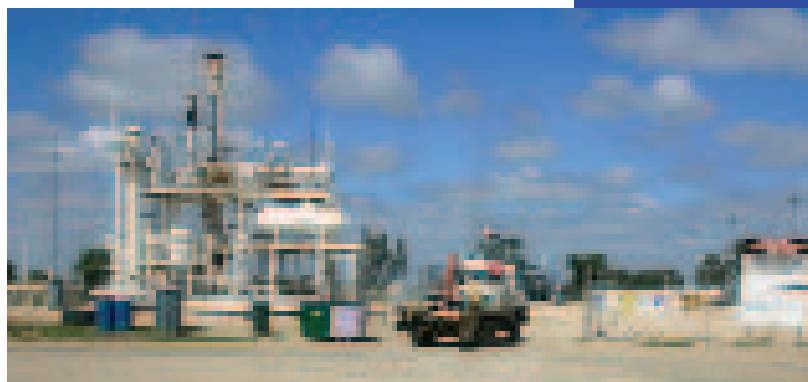
In Australia, Anglo Coal is working with the Cooperative Centre for Greenhouse Gas Technologies and other stakeholders to investigate technical and commercial aspects of CO₂ storage. This follows from Anglo Coal having assumed a controlling interest in Monash Energy. The Monash Energy project includes the extraction of brown coal, a gasification plant and a fuel synthesis plant for converting gas to liquid. It is expected that the project will produce more than 60 000

Australian mining industry has long practised methane drainage in gassy underground mines as a safety procedure – primarily by drilling drainage holes into the coal to reduce its methane content before mining.

Anglo Coal is now developing methane drainage as a greenhouse gas reduction technique and combining it with methane utilisation initiatives to minimise fugitive emissions and maximise the use of what would otherwise be a waste product.

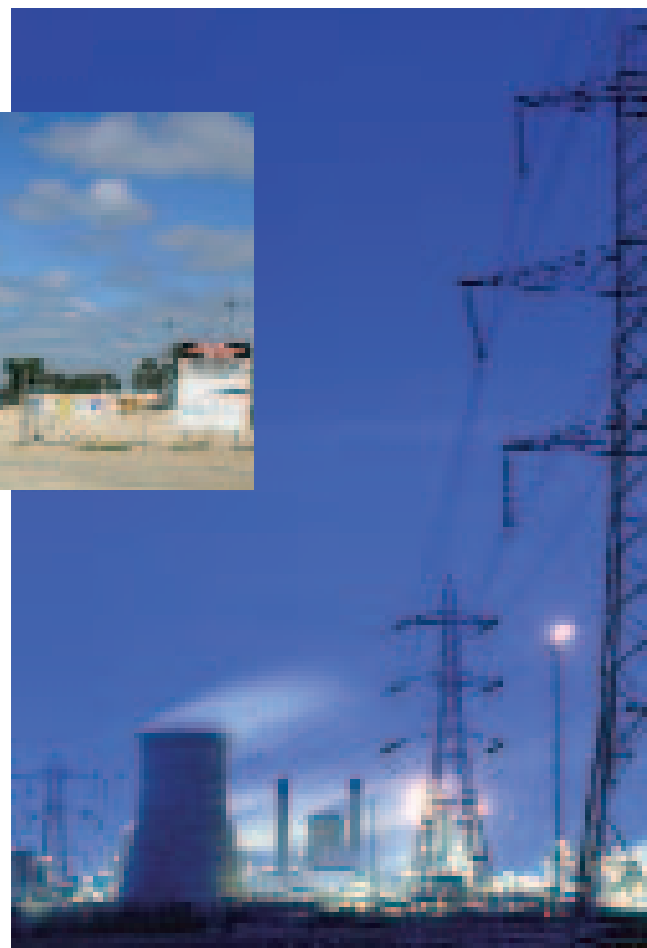
Anglo Coal's methane strategy incorporates three major activities.

- ▶ Draining coal seams of methane using a surface-to-in-seam drilling technique. This technique, first developed at Dawson colliery, improves the recovery and cost efficiency of methane capture. Its use has been extended to Anglo Coal's Capcoal and Moranbah North collieries.
- ▶ Connecting a mine pipeline to a nearby gas pipeline. This has the potential to generate revenue from mine methane, thereby underpinning added investment in methane drainage and further reducing fugitive emissions. The early development of methane drainage at



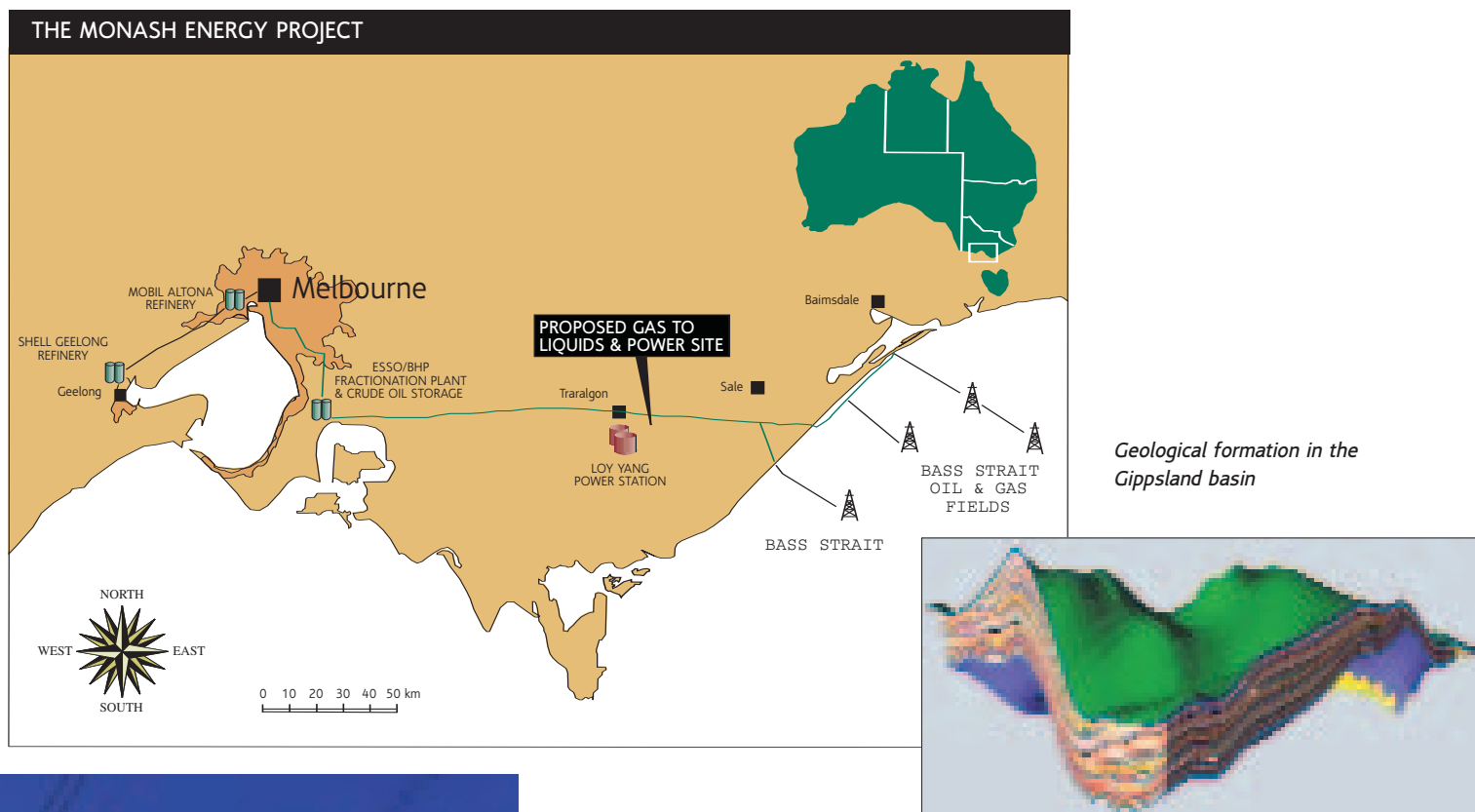
barrels a day of mainly ultra-clean diesel. The envisaged process also includes the production of hydrogen and power generation, with separation of a concentrated CO₂ stream for transport by pipeline to injection wells for secure storage within deep underground geological formations.

In Australia, a significant and growing focus has been on methane capture and use. The



Dawson colliery gained impetus from access to the Gladstone gas pipeline and a nearby ammonium nitrate plant. A pipeline was

constructed to take coal seam methane from Moranbah North colliery and adjacent leases to customers in the industrial city of Townsville.



- ▶ Entering into agreements with Energy Developments Limited for the development of a gas-fired power project at Capcoal to utilise the drainage methane produced in conjunction with underground mining operations. This 32 MW project is expected to begin operation in early 2006. The greenhouse gas mitigation effect of the power project at full capacity is 1.1 million tonnes of CO₂e a year. This is equivalent to planting 1.6 million trees or taking 250 000 cars off the road.

Further insight on our approach to climate change is available in an article titled “Coal – issues and options in a carbon constrained world”*. The author, Roger Wicks, is chairman of the World Coal Institute and head of energy within Anglo American plc.

* <http://www.angloamerican.co.uk/susdev/>

Sustainability issues

Biodiversity

3.14 | 3.19

EN17

We recognise that biodiversity includes all living organisms, the survival of which is entirely dependent on ecosystems within which they live and on the complex interactions within and between ecosystems, individuals and populations.

We promote the careful use of environmental resources and the prevention or reduction of adverse environmental effects arising from our operations.

The Anglo American plc Biodiversity Strategy and Operational Guideline, created in 2002 and adopted by Anglo Coal, aims to help business meet this commitment. A crucial component of the guideline was the development of biodiversity action plans (BAPs) for individual business units. These plans are intended to provide decision-making frameworks for the management of biodiversity.

Determining the biodiversity value

The formulation of a biodiversity action plan starts with a qualitative assessment of the “perceived biodiversity value” of land. In keeping with principles of integrated land use planning, we consider land likely to be directly affected by the

project and land outside the project area that may be indirectly affected.

The biodiversity value is dependent on the conservation and functional attributes of the land. The impact of our activities on biodiversity is considered in terms of:

- ▶ species loss
- ▶ habitat loss or degradation
- ▶ soil and land capability
- ▶ water quality, quantity and availability
- ▶ air quality
- ▶ the service that biodiversity and the ecosystem provide for indigenous and other affected communities
- ▶ resilience of the local ecosystem and the nature of its interactions with larger, more extensive ecosystems
- ▶ representivity of biodiversity in the region.

In addition to our own studies, we use the existing vegetation/conservation databases of the World Conservation Union, the World Conservation Monitoring Centre (WCMC), Conservation International, the World Wildlife Fund, academia, regional and national biodiversity plans, cultural maps, local knowledge and development plans.

Our aim in this assessment is to categorise the total land surface within a project area into biodiversity value classifications that allow us to prioritise our actions.

Assessing biodiversity impact

Determining biodiversity value provides an indication of the extent to which biodiversity may be affected by a project. In managing biodiversity, Anglo Coal’s approach includes:

- ▶ designing the project with a view to avoiding or minimising harm to biodiversity
- ▶ and, where harm is unavoidable, reducing the impact.

For sites high in biodiversity, we consider creating biodiversity offset areas to compensate for the harm we may cause.

Compensatory processes are always considered in consultation with stakeholders. Affects are determined with due regard to the conservation status and functional status of the biodiversity value.

Environment coordinator Sally Rayner is seen monitoring rehabilitation efforts at Dawson Central colliery



Defining biodiversity management objectives

Once the likely impact on biodiversity has been determined, we develop appropriate mitigation measures in line with the biodiversity sensitivity of the land unit. Management objectives are derived in consultation with stakeholders to determine what aspects of the biodiversity can be altered, maintained or improved.

For each objective, a key performance indicator is set, together with actions, resources, deadlines and responsibilities.

The biodiversity action plan

The BAP records the entire property and adjacent areas affected by the project, based on biodiversity value, ecological services, extent of human use and the area's contribution to national or regional biodiversity objectives. The biodiversity management objectives and the relevant key performance indicator, together with actions, responsibilities, resources and timelines, are documented.

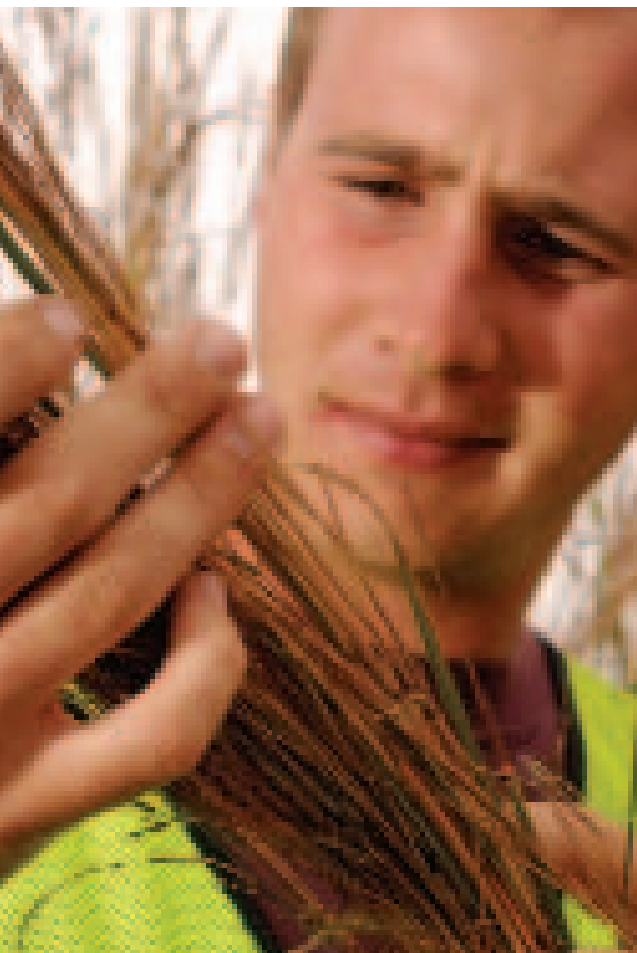
Management actions arising from the BAP are integrated into the site's ISO 14001 environmental management system. A monitoring system is also included to determine the extent to which the objectives are achieved over time.

Below:

Martin Platt from the University of KwaZulu-Natal, who is reading for his MSc, seen here monitoring the biodiversity rehabilitation grass trials at Kleinkopje colliery

Below right:

A nature refuge established by Dawson provides further opportunities to protect native fauna and flora





	Our goals for 2004		2004 performance	2005 and future targets
Governance and ethics	Further progress towards realising the objectives of South Africa's Mining Charter	→	Applications lodged for conversion to new order mining rights	Continued progress
Safety	Eliminate all work-related fatalities and ultimately eliminate all work-related injuries	✗	Loss of an employee and a contractor at our managed operations	No deaths or work-related injuries
Human resources	Further progress on South African employment equity targets	✓	Representation of historically disadvantaged South Africans in management is 28%, with women representing 9% of the workforce	Our goal for 2007 is 40% HDSAs in management positions, with 11% female participation in mining
Social capital				
Community engagement	Training in the use of the SEAT methodology	✓	Two assessments done in South Africa and six in Australia	All operations to have completed SEAT assessments
HIV/AIDS	Substantial increase in uptake of voluntary counselling and testing (VCT)	✓	4 647 employees in South Africa (63%) participated	50% participation in VCT by the end of 2005*
Environment				
Management systems	ISO 14001 certification completed in 2004	✓	All Anglo Coal operations achieved certification by the end of 2004	Maintain certification
Energy and CO ₂	Continue to improve energy efficiency and reduce CO ₂ emissions	✗	Anglo Coal's energy efficiency is below target and CO ₂ emissions increased by 1%	Anglo Coal SA to achieve 1.5% efficiency reduction on 2004 actual. ACA: Energy efficiency 0.147GJ/tonne saleable coal. Greenhouse gas efficiency 0.083t CO _{2e} /tonne saleable coal
Water use	Measure water usage per unit of production for our major products	✓	The baseline has been established	Targets will be set to improve efficiency of use in water-stressed areas
Biodiversity	Biodiversity action plans (BAPs) in place at all significant sites by end 2004	✓	BAPs have been developed at all significant Anglo Coal sites	BAPs to be integrated into ISO 14001 systems
✓ Target achieved ✗ Target not achieved → Progress being made * Recommencing VCT off a zero base in January 2005				



Independent assurance report

Independent assurance report on the 2004 Sustainability Report to Anglo Coal

Introduction

We have performed our assurance engagement of Anglo Coal's Towards Sustainability 2004 Report (the Report), with respect to selected 2004 sustainability performance indicators at selected sites for the period 1 January 2004 to 31 December 2004, as reported in the Report on pages 12, 16 and 19.

This report is made solely to Anglo Coal (AC) in accordance with the terms of our engagement. Our work has been undertaken so that we might state to AC 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 AC, for our work, for this report, or for the conclusions we have reached.

Responsibilities of directors

The directors of AC are responsible for the preparation of the Report and the information and assessments contained within it, for determining the company's objectives in respect of sustainability performance and for designing, implementing and maintaining appropriate performance management and internal control systems to record, monitor and improve the accuracy, completeness and reliability of sustainability information reported on.

Responsibilities of the assurance provider

Our responsibility is to express our conclusions based on the evidence obtained from our independent assurance engagement. We conducted our work in accordance with International Standard on Assurance Engagements (ISAE 3000): Assurance engagements other than audits or reviews of historical financial information issued by the International Auditing and Assurance Standards Board. These standards require us to comply with ethical requirements and to plan and perform the assurance engagement to obtain reasonable or limited assurance, expressed below, regarding the subject matter of the engagement.

Scope and limitations

There are no generally accepted standards for reporting SD performance information. AC applies the Anglo American plc Safety, Health and Environment (SHE) reporting guidelines as its own internal SD Reporting Guidance. This is based on emerging best practice for reporting SD performance indicators.

We selected the SD performance indicators to be the subject of the assurance engagement by considering Anglo Coal's key sustainability risks, identifying those sustainability indicators most relevant to management and stakeholder decision-making processes, and our experience of the associated sustainability reporting systems and processes in the Anglo American Group. These indicators are collectively referred to as the "selected" 2004 SD performance indicators:

- ▶ The 2004 SD performance indicator selected for purposes of expressing reasonable assurance was: *Total fatalities(s); Total energy used and CO₂ from electricity, processes, and fossil fuels.*
- ▶ The 2004 SD performance indicators selected for purposes of expressing limited assurance were: *Lost-time injury frequency rate (LTIFR); New cases of occupational diseases; Land utilised by operations; Land fully rehabilitated; Biodiversity action plans; Water used for primary activities; Methane emissions;*

Number and level of environmental incidents; Number of employees receiving anti-retroviral treatment (ART); Presence and implementation of community engagement plans.

The reliability of SD performance indicators is subject to inherent limitations given their nature and methods for determining, calculating or estimating such data. No assurance is expressed in relation to the remaining SD performance indicators not covered by our work performed.

Work performed

Our work performed with respect to the selected 2004 sustainability performance indicators consisted of:

- ▶ obtaining an understanding of systems used to generate, aggregate and report the selected 2004 sustainability performance indicators
- ▶ conducting three site visits to review the management systems and the associated reliability of the selected 2004 sustainability performance indicators at Dartbrook mine, Drayton mine, Capcoal mine, Greenside colliery, Goedehoop colliery and New Vaal colliery, collectively referred to as "the selected sites"
- ▶ reviewing the selected 2004 SD performance indicator management systems and processes implemented at each of the selected sites and assessing whether their design and implementation met the requirements of the Anglo American plc SHE Reporting Guidelines for the selected 2004 SD performance indicators. From this we determined the associated reliability of the selected 2004 sustainability performance indicators
- ▶ conducting interviews with management at Head Office to further investigate the accuracy and consistency of the sustainability performance data, including systems and controls.

Conclusion

We believe that our work performed provides an appropriate basis for our conclusion.

In our opinion, and based on our work described above, the following selected sustainability performance indicators: *Total fatalities; Total energy used and CO₂ from electricity, processes, and fossil fuels* at the selected sites, for the year ended 31 December 2004, are fairly stated based on the Anglo American plc SHE internal reporting guidelines.

In our opinion, and based on our work described above, nothing has come to our attention that causes us to believe that the following sustainability performance indicators: *Lost-time injury frequency rate (LTIFR); New cases of occupational diseases; Land utilised by operations; Land fully rehabilitated; Water used for primary activities; Methane emissions; Number and level of environmental incidents; Biodiversity action plans; Number of employees receiving anti-retroviral treatment (ART); Presence and implementation of community engagement plans and the application of AA plc's socio-economic assessment toolkit*, at the selected sites, for the year ended 31 December 2004, is materially misstated, based on the Anglo American plc SHE internal reporting guidelines.

KPMG Services (Pty) Limited
Johannesburg
15 April 2005

Information

Useful reports and websites

Anglo American plc website

<http://www.angloamerican.co.uk>

Anglo Coal Australia website

<http://www.anglocoal.com.au>

Other recent reports published

Anglo American plc

Creating Enduring Value –

Report to Society 2004

Anglo Coal Australia

Towards Sustainability 2004

Anglo Coal South Africa

Towards Sustainability 2004

Useful websites

Global Reporting Initiative

<http://www.globalreporting.org>

International Council on Mining and
Metals

<http://www.icmm.com>

International Energy Agency

<http://www.iea-coal.org.uk>

World Business Council for
Sustainable Development

<http://www.wbcsd.org>

World Coal Institute

<http://www.wci-coal.com>

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