



**DELIVERING CHANGE
BUILDING RESILIENCE**
WORKING IN PARTNERSHIP



DELIVERING CHANGE BUILDING RESILIENCE WORKING IN PARTNERSHIP

In 2016, Anglo American articulated its objective of materially strengthening its balance sheet through sustainably improving cash flows and focusing its portfolio around its highest quality assets in those product groups in which it has the greatest competitive advantage.

In addition, we continued to identify cost and productivity improvements in all areas of the business, embedding our Operating Model and developing new and innovative ways of working.

As a result of this work, Anglo American has continued to build its resilience and sustainability.

Delivering that objective has been a collaborative effort. As our divestment programme took shape, we worked with the relevant stakeholders to realise the appropriate value for each operation, and our partnership approach remains integral to our strategy.

By identifying mutual objectives, encouraging open innovation and taking shared responsibility, we will continue to drive the creation of value for all our stakeholders.

Other sources of information

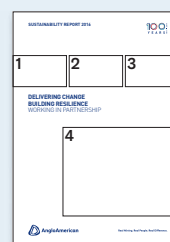
More information about sustainability at Anglo American, including an Excel download of our sustainability data, business unit sustainability reports, and historical reports, can be found in our Annual Report and online at: www.angloamerican.com

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Cover images

1. At Los Bronces' Las Tórtolas processing plant in Chile, operators review safety procedures on the wall of the tailings dam.
2. Looking across the catchment of the San Antonio river basin, from Conceição do Mato Dentro at our Minas-Rio iron ore operation in Brazil.
3. Dr Thuto Motubatse (centre) and nurse Gadifele Macano, discuss INH prophylaxis with a patient at Platinum's dedicated TB clinic in Rustenburg, South Africa.

4. At Anglo American's Quellaveco copper project in Peru, members of the local community join with Anglo American in regular, collaborative water monitoring.



PURPOSE AND SCOPE OF THIS REPORT

The purpose of this report is to provide our stakeholders, including those who work for us, local communities, non-governmental organisations, investors, customers, businesses and governments, with a transparent account of how we addressed the most material sustainability issues our company faced during 2016.

Individual business unit reports are published annually for the De Beers, Platinum, Copper and Kumba Iron Ore businesses, and provide greater detail on performance. These are available on the Anglo American website. The Anglo American Annual Report includes additional information about the management, operations and financial performance of the Group.

The Sustainability Report covers companies, subsidiaries and also joint ventures over which Anglo American has management control; it does not include independently managed operations, such as Cerrejón and Samancor, unless significant incidents arise. De Beers, however, which has independently managed joint venture operations with the governments of Namibia and Botswana, is included in full.

Changes to Anglo American's portfolio of managed businesses during 2016 included the sale of the niobium and phosphates business in Brazil, the Rustenburg platinum

mines in South Africa, and Callide and Foxleigh coal mines in Australia. Anglo American also sold its share in the following independently managed assets: Exxaro Resources Limited; Tarmac operations located in the Middle East; and Morupule coal mine in Botswana.

KPMG has provided independent assurance over selected sustainability key performance indicators and on our statement on compliance with the International Council on Mining and Metals (ICMM) Sustainable Development Framework Principles and reporting requirements.

The basis of preparation of this report includes guidance from the ICMM Framework, Global Reporting Initiative (GRI) G4 Guidelines and related Mining and Metals Supplement, the EU Non-Financial Disclosure Directive, the UN Global Compact Reporting Framework and the UN Guiding Principles Reporting Framework.

The Anglo American chief executive, and chairman of the Sustainability Committee of the Board have reviewed and approved this report.

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OUR VALUES

Safety

Safety is always first on our agenda. We truly believe that all injuries are preventable and that by working together we can make safety a way of life, inside and outside of the workplace.

Care and respect

We always treat people with respect, dignity and common courtesy – regardless of their background, lifestyle or position. And we are building trust through open, two-way communication every single day.

Integrity

Integrity demands taking an honest, fair, ethical and transparent approach in everything we do. It is not about being popular; it is about always doing the right thing.

Accountability

We take ownership of our decisions, our actions and our results. We deliver on our promises and acknowledge our mistakes. Above all, we never pass blame.

Collaboration

No one here is on their own. We are one company with a joint ambition – all working together to make decisions and to get things done more effectively.

Innovation

Challenging the way things have always been done is a priority. By developing new solutions, encouraging new ways of thinking and finding new ways of working, we are dramatically improving our business.

OUR BUSINESS AT A GLANCE

Anglo American is a globally diversified business. Our portfolio of world class competitive mining operations and undeveloped resources provides the raw materials to meet the growing consumer and other demands of the world's developed and maturing economies.



● Mining assets

DIAMONDS	PGMs	COPPER	BULK COMMODITIES AND OTHER MINERALS	
DE BEERS	PLATINUM	COPPER	NICKEL	NIOBIUM AND PHOSPHATES
\$1,406 million Underlying EBITDA ^o	\$532 million Underlying EBITDA ^o	\$903 million Underlying EBITDA ^o	\$57 million Underlying EBITDA ^o	\$118 million Underlying EBITDA ^o
23% Group EBITDA ^o	9% Group EBITDA ^o	15% Group EBITDA ^o	1% Group EBITDA ^o	2% Group EBITDA ^o
11% ROCE ^o	4% ROCE ^o	6% ROCE ^o	(1)% ROCE ^o	19% ROCE ^o
8 Mining assets ⁽¹⁾	9 Mining assets ⁽¹⁾	3 Mining assets ⁽¹⁾	2 Mining assets ⁽¹⁾	The sale of the niobium and phosphates business was completed on 30 September 2016.
27.3 Mcts Production (100% basis) ⁽²⁾	2,382 koz Production platinum	577.1 kt Production (attributable)	44.5 kt Production	4.7 kt Production niobium
Botswana South Africa Namibia Canada Asset locations	South Africa Zimbabwe Asset locations	Chile Asset locations Finland (Sakatti) Peru (Quellaveco) Projects	Brazil Asset locations	864.3 kt Production phosphates fertiliser Brazil Asset locations
 For more information See page 46 of the Anglo American plc Annual Report 2016	 For more information See page 49 of the Anglo American plc Annual Report 2016	 For more information See page 52 of the Anglo American plc Annual Report 2016	 For more information See page 54 of the Anglo American plc Annual Report 2016	 For more information See page 54 of the Anglo American plc Annual Report 2016

⁽¹⁾ Number of operating mining assets as at 31 December 2016. Reflects the niobium and phosphates business, Rustenburg, Foxleigh, and Callide disposals. De Beers' mining assets include Orapa, Letlhakane and Damtshaa which are managed as one operation, the 'Orapa regime'. Damtshaa was placed onto temporary care and maintenance in January 2016. Namdeb includes Elizabeth Bay, Midwater, Mining Area 1 and Orange River operations.

⁽²⁾ With the exception of Gahcho Kué, which is on an attributable 51% basis.



BRAZIL ⁽¹⁾	
Iron Ore and Manganese	1 mine
Nickel	2 mines
Employees ⁽⁴⁾	5,000

CHILE ⁽¹⁾	
Copper	3 mines
Employees ⁽⁴⁾	4,000

OTHER SOUTH AMERICA ⁽¹⁾	
Coal	1 mine
Employees ⁽⁴⁾	200

CANADA ⁽¹⁾	
De Beers	2 mines
Employees ⁽⁴⁾	1,000

SOUTH AFRICA ⁽¹⁾	
De Beers	2 mines
Platinum	8 mines
Iron Ore and Manganese⁽³⁾	3 mines
Coal	10 mines
Employees ⁽⁴⁾	61,000

OTHER AFRICA ⁽¹⁾	
De Beers	4 mines
Platinum	1 mine
Employees ⁽⁴⁾	4,000

AUSTRALIA/ASIA ⁽¹⁾	
Coal	5 mines
Employees ⁽⁴⁾	3,000

⁽³⁾ The Group's 40% share in Samancor, classified as located in South Africa, is considered to be one asset within the portfolio.

⁽⁴⁾ Average number of employees, excluding contractors and associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

IRON ORE AND MANGANESE

\$1,536 million

Underlying EBITDA^o

25%

Group EBITDA^o

12%

ROCE^o

4

Mining assets⁽¹⁾⁽³⁾

57.6 Mt

Production iron ore

3.1 Mt

Production manganese ore

137.8 kt

Production manganese alloys

**South Africa
Brazil**

Asset locations



For more information
See page 57 of the
Anglo American plc
Annual Report 2016

COAL

\$1,646 million

Underlying EBITDA^o

27%

Group EBITDA^o

29%

ROCE^o

16

Mining assets⁽¹⁾

20.9 Mt

Production metallurgical – export

32.5 Mt

Production thermal – export

**South Africa
Colombia
Australia**

Asset locations



For more information
See page 61 of the
Anglo American plc
Annual Report 2016

CORPORATE AND OTHER

\$(123) million

Underlying EBITDA^o

(2)%

Group EBITDA^o

**United Kingdom
(Headquarters
and Marketing),
Australia,
Brazil, Chile,
Singapore
(Marketing hub),
South Africa**

Corporate office
locations



For more information
See page 64 of the
Anglo American plc
Annual Report 2016

CHAIRMAN'S STATEMENT



Sir John Parker

During 2016, against a background of continued commodity-price volatility, the mining industry steadily recovered from the low points encountered in the early months of the year. As mining companies strengthened their balance sheets and improved their cash flows in order to withstand continued price volatility, they emerged bruised, but stronger – and determined to do things better, including keeping sustainability integral to how we conduct business.

CONTINUING COMMITMENT TO SUSTAINABILITY

At Anglo American, we recognise that efficient use of our resources is to the benefit of all our stakeholders, and that planning carefully for the whole life of a mine, right through to closure or sale, makes better use of our capital, as well as a more sustainable way of mining. As part of this, and having rebuilt our technical team, our FutureSmart™ mining innovation programme (FutureSmart™) is embracing a host of new and existing technologies to ensure our operations are at the frontier of productivity – and, crucially, safer, more energy-efficient and less water-dependent.

Pressure on the extractives industry continues to mount in the wake of high-profile environmental incidents and bribery allegations across a wide variety of jurisdictions, while the industry is also committing more resources to the sustainability agenda in order to forge greater trust within the host communities where it has operations and retain its social licence to operate.

PARTNERS IN THE FUTURE

Anglo American will launch a new, ambitious sustainability strategy during 2017. Key focus areas include the importance of developing and maintaining positive relationships with host governments, communities and other key stakeholders based around a wider vision of shared development goals. It will address the full range of environmental, social and governance issues and set ourselves bold new targets, building on existing strengths. We have made good progress in rolling out the updated Social Way, our rigorous management standard for community issues. During the year, we eliminated serious non-compliances with our internal standards for the first time, and almost halved moderate non-compliances, with overall compliance reaching 84% (2015: 66%).

Our approach at community level continues to be informed by broader stakeholder engagement at national and international levels. For example, we have partnered with the Inter-American Development Bank and our NGO partner, TechnoServe, to enhance our enterprise and supplier development efforts at our assets in South America. We have also continued to be a progressive voice in dialogues with governments, faith groups and NGOs on topics such as the Sustainable Development Goals, revenue transparency and ethical value chains.

SAFETY AND HEALTH

At Anglo American, safety always comes first. The safety, and health, of our employees is the foundation for any progress elsewhere in the business. It is pleasing to report, therefore, that in 2016 we had a much better recordable injury performance, with a 24% reduction compared to 2015. It is deeply troubling, however, that we had a steep rise in fatal injuries, with 11 lives lost at the Group's operations. All of us trust this was an aberration, given the declining trend of recent years. With our unwavering commitment to safety, including increasing safety-critical controls and safety initiatives such as our Global Safety Day campaign, it behoves all of us to do better. What is particularly distressing is that several of the fatal incidents were eminently preventable, arising, as they did, as a result of front-line operational practice not being aligned with our stringent safety policies. The Board, and particularly its Sustainability Committee, is engaging closely with chief executive Mark Cutifani and his management team to prevent a recurrence.

One aspect of safety that is a constant worry to everyone in mining, as well as to host communities, is the integrity of tailings dams. In recent years, there have been a number of serious tailings dam breaches in the mining industry. A failure of a tailings dam wall is the one operational incident that can have catastrophic consequences both at the mine site and – quite literally – downstream of the operation. We have confidence in the integrity of our 90 tailings storage facilities. Our tailings dam monitoring goes beyond legal-compliance requirements, and we have gradually increased our degree of surveillance, inspection monitoring and risk assurance, since the roll-out of our updated technical standard in February 2014. We are also reassured that our existing standards meet the requirements of ICMM's new standards for the governance of tailings facilities.

On the health front, a landmark step has been taken towards resolving the silicosis issue in South Africa. In March 2016, Anglo American South Africa and AngloGold Ashanti concluded an agreement which resolves fully and finally 4,400 stand-alone silicosis claims. We believe that the agreement to settle this litigation is in the best interests of the plaintiffs, their families, our company and its wider stakeholders. On a wider front, we continue to work with industry, government and civil society to tackle the many challenges of primary and occupational healthcare in South Africa.

CLIMATE CHANGE

We continue to work in partnership and consultation with all of our stakeholders, including our shareholders, to help address the causes and impacts of climate change. As part of this outreach, we have been consulting with the 'Aiming for A' coalition, which was established in 2012 by a group of investors, including some of our largest shareholders, to enhance extractive companies' reporting commitment to address climate change, including how they manage its impacts on their businesses.

OUR VALUES

In seeking to earn the trust that gives us our ongoing licence to operate, each one of us at Anglo American, in our daily lives, faces challenges as we endeavour to do the right thing. That entails acting with integrity and displaying care and respect for the rights and livelihoods of our colleagues and communities, and the natural environments in which we work. To assist us in this, we have recently revised, and are rolling out to all employees in the Group, our Code of Conduct – an initiative in which the Board was directly involved. Intended to be a single point of reference, the Code makes very clear what standards of behaviour the company expects, both inside and outside the workplace, and what we should be doing to protect and enhance Anglo American's reputation, and make a positive difference.

THE BOARD AND ITS SUSTAINABILITY COMMITTEE

As chairman of the Board, and a Sustainability Committee member, I regard it as my duty to have a special responsibility in the field of sustainability. Under the chairmanship of Jack Thompson, who has had some 40 years of mining experience, the Sustainability Committee, on behalf of the Board, actively engages in all aspects of the Group's sustainability agenda. These include overseeing the policies, processes and strategies designed to manage safety, health, environment, socio-political and people risks, compliance with sustainability commitments, and to strive for an industry leadership position on sustainability.

OUTLOOK

Although it appears that the low point in the current cycle is behind us, the mining industry is expecting continued volatility. The industry, however, is in much better shape: balance sheets are being repaired, new capital expenditure has been trimmed, and there is evidence of greater discipline when it comes to the balance between production and returns.

In this our 100th year, with a strengthened balance sheet, our Operating Model working well, and portfolio and organisational restructuring nearly complete, we are building our resilience through the cycle. Further progress, however, demands that we keep our many partners on board as we strive to be at the forefront of the industry once again, while honouring our commitments to be a key development player.

CLIMATE CHANGE RESOLUTION

Anglo American supports constructive efforts to help accelerate mining companies' participation in the transition to a low-carbon economy. In April 2016, the Board supported a special resolution proposed by a group of shareholders that was then passed by shareholders at the AGM. The resolution in support of strategic climate resilience for 2035 and beyond was prepared by the 'Aiming for A' coalition of institutional investors, which includes pension fund, church group and charitable foundation investors.

The resolution seeks a step-change in companies' disclosure to investors on how they measure and manage climate change risks and opportunities in respect of their businesses. Annual reporting from 2017 is required in five areas, namely: reducing operational emissions; maintaining a portfolio of assets resilient to climate change scenarios; supporting low-carbon energy research and development; aligning relevant key performance indicators to executive incentives; and aligning public policy interventions.



Sir John Parker, chairman, speaking at the company's Annual General Meeting in April 2016.

CHAIRMAN SUCCESSION

In February 2017, I informed the Nomination Committee that I believed the time was right for the Board to seek my successor as chairman. I will have served some eight years and have seen Anglo American emerge in a strong position following the mining commodities crisis. I am honoured to have served as chairman of such a great company and I will leave behind not only a highly competent Board but a world class management team.

A handwritten signature in dark ink, appearing to read 'John Parker'.

Sir John Parker
Chairman

OUR SUSTAINABILITY CONTEXT

There are several definitions of sustainable development that are influenced by personal, social, institutional and geographic contexts.

At Anglo American, we use the ISO 26000 Guidance on Social Responsibility, which draws on the well-known 'Brundtland definition' (Our Common Future; 1987): "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development is about integrating the goals of a high quality of life, health and prosperity with social justice and maintaining the earth's capacity to support life in all its diversity. These social, economic and environmental goals are interdependent and mutually reinforcing."

To give practical application to sustainable development, Anglo American has for many years used the 'capitals model', which highlights that an organisation's ability to create value for itself is inextricably linked to the value it creates for others, and to the impacts it has on society and the environment. 'Capitals thinking' has been used to inform Anglo American's business model. (See page 11.)

MINING AND SUSTAINABLE DEVELOPMENT

Sustainable development in the mining industry is shaped by a number of characteristics that are unique to the sector.

Mining is long term, yet finite

While the life of a mine can range from 10 to more than a hundred years, the resource will eventually become depleted or economically unviable. The inevitable closure of mining operations means that maximum value must be delivered over that period, and in such a way that the immediate needs and expectations of employees, governments and communities are balanced with those of future generations. Ensuring that at the end of the life of each mine the host community is able to prosper and that bio-physical closure is completed to a satisfactory level, is crucial.

Mines are located where resources are found

As an extractor of natural resources, the location of mining operations is dictated by where mineral resources are found. Mining companies cannot simply move their operations if local conditions are, or become, unfavourable. While capital can be refocused over time to more attractive locations and/or commodities, mining projects require substantial up-front capital investment. This can run counter to and limit companies' appetite to respond to short term social, political and economic shocks. Being committed to long term business decisions has benefits and challenges: approaches to sustainability can be more strategic if considered within a particular area over a long time frame; but regulators are able to make more assertive policy decisions than they could with other sectors.

In contrast with most other industries, mining companies' main source of revenue is 'owned' by host countries. For this reason, and because many mining operations are located in areas that have little other economic activity, there is an expectation that the industry acts as a catalyst for socio-economic development.

Finally, reserves that are easy to exploit have largely been found and mined. This reality inevitably steers the future of mining towards more environmentally, politically and technically challenging reserves and/or locations. Herein lie obvious challenges, but also opportunities for companies that can demonstrate a track record of technical excellence, sustainability best practice and an ability to navigate complexity.

Visible environmental impacts

Mining activities have a material environmental impact. The change from the baseline land-use associated with mining is currently unavoidable and difficult to remediate effectively, particularly in the short term. These highly visible disruptions to land make mining a natural focus for those concerned about the health of our environment.

The majority of environmental impacts associated with mining are felt by local communities, who often depend on ecosystem services to sustain their livelihoods. In some cases, the initial and ongoing environmental effects of mining (sanctioned or otherwise) have the ability to undermine the considerable efforts being made by mining companies to enhance socio-economic benefits.

Safety, health and employee relations

The labour-intensive nature of mining, combined with physical hazards inherent to the industry, present higher risks to human health and safety than many other sectors. Historically, these issues were not always effectively managed by the industry and have resulted in a negative legacy that has not yet been fully overcome – despite safety and health today being top of mind for responsible companies.

The industry is also particularly exposed to labour relations risks, especially in developing economies with high levels of unemployment.

Direct link to sustainability

Socially responsible investors have a special interest in mining because of the more direct relationship between sustainability issues, licence to operate and financial performance. Despite this (and with the exception of De Beers) consumer activism has not yet gained significant traction in the industry: many consumers do not connect the use of everyday products to mining. In cases where such concerns have been raised, tracking minerals used in products to a particular company or country has proven problematic, and there is limited scope for product substitution.

Rising above a legacy of mistrust

For many, negative perceptions of the industry persist as a result of poor historical performance, as well as more isolated incidents in recent years. Progressive mining-specific associations (such as the International Council on Mining and Metals) and forums have been established, and various sustainability-related principles, guidelines and standards have been developed, over the past 20 years in particular, to raise the performance of the sector. While many challenges remain, responsible mining companies are increasingly welcomed by local stakeholders as trusted partners in development.

KEY GLOBAL SUSTAINABILITY TRENDS

Societal pressures are challenging the traditional role of business and reframing the competitive business space. This presents potential business opportunities as well as risks for Anglo American. Some of the major global trends that affect the company and what they mean for us include the following:

Social issues driving market and geo-political volatility

Our current operating context is characterised by volatility across commodity and financial markets, as well as continuing uncertainty at a geo-political level. Underpinning many of these challenges is a growing sense that the benefits of economic growth are not distributed equitably, with many people feeling negatively affected by globalisation. For example, recent electoral swings suggest growing disaffection with state institutions and increasing dissatisfaction with globalisation, which pose the risk of spreading populism, nationalism and protectionism. This discord is despite the evident benefits that trade liberalisation and economic growth have brought in a range of developmental and economic indicators over the past few decades.

Increasing volatility and uncertainty has repercussions across our full value chain in the short term, as well as implications for our longer term investment decisions. This volatility highlights the importance of developing skills and organisational culture that are adaptable and capable of navigating complexity. Our challenge is to become more agile than the traditional mining business model has been in the past.

The issue of contrasting fortunes is arguably particularly stark in the mining sector and is often compounded by poor public service delivery in many mining communities in developing countries. Although the nature of our response may vary substantially across individual sites, we see value in pursuing business strategies that are socially inclusive and environmentally responsible, with the aim of minimising relevant local root causes that drive social instability.

Pressure on natural resources and climate change

Growing pressure on natural resources, including challenges relating to water, energy, biodiversity and food security, are being exacerbated by increasing consumption as a result of population growth and levels of affluence in the developing world. These pressures have the potential to be compounded significantly by the impacts of climate change. Companies, over time, will need to find ways of decoupling growth from the unsustainable use of natural resources, and from fossil fuels in particular.

Land, water and energy are critical inputs to mining and processing activities. The use of these resources presents significant business risks for companies that remain dependent on natural resources and which fail to reduce considerably their environmental impacts. Conversely, companies that are able to transform their relationship with natural resources stand to benefit from access to new business opportunities.

Changing stakeholder expectations and increasing demands for accountability

Mining companies across the world are facing greater expectations for improved performance and disclosure from increasingly vocal and connected stakeholders – many of whom have competing interests.

Shareholders and investors have an expectation of robust financial performance, stronger corporate governance and more transparency on executive compensation. Many investors are integrating environmental, social and governance issues into their investment decisions, and some are questioning the business case for continued investment in fossil-fuel-based companies.

Governments of most resource-dependent economies are seeking greater benefits from mining, and placing increasing pressure on companies to deliver on the growing societal expectations of electorates. Many governments are also introducing mandatory reporting requirements (such as the EU Non-Financial Reporting Directive or the UK's Modern Slavery Act).

Employees are increasingly expecting different power dynamics between employer and employee, with the younger generation of workers placing greater emphasis than previous generations on work that is meaningful, and often being less inclined to trade work-life balance for career development. Movements relating to the provision of a 'living wage' and addressing gender pay gaps continue to gain momentum.

Unions have been vocal in certain countries, placing pressure on some mining companies through heightened union activity and potential labour unrest.

Communities neighbouring or supplying mining operations are looking to mining companies to provide employment and economic opportunities, and to manage negative impacts more effectively. In many instances, communities are placing demands on companies to meet needs that typically fall within the scope of local government, such as the provision of basic services in education and healthcare.

Non-governmental and community-based organisations continue to hold companies to account on their social, environmental and human rights performance. New communication and information technologies and social media are increasingly used to drive accountability.

Consumers in many markets are changing how they interact with companies; younger consumers in particular have developed a deeper understanding of sustainability issues, a lower tolerance for harm in how products are produced along the full value chain, and a greater resistance to trusting mass communication from large institutions. Larger companies are under growing pressure to ensure that suppliers mirror their own sustainability standards.

Heightened stakeholder expectations, coupled with persistent mistrust of business generally, highlights the importance of being responsive to the interests of our core constituencies, a more diverse body than in the past.

For Anglo American, there is an opportunity for strengthening our engagement activities, exploring new possibilities for collaboration with governmental and non-governmental organisations (NGOs), and identifying innovative opportunities to create sustainable long term societal value across the mining value chain.

Regulatory and policy developments

Many governments are introducing new legislative requirements and other actors are also increasingly influential in defining the rules by which we operate. These include NGOs, investors, financiers, customers, academics and think tanks. Internationally, recent policy developments include the Paris Agreement on climate change, and the UN Sustainable Development Goals (SDGs).

Full legal compliance is an absolute minimum requirement for Anglo American operations. Legal compliance is necessary for managing risk and developing trusted relationships with government and other stakeholders; it is also a critical foundation for any further efforts to create shared value. Our aim is to go well beyond compliance by contributing to realising the SDGs in partnership with stakeholders who share our vision of a transformed mining sector.

Disruptive technologies and new business models

'The fourth industrial revolution' is having a disruptive impact on many business models, including the mining value chain. Technology provides exciting business opportunities to make a significant positive contribution in addressing some of the sector's social and environmental effects: reducing safety risks, radically reducing water and energy usage, and facilitating the move to a 'circular economy'.

There has also been an increase in disruptive business models across many sectors. In addition to the recent rapid rise of new market entrants, some large established companies are pursuing 'shared value' innovations in their products, processes and markets that generate profit by addressing societal challenges.

The rise of disruptive technologies and business models presents both opportunities and challenges in optimising Anglo American's societal value proposition. Some technologies could have a transformative impact on existing mining techniques, with positive consequences for worker safety, mine lives and the environment – though also raising potential challenges associated with reduced mine employment. New technologies in energy and transportation are influencing demand for many of our current mining products, while the move to a digital economy and the impact of initiatives such as driverless cars have potentially significant implications for current employment patterns.

Although new technologies can deliver a step-change in social and environmental performance, it is important to provide for potential negative social consequences. The potential for disruption across our value chain highlights the importance of developing competencies for enhanced agility, such as deep engagement, improved organisational efficiency, and product and process innovation. There may be opportunities to learn from the innovative start-ups and leading companies pursuing socially inspired innovation.

OUR BUSINESS MODEL

The mining industry continues to face considerable external pressures as global economic and political uncertainties prevail. We responded decisively by sustainably improving cash flow generation, materially strengthening our balance sheet through selective asset disposals and actively managing our diversified portfolio to focus on our differentiated asset and product mix.

The high quality assets across our De Beers, platinum group metals (PGMs) and Copper businesses underpin our positions in those respective markets and are the cornerstone of a more resilient and competitive business, through the economic and commodity price cycle. In addition, Anglo American also benefits from the performance of a number of other high quality, individual assets across the bulk commodities and other minerals, including iron ore, coal and nickel, which are optimised operationally to continue to contribute cash and returns, while ensuring appropriate capital investment to both preserve and enhance value. The value from our mineral resources and market positions is optimised by our dedicated Marketing business, driving appropriate commercial decisions across the value chain.

In summary, our ambition is to create a resilient business that delivers robust profitability and sustainable, positive cash flows through the cycle.

We have a clearly defined approach for how we will achieve this:

Vision: To be partners in the future.

It is our belief that Anglo American, and mining as an industry, has both the potential and responsibility to act as a development partner, for the long term benefit of society.

Mission: Together, we create sustainable value that makes a real difference.

We cannot meet our ultimate objective on our own. We will work together with our diverse range of stakeholders to ensure we deliver value on a sustainable basis that makes a positive and lasting difference.

VALUES AT THE CORE

We are creating an organisation where all our people are treated in such a way that they willingly give their best. Acting according to our values – Safety, Care and respect, Integrity, Accountability, Collaboration and Innovation – defines our culture as an organisation, underpinning our reputation and the promise we make to all our stakeholders: Real Mining. Real People. Real Difference.

WHAT MAKES US DIFFERENT: BUILDING STRATEGIC ADVANTAGE

Across De Beers, PGMs and Copper, our assets are characterised by having world class orebodies, competitive industry cost positions, long reserve lives and significant resource potential, offering considerable organic growth opportunities, thereby representing three businesses in which we have leading competitive positions. These are complemented by a number of other high quality, individual assets across iron ore, coal and nickel. Underpinning our uniquely diversified portfolio of differentiated assets is Anglo American's expertise

across a number of core processes – exploration, innovation, project development and sustainability – while our Marketing business optimises value from our resources and market positions. The benefits of a systematically embedded Operating Model and the functional governance structure of the Organisation Model combine to create optimal and sustainable value.



For more information on our core processes
See page 10 of the Anglo American plc Annual Report 2016

DIFFERENTIATED ASSETS IN A UNIQUELY DIVERSIFIED PORTFOLIO:

De Beers

De Beers has a global leadership position in diamonds, producing and selling around one-third of the world's rough diamonds by value. Our major diamond mining assets have large, long life and scalable resource bases and we have well-established partnerships in South Africa and with the governments of Botswana and Namibia.

PGMs

We are the world's leading PGMs producer, with positions in the world's two largest PGM deposits – the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe. We operate the world's highest margin platinum mine at Mogalakwena – a long life, scalable open pit operation that has the potential to lift production significantly as market demand requires.

Copper

Anglo American has a world class position in copper, with the potential to establish a global leadership position built around its interests in two of the world's largest copper mines – Los Bronces and Collahuasi – and its feasibility phase Quellaveco project in southern Peru. The mineral endowments of these assets underpin our organic copper growth opportunities, in addition to a number of future potential projects.

Bulk commodities and other minerals

Anglo American also benefits from a number of other high quality assets across the bulk commodities of iron ore and coal, as well as nickel.

These assets are optimised operationally to continue to contribute cash and returns, while being allocated capital to preserve and enhance value, as appropriate.

DISTRIBUTION AND RETAIL

De Beers' leading position is further enhanced by its rough diamond sales operation selling to term customers, accredited buyers and auction sales customers. It also has a presence in the downstream through Forevermark™ and De Beers Diamond Jewellers.

MARKETING

The value from our mineral resources and market positions is optimised by our dedicated Marketing business. Built on direct customer relationships, Marketing creates value across the entire value chain from mine to market through appropriate commercial decisions aligned to our customers' specific requirements – including product specification, volume and timing. In addition, Marketing proactively develops new markets for our products through, for example, investing in new technologies that are expected to drive new sources of demand for PGMs – such as fuel cell electric vehicles – and building consumer awareness in emerging platinum jewellery markets, such as India.

HOW WE CREATE SHARED VALUE

Anglo American draws upon a number of key inputs from both its central expertise and the operating businesses that, through expert allocation, development, extraction and marketing, create sustainable value for our shareholders and our diverse range of stakeholders.

GROUP INPUTS

Financial

Our corporate centre allocates our financial resources where they can be put to work most effectively to deliver optimal financial returns for our shareholders.

Know-how

We link our industry-leading technical and marketing knowledge to ensure we invest our efforts and capital in key leverage points in the 'mine to market' value chain.

Other natural resources

Mining and processing activities have long been major users of water and energy. Our technical and social expertise combines to provide advice and hands-on support to the operations to mitigate our requirements, while also developing new technologies that have the potential to significantly reduce our environmental footprint.

Relationships with our stakeholders

Open and honest engagement with our stakeholders is critical in gaining and maintaining our social and legal licences to operate and, therefore, the sustainability of our business. We engage with a wide range of stakeholders to ensure effective two-way relationships.

Ore Reserves and Mineral Resources

We have an extensive resource base across our businesses and across a wide geographic footprint, providing a suite of options for delivering value over the long term.

Plant and equipment

Our procurement and technical teams form strong relationships with major suppliers to deliver tailored equipment and other solutions to enable best in class operating performance and cost effectiveness.

OUR UNIQUELY DIVERSIFIED PORTFOLIO

- 1 Focus on asset quality and resource potential.
- 2 Leading positions in diamonds, PGMs and copper, complemented by high quality assets in iron ore, coal and nickel.
- 3 Value optimised through dedicated marketing expertise, leveraging global supply/demand dynamics.

OUR LEVERAGED VALUE CHAIN

RISK AND GOVERNANCE

Our robust system of risk identification, supported by established governance controls, ensures we effectively respond to such risks, while acting ethically and with integrity for the benefit of all our stakeholders.



For our Principal Risks See pages 41-45 of the Anglo American plc Annual Report 2016



FIND



PLAN AND BUILD

OUR CORE PROCESSES

Exploration

Our award winning exploration teams discover mineral deposits in a safe and responsible way to replenish the resources that underpin our future success.

Innovation Model

Our strengthened in-house technology capability provides world class, innovative solutions across our assets, supporting the delivery of step change operating performance.

Operating Model

The application of our Operating Model drives a more stable, predictable and higher level of operating performance, resulting in improved safety and productivity, and lower costs.

Project development

The successful development and execution of our capital projects reduces expenditure and ensures predictability of outcome against our performance objectives.

OPERATING BUSINESS INPUTS

Financial

Our businesses' strong focus on working capital management, productivity and cost discipline helps to drive sustainable positive cash flows.

Know-how

Our businesses work closely with our Technical function and Marketing business to apply innovative mining methods and technologies to realise even greater value from our resource base, and optimise mine production plans to ensure we provide products to our customers around the world, meeting their specific technical and logistical requirements.

Other natural resources

It is critical that our businesses responsibly manage all the natural resources used in their processes, given the finite nature of the mineral resources, scarcity of water and energy sources at some of our operations, and input cost pressures.

Relationships with our stakeholders

Working within our social performance framework, it is the goal of our operations to build and sustain constructive relationships with our host communities and countries that are based on mutual respect, transparency and trust.

Ore Reserves and Mineral Resources

Our exploration teams work with our businesses to discover mineral deposits in a safe and responsible way to replenish the resources that underpin our future success – both to extend the lives of existing mines and to provide longer term brown- and greenfield options.

Plant and equipment

Our businesses implement local procurement policies that support suppliers based in the host communities close to our operations – making a significant socio-economic contribution and building stronger communities, as well as lowering logistics costs.

We will invest in those points in the value chain that provide us with the best return on our investment. From the financial, technical, marketing and other expertise provided from the corporate centre, through our entire value chain from mine to market, it is our people that create the sustainable value that all our stakeholders demand and expect.



Focusing on our core processes to leverage value chain investment to provide competitive advantage

Marketing

The value from our mineral resources and market positions is optimised by our dedicated Marketing business, driving appropriate commercial decisions across the value chain – from mine to market – including working directly to tailor products to our customers' specific needs.

Sustainability model

Integrating sustainability into core business processes has been a longstanding priority for Anglo American. The corporate centre drives the sustainability agenda and offers expert advice, and hands-on support, to operations facing complex sustainability challenges.

Organisation Model

Our Organisation Model ensures we have the right people in the right roles doing the right value-adding work at the right time, with clear accountabilities, thereby minimising work duplication and increasing capability and effectiveness.

OUTPUTS

Our outputs are the products that meet the growing consumer and other demands of the world's developed and maturing economies. Mining and processing activities also result in the unavoidable disturbance of land, generation of mineral residue, as well as atmospheric and water emissions, all of which we strive to minimise through our innovative approach.

GROUP PRODUCTION GROWTH⁽¹⁾

2%

CASH FLOWS FROM OPERATIONS

\$5.8 billion

NEW WATER CONSUMPTION

191 million m³

CO₂ EQUIVALENT EMISSIONS

17.8 Mt CO₂e

OUTCOMES

As a mining company, we create and sustain jobs, help communities to develop new skills, support education, build infrastructure, and help improve healthcare for our employees, their families and the local communities around our mines. It is through our core business activities – employing people, paying taxes to governments and procuring from host communities – that we make the most significant and sustainably positive contribution to our host countries.

TAXES BORNE AND COLLECTED⁽²⁾

\$3.5 billion

WAGES AND BENEFITS PAID

\$3.6 billion

COMMUNITY INVESTMENT SPEND

\$84 million

LOCAL PROCUREMENT SPEND

\$2.0 billion

HOW WE MEASURE THE VALUE WE CREATE

Our seven pillars of value underpin everything we do. Each pillar has defined Key Performance Indicators and targets that we set the business and against which we measure performance, both financial and non-financial.



SAFETY AND HEALTH

To do no harm to our people.

For our KPIs
See page 16



ENVIRONMENT

To minimise our environmental footprint.

For our KPIs
See page 16



SOCIO-POLITICAL

To partner in the benefits of mining with local communities and government.

For our KPIs
See page 16



PEOPLE

Create sustainable competitive advantage through capable people and an effective, performance-driven organisation.

For our KPIs
See page 16



PRODUCTION

To sustainably deliver valuable product to our customers.

For our KPIs
See page 34 of the
Anglo American plc
Annual Report 2016



COST

To be competitive by operating as efficiently as possible.

For our KPIs
See page 34 of the
Anglo American plc
Annual Report 2016



FINANCIAL

To deliver sustainable returns to our shareholders.

For our KPIs
See page 34 of the
Anglo American plc
Annual Report 2016

⁽¹⁾ Pro forma growth in copper equivalent production, excluding disposals.

⁽²⁾ Taxes borne and collected are based on numbers disclosed within the Group's income statement and exclude the impact of certain associates and joint ventures.

CHIEF EXECUTIVE'S REVIEW



Mark Cutifani

Working in partnership to deliver on our commitments has enabled Anglo American to navigate an extremely difficult year.

DELIVERING CHANGE. BUILDING RESILIENCE.

In last year's Sustainability Report, I concluded my Review by highlighting the vital role our people would play, if we were to deliver on our strategic objectives. Twelve months on, it is only right that I begin with the contribution that has been made by our employees around the world.

The portfolio announcements made in early 2016 had an impact on many individuals. As our asset divestments progressed, we said goodbye to a number of operations and colleagues. While these were not easy decisions to make, they were absolutely the right course of action to ensure a strong future for Anglo American. Delivering these portfolio changes, combined with the significant efficiency and business improvements that have been achieved across the Group, has contributed to building the necessary resilience within our business to ensure a more profitable and sustainable future. In a challenging and often unsettling environment, the professionalism and commitment of our people has been integral to delivering the considerably enhanced position we enjoy today.

SAFETY AND HEALTH

I cannot reiterate enough how important it is that safety and our goal of zero harm remain our number one priority. While we made encouraging progress in some areas in 2016 – with a 24% decrease in our total recordable case frequency rate – the tragic loss of 11 colleagues means our overall performance fell far short of what is required. The findings from recent incidents have highlighted the need to further strengthen the implementation of critical controls at the front line. In response, we will be launching a dedicated safety culture programme in 2017, which will be reinforced by our annual Global Safety Day. The work conducted in the lead-up to our 2016 Safety Day continued to focus on the importance of critical controls and our responsibility to protect our own safety, and that of those around us. Identifying, understanding and adhering to the right critical controls remains vital as we focus on preventing serious incidents linked to our major safety risks.

In the area of occupational health, I am pleased to say we achieved our year-on-year reduction targets for new cases of occupational disease and increased voluntary HIV counselling and testing levels to 88%. The processes we put in place are all positive foundations upon which we must continue to build our future improvements.

HUMAN RIGHTS AND STAKEHOLDER ENGAGEMENT

Related to the overall well-being of our people and that of our wider stakeholders is our commitment to human rights. We have integrated the UN Guiding Principles on Business and Human Rights into our own policies and standards, and continue to support the 10 UN Global Compact Principles on human rights, anti-corruption and environmental responsibility. We also implement the Voluntary Principles on Security and Human Rights at sites in non-OECD countries. By adhering to these principles, we fully accept and support our corporate responsibility to respect human rights, and actively seek to avoid infringements of human rights.

We integrate these principles across our recently launched Code of Conduct, which encompasses our human rights policy, and embed them in our corporate standards.

At the annual UN Forum on Business and Human Rights in November, I had the chance to engage with a range of stakeholders. What struck me is how all the issues we are faced with in our operating environment, such as inequality, distribution of wealth, corruption and lack of governance, are very clearly linked to the human rights of our stakeholders. If it is our ambition to help our local communities explore what 'meaningful existence' means to them – and then work with them towards that meaningful existence – we need to continue to work to better understand their concerns in these areas.

The nature of mining operations – from exploration to mine closure – creates the potential for a wide range of human rights impacts, so we have identified our most relevant human rights risks at the Group level.

The outcomes of human rights due diligence help us in our effort to mitigate the risk of any breaches. In order to do this in the best possible way, we have to listen better to stakeholders' concerns, get a better understanding of potentially vulnerable groups and accept that our responsibility does not only lie in our immediate work environment, but also when it comes to dealing with our business partners. Where we have caused or contributed to adverse human rights impacts, we will contribute to their remediation.

But let us be clear; we can also have a very positive impact on human rights. Through our supply chain, socio-economic development strategies and wider stakeholder partnerships, we have the ability to help stakeholders exercise their rights as intended.

WORKING IN PARTNERSHIP

Our actions on human rights support our fundamental belief that working in partnership with stakeholders is critical to delivering on our strategic objectives. In 2016, we continued to work with all our partners in order to create the sustainable value that our stakeholders expect and demand.

So much of our work is done in partnership with others, particularly in the area of sustainability. I am delighted that we have been able to reaffirm relationships with the likes of Flora & Fauna International and UNAIDS, and forge new partnerships with organisations such as the Inter-American Development Bank, which will help to promote job creation and institutional capacity-building in South America. Such relationships support our broader strategic approach.

Also in 2016, the engagement between leaders in the mining sector and faith groups grew and was formalised as the Mining and Faith Reflections Initiative. An independent secretariat was established to support the initiative and new dialogues were established in Zambia and Peru. In South Africa, where discussions are most advanced, the focus last year was on exploring how the faith group-industry collaboration can bring meaningful benefits to communities in mining areas, with a particular emphasis on health and economic development. We hope to see initial results from these efforts in 2017.

OUR PERFORMANCE

The decisive and wide-ranging operational, cost, capital and portfolio actions we set out in 2016 – to sustainably improve cash flows and strengthen the balance sheet – have enabled us to reduce net debt by 34% to \$8.5 billion, significantly below our \$10 billion target. Through our continued sharp focus on operational costs and productivity, we delivered a \$3.5 billion increase in attributable free cash flow, a 25% increase in underlying EBITDA to \$6.1 billion and grew our EBITDA margin by five percentage points to 26%. Following a 20% increase in copper equivalent productivity between 2012 and 2015, we delivered an additional 18% productivity increase during 2016.

Achieving these improved results was a combined effort across all aspects of our business, including our environmental performance.

In 2016, our ECO₂MAN energy- and GHG-reduction programme prevented 4.5 million tonnes of CO₂-equivalent (MtCO₂e) emissions from entering the atmosphere. By year end, a total of 320 ECO₂MAN and business improvement projects had accounted for estimated energy savings of 5.8 million GJ, representing energy cost savings of approximately \$90 million.

Water-saving projects across the Group saved 23 million m³ of water in 2016 (2015: 25 million m³), while our total new-water consumption decreased by 14% from 222 million m³ in 2015 to 191 million m³ in 2016.

In line with International Council on Mining and Metals (ICMM) guidance, we have developed a new water-management standard in partnership with our regional

stakeholders, which has a more focused and structured approach to managing catchment-wide water risks. We are working towards more ambitious water savings targets for 2020, which include reducing our absolute freshwater intake by 20% and recycling/re-using water for 75% of our water requirements.

FUTURESMART™ MINING

Our sustainability performance, and the way we look at mining's major challenges overall, will be fundamentally changed by FutureSmart™. FutureSmart™ represents Anglo American's approach to innovation. It fosters broad collaborative partnerships to find solutions to mining's most critical challenges in the areas of safety, productivity, energy and water. We envisage a world in which our mines are integrated and automated, carbon-neutral and water-neutral, low cost and scalable with a reduced and sustainable environmental footprint that contributes positively to local communities.

FutureSmart™ has the potential to deliver a step-change in how value can be captured – from exploration to delivering products to our customers – and shared across the industry. The benefits will then be shared by all our partners, from host communities and suppliers, to customers and shareholders.

Influenced by the partnerships we have in place and the work being conducted through FutureSmart™ – along with the objectives we have identified through our commitment to the United Nations Sustainable Development Goals (SDGs) – in 2017 we will launch a new Group sustainability strategy. Aligned to our SDG commitments, it will focus on the areas where we believe we can most effectively contribute to SDG targets relating to socio-economic development, environmental protection and broader leadership in the mining sector while also helping to manage sustainability-related risks to our business. It will be embedded within our overarching business strategy and will ultimately move us closer to our vision of being 'partners in the future'.





2017 – OUR CENTENARY YEAR

Through a hundred years of political and social upheavals, market volatility, and natural disasters, Anglo American has demonstrated the versatility and resilience to stand the test of time. As we celebrate our centenary year, I would like to say thank you to all our stakeholders for the role they have played in Anglo American's journey and I am confident there is much more we can do together. Guided by our values and committed to doing the right thing, we will continue to strive for real mining excellence so that we continue to make a real difference.



Mark Cutifani
Chief Executive

MEASURING OUR PERFORMANCE

KEY PERFORMANCE INDICATORS (KPIs)	TARGET	2016	2015	ACHIEVED
 Safety and Health				
Work-related fatal injuries	Zero harm	11 ⁽¹⁾	6	⊗
Total recordable case frequency rate ⁽²⁾	15% year-on-year reduction	0.71	0.93	✓
New cases of occupational disease	Year-on-year reduction	111	163	✓
Employees potentially exposed to noise over 85 dBA ⁽³⁾	Year-on-year reduction	26,280	40,869	✓
Employees potentially exposed to inhalable hazards over the occupational exposure limit ⁽¹⁾	Year-on-year reduction	6,047	8,561	✓
Number of employees participating in voluntary counselling and testing (VCT)	More than 80% of employees in southern Africa tested	88%	68%	✓
Number of employees enrolled in HIV disease-management programmes	More than 75% of HIV-positive employees	80%	88%	✓
 Environment				
Energy savings	8% saving by 2020 off the 2015 baseline ⁽⁴⁾	5%	7%	⊙
Greenhouse gas (GHG) emissions savings	21% saving by 2020 off the 2015 baseline ⁽⁴⁾	19%	22%	⊙
Water savings	14% saving by 2020 off the 2011 baseline ⁽⁵⁾	21%	16%	⊙
Level 3-5 environmental incidents	Year-on-year reduction	4 Level 3	6 Level 3	✓
% operations with closure plans aligned with the Anglo American Mine Closure Toolbox (MCT)	80% of operations to have closure plans aligned with the MCT by 2017. Full compliance by 2019	79% ⁽⁶⁾	85%	⊙
 Socio-political				
Businesses supported by enterprise development initiatives	–	62,447	62,394	–
Jobs supported by enterprise development initiatives	–	116,298	110,780	–
Localised procurement ⁽⁷⁾	–	\$2.02 bn	\$2.27 bn	–
Compliance with the Anglo American Social Way	0% serious non-compliance with the Social Way	0%	1%	✓
 People				
Voluntary labour turnover	–	2.2%	1.9%	–
Gender diversity: women as a percentage of management	–	25%	25%	–
Gender diversity: women as a percentage of total workforce	–	18%	18%	–
South Africa transformation: HDSA's as a percentage of management	–	62%	60%	–

⁽¹⁾ A fatal incident involving a fall from height at Kumba Iron Ore was deemed non-work related and has not been included in the total number of fatal incidents.

⁽²⁾ First aid cases and medical treatment cases are not reported separately at all Platinum operations. This discrepancy in the application of the Anglo American definition is being addressed.

⁽³⁾ This figure reflects the number of employees who work in environments where there is potential for exposure above the exposure limit. All employees working in such environments are issued with protective equipment to prevent occupational illness. The large reduction in the number of employees exposed to noise and inhalable hazards is primarily a result of the divestment of Rustenburg platinum operations in South Africa.

⁽⁴⁾ Energy and GHG savings are calculated relative to projected 'business as usual' consumption levels.

⁽⁵⁾ Water savings are calculated relative to projected 'business as usual' consumption levels. From 2016 onwards, the water savings targets apply only to operations in water scarce regions.

⁽⁶⁾ The year-on-year reduction in the percentage of operations with mine closure plans aligned with the MCT is a result of divestments during 2016.

⁽⁷⁾ Local procurement figures reported in 2016 and 2017 include data from Botswana and Namibia for the first time.

MEASURING OUR PERFORMANCE

✓ Achieved

⊙ Ongoing

⊗ Not achieved

BUSINESS INTEGRITY

Our new Code of Conduct seeks to entrench Anglo American's values systematically throughout the business; and ensure that employees, affiliate companies, contractors and suppliers are clear on what is expected of them. The Code brings together all the organisation's material ethical principles and policies that support our values. It is supported by our independent whistleblowing facility, 'Speak Up'.

CODE OF CONDUCT

The Code of Conduct replaces the 'Good Citizenship: Business Principles' and aims to guide Anglo American employees, affiliate companies, contractors, suppliers and agents to behave in a consistent way, informed by our values. The Code focuses on four key areas, providing guidance on how to:

- prioritise safety, health and the environment
- treat people with care and respect
- conduct business with integrity
- protect our physical assets, information and interests.

Roll out to senior leaders commenced in 2016. The Code will be implemented across Anglo American in the first half of 2017. This will include tailored engagement and awareness programmes throughout the organisation, and with third parties where appropriate. The programme will be augmented by detailed training for 'at risk' parts of the business and incorporate specific elements around bribery and anti-trust.

BUSINESS INTEGRITY

Our Business Integrity Policy states that we will neither give nor accept bribes, nor permit others to do so in our name. The policy is supported by 11 performance standards that cover various aspects of our business where there is potential risk for bribery and corruption. The standards prohibit the Company from making donations to any political party or politician. No such donations were made in 2016.

During 2016, we hosted more than 80 workshops in 10 jurisdictions in which 1,500 individuals received business integrity training. Approximately 3,500 employees and contractors participated in online training.



ADDRESSING BRIBERY RISK

Bribery risk assessments are an essential aspect of the Group's bribery prevention procedures. Business units and corporate functions conducted bribery risk assessments over the 2015-16 cycle using an internally developed tool. The bribery risk areas addressed in this tool include use of agents, and the nature of interactions with government officials, customers, suppliers and communities. When bribery risk is determined to be unacceptably high, an action plan is developed to strengthen the internal controls in order to manage the risk. The bribery risk assessment process and action planning are audited by our internal audit team.

WHISTLEBLOWING

Our independently managed 'Speak Up' facility is a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders around the world to report concerns about conduct that is contrary to our values and integrity standards. We do not tolerate any form of retaliation against employees raising concerns in good faith. Any allegation of harassment or intimidation by others as a result of contacting Speak Up is investigated and, if required, appropriate action is taken.

During 2016, 413 alerts were received (2015: 388), of which about 44% related to human resources matters, including grievances and allegations related to labour practices and unfair discrimination. Every alert is evaluated and, where appropriate, investigated. Of the total population of alerts, 71 were proven and, where relevant, resulted in management action.

GOVERNANCE

Sustainability considerations continue to be integrated into core governance processes. In addition to the central role of the Board's Sustainability Committee, decisions made by the Remuneration Committee are based on financial and sustainability indicators; and material sustainability risks are regularly evaluated by the Audit Committee.

The role of the Anglo American Board of directors is to promote the long term success of the business for the benefit of its shareholders. While taking into account the interests of its various stakeholders, the Board delegates certain responsibilities to a number of standing committees – the Sustainability, Remuneration, Nomination and Audit committees.

The Sustainability Committee holds accountability for determining and overseeing how Anglo American manages its most material sustainability issues. The Committee meets quarterly and comprises Jack Thompson (chairman); Mark Cutifani (chief executive); Tony O'Neill (Group technical director); Sir John Parker (chairman of the Board); and non-executive directors Mphu Ramatlapeng and Jim Rutherford. Ray O'Rourke served as a Committee member until his resignation from the Board in July 2016. Business unit CEOs and Group directors of HR and corporate relations also participate in the meetings. In 2016, non-executive members of the Committee visited Venetia diamond mine; the Bafokeng-Rasimone Styldrift platinum mine; and Platinum's precious metals refinery in South Africa.

As part of its overall mandate to oversee audit, internal control and risk management, the Audit Committee reviews the principal risks to the Group, including those related to catastrophic event risk and material sustainability issues.

The Remuneration Committee determines the remuneration of executive directors, the chairman and senior management and oversees remuneration policy for all employees. Anglo American's safety results affect the performance-based remuneration of all employees in the business. Metrics relating to the implementation of operational safety, health and environmental risk management processes and environmental incidents are also included for members of the Group Management Committee (GMC).

The Board delegates executive responsibilities to the GMC, which is made up of the chief executive, business unit CEOs and Group directors. The GMC is supported by corporate, operational and investment sub-committees. These committees are responsible, respectively, for: reviewing corporate policies and processes as well as the financial performance and budgets for business units; driving operational best practices across the Group and the setting of technical standards; and making recommendations to the GMC on capital investment proposals.

Anglo American complies in full with the UK Corporate Governance Code and is committed to the highest standards of corporate governance. A full account of our approach to corporate governance is available in the 2016 Anglo American Annual Report.

SUSTAINABILITY COMMITTEE DISCUSSIONS IN 2016

At each meeting, the Committee reviews a detailed quarterly report covering the Group's performance across a range of sustainability areas (including safety; occupational health; political and regulatory risk; and environmental and social performance).

Significant social, safety, health and environmental incidents and high potential incidents are reviewed at each meeting, as are the results from operational risk reviews. Business unit sustainability strategies and performance are presented on a rotational basis. In addition to these standing agenda items, the following matters were discussed during 2016:

February

- Permitting and compliance risks and progress
- Tailings- and disaster-management learnings from significant external incidents
- Initial analysis of COP21 outcomes and implications for Anglo American.

June

- Results from the tailings facility contractor management and governance review
- Approach to occupational dust and ambient air-quality management at Kumba Iron Ore
- Coal worker's pneumoconiosis
- Geo-political developments in Brazil and South Africa
- Benchmarking: Anglo American's safety results relative to ICMM members
- Overview of material legal developments
- Human rights, anti-corruption and transparency.

July

- Tailings facility contractor management and governance update
- Social Way assessment results
- Benchmarking: Anglo American's performance relative to peers and global leaders
- Appointment of external auditors for the Sustainability Report.

October

- Integrating safety and sustainable development into the Operating Model
- Water management progress update
- Approval of material issues for reporting.

MANAGEMENT APPROACH

The implementation of Anglo American's Operating Model, which takes a structured approach to work planning and execution, has the potential to significantly reduce unwanted incidents and enhance resource-use efficiency. FutureSmart™ mining, our approach to innovation, helps us find solutions and implement step-change more quickly.

ORGANISATION STRUCTURE

Anglo American has its headquarters in the UK and is listed on the London Stock Exchange and the Johannesburg Stock Exchange. The Anglo American Group currently comprises 50 managed mining and processing operations in Australia, Botswana, Brazil, Canada, Chile, Namibia, South Africa and Zimbabwe, projects in Peru and Finland, as well as industrial and commercial enterprises managed by De Beers across various geographies. (See page 79 for a full list of operations.) Anglo American is managed as four operating units: De Beers, Platinum, Copper and Bulk commodities and other minerals (Iron Ore and Manganese, Coal, and Nickel), which are supported by corporate functions and the Marketing business.

The corporate centres host Technical and Sustainability, Corporate Relations, Human Resources, Finance and Strategy and business development functions that set the performance expectations we have of operations; offer expert advice and hands-on support to operations facing complex challenges; and monitor the effectiveness of critical programmes. Following a restructuring in 2016, the Sustainability and Social Performance disciplines have started a transition to a functional model, which is intended to foster stronger connections between the corporate centre and operations. (See page 25 for further information.)

OPERATING MODEL

Our Operating Model continues to be implemented throughout the business. It is designed to deliver the expectations set by management in a consistent, effective and efficient manner. The underlying theory of our Operating Model is based on three principles:

- Doing the right work, at the right time, and in the right way will deliver the required performance
- If work is planned, scheduled and properly resourced ahead of execution, the desired outcome will be achieved more consistently and at a lower cost
- An engaged workforce will be the most productive.

Implementation of our Operating Model has the potential to significantly reduce unwanted safety, health and environmental incidents. There are three components to our Operating Model, which address operational strategy, work management, and continuous improvement. The focus to date has been on work management execution. By the end of 2016, various components of our Operating Model had been fully or partially implemented at nine sites.

POLICIES AND STANDARDS

Our sustainability standards are articulated in the Anglo American Safety, Health and Environment Way (SHE), as well as the Government Relations and Social Ways. In 2016, the individual Safety, Health and Environment Way standards were integrated into a single document to keep in line with best practice and streamline requirements. The SHE Way will be implemented in 2017. The 'Ways' apply throughout the Group and set out the vision, principles, policies, management-system requirements and performance expectations for managing our core sustainability risks and opportunities. When acting on our behalf, all service providers are expected to behave in accordance with our Group standards and policies. We also promote comparable standards in joint ventures and associate companies.

Group Technical Standards define the mandatory minimum requirements we set for managing a wide range of specific issues. In relation to sustainability these include, for example, the management of water, energy, tailings storage facilities, and various technical aspects of mining that relate to safety.

These standards were reviewed in 2015 and 2016 to ensure that they are efficient, effective and fit for purpose. The process has resulted in a great deal of simplification, enhanced clarity and a greater focus on performance expectations (versus process and technology requirements).

Supply chain management

Mining operations require all the goods and services that are used in any large-scale infrastructure and manufacturing projects, including labour, heavy equipment, process chemicals, fuel and lubricating oils, explosives, motors and a range of services. We have a large and diverse base of more than 12,000 suppliers around the world.

Through our responsible sourcing programme, we aim to ensure that those we do business with follow a set of minimum standards of responsible business conduct that are comparable to what we expect of ourselves. (See page 44 for further information.)

Our approach in this regard is guided by our Responsible Sourcing Standard for Suppliers, which has replaced the Supplier Sustainable Development Code and Policy. In 2017, in line with the UK Modern Slavery Act, we will release our first statement on steps that we are taking to identify and eradicate potential instances of modern slavery in our business and supply chain.

RISK MANAGEMENT

An integrated risk-management standard was adopted by Anglo American in 2011 to strengthen the way we manage risk by applying a consistent approach across all business areas and organisational levels. The standard governs how risks are identified and managed, as well as how risk information flows vertically between different organisational levels.

Our Operational Risk Management (ORM) process supports our integrated risk management by providing operational managers with a means of identifying, prioritising and controlling the risks that threaten their ability to meet their objectives. The achievement of targets relating to ORM influences the performance-based remuneration of senior executives.

ASSURANCE

Various internal and external review and assurance programmes are in place to support management's assessment of risk, and to provide assurance over the key controls in place to mitigate those risks.

Anglo American's Business Assurance Services (ABAS) provides independent internal assurance to our Audit Committee over the design adequacy and operating effectiveness of the internal control environment that mitigates risk across the Group.

In addition, the ABAS team works with colleagues from our Social Performance team and Technical and Sustainability function to provide assurance over the controls associated with priority catastrophic and sustainability-related risks at operations. These operational risk audits are conducted on a rotational basis and reach approximately one-third of operations annually. The results of these audits are reported to the Sustainability Committee of the Board. Global thematic reviews, such as on tailings dam integrity, are undertaken at Anglo American operations on a risk basis.

For around a decade, all Anglo American operations have been required to attain and retain ISO 14001 and OHSAS 18001 certification within two years of commissioning or acquisition. This decision came under review in 2016, given difficult market conditions and coupled with the divestment programme. While all operations will continue to implement the standards, certain operations, including those that were identified for divestment, did not seek external certification. Our approach in this regard is subject to further consideration in 2017.

DELIVERING VALUE THROUGH INNOVATION

Operating excellence remains a focus for our Technical and Sustainability function and we aim to continuously improve our operating standards which, in turn, helps to boost cash generation and improve sustainability outcomes.

In a prevailing environment of economic uncertainty, water scarcity and energy shortages, declining ore grades, and productivity decline, it is essential that we continually focus on, and invest in, innovation and technology development.

FutureSmart™ mining is Anglo American's response to the global drive for a more productive and sustainable approach to mining – economically, socially and environmentally. Our approach fosters broad innovative thinking and collaborative partnerships to find solutions to mining's most critical challenges: safety, productivity, water and energy. During 2015 and 2016, we convened FutureSmart™ Open Forums to address these challenges. By bringing together stakeholders with different perspectives we could reframe challenges, allowing us to produce rough prototypes to quickly test ideas and create solutions that can be adopted faster.

Our disciplined, iterative approach to innovation implementation, 'Smartpath', allows us to move quickly from new ideas to new knowledge via continuous assessment, achieving relatively low cost, high reward developments. In this way, we can achieve near term wins to gain momentum and build capability while simultaneously working towards our long term goal of unlocking sustainable mineral value.

One of our core focus areas is water conservation, a critical concern for the mining industry globally. Our ambition is, where possible, to eliminate fresh water from our mining processes, especially in the separation and transportation of ore and waste (tailings). Water sent to tailings disposal often represents the largest water loss at a mine. Fine particle slurries are difficult and costly to dewater. We are examining how we can reduce the cost of dewatering while looking at the physical and chemical properties of the fine ore particles to understand why they cling so resolutely to water. If successful, we have the potential to significantly limit how much fresh water we draw, while also gaining access to orebodies in water stressed areas that are critical to supplying the world's ongoing demand for metals and minerals.

STAKEHOLDER ENGAGEMENT

Our licence to operate depends on constructive relationships with a wide and diverse range of stakeholders. Our aim is to build trust by being transparent, and by understanding the needs and perspectives of those with an interest in our business.

STAKEHOLDER ENGAGEMENT

The purpose of stakeholder engagement at Anglo American is two-fold. First, we have a responsibility to communicate our performance as well as the business decisions and activities that have a material impact on, or are of significant interest to, our stakeholders. Secondly, understanding the needs and perspectives of our partners helps us to make more informed decisions that take into account a diversity of views.

We engage with a wide range of stakeholders, including customers, communities, employees and unions, governments, investors, multinational organisations, NGOs and suppliers. Our approach to engaging with these stakeholder groups, the main issues that were discussed during 2016, and our important memberships and partnerships, are listed on page 86.

Our approach to stakeholder engagement at an operational level is guided by the Anglo American Socio-Economic Assessment Toolbox (SEAT). SEAT provides managers with international best-practice guidance and tools to develop strategies for enhancing the positive contribution of their operations, while also mitigating any negative impacts. Some of the core objectives of SEAT are to improve each operation's understanding of its full range of local stakeholders as well as their views and interests; provide guidance in developing and updating annual stakeholder engagement plans; support local community development; and increase trust and goodwill among host communities. While stakeholder engagement is integrated throughout the document, SEAT offers four specific tools for stakeholder engagement. (SEAT is publicly available at: www.angloamerican.com)

PUBLIC POLICY

As an international mining company, Anglo American is subject to extensive regulation at the local, state, national and international levels and many of our business activities require approval from several levels of government in each of our operating countries. This includes national governments, elected leaders, departmental experts, regional and local officials, and multilateral institutions. Furthermore, as a company listed on the London Stock Exchange and Johannesburg Stock Exchange, we comply with the respective UK and South African legislation and regulation required by our listings.

Anglo American also participates in multilateral initiatives to inform and improve a best-practice approach in the areas of sustainability, community engagement, human rights and responsible business. The public-policy areas relevant to mining companies fit into several broad baskets of health and safety, concessions and permitting, corporate governance and taxation, and environmental performance.

Beyond legal compliance requirements, maintaining and growing our socio-political licence to operate is core to how we work with our host communities, governments and partners. This strong commitment to the communities where we operate drives our approach to sustainability in areas that include socio-economic development, responsible business and transparency, health and infrastructure provision. We actively engage government at all levels to inform and promote an environment conducive to these areas. We also draw on our strategic NGO partnerships and trade associations to promote best practice and encourage multi-stakeholder approaches to solving difficult challenges.

Our government engagement follows a clear and accountable set of parameters, annual planning and assurance processes, which are set out in our Government Relations Handbook. For each jurisdiction, government relations plans are approved annually by the Group and relevant business unit CEOs.

Some of the material issues we discussed with regulators included:

- Revised mining policy in South Africa, Brazil and Chile. We participated in bi- and multi-lateral discussions with governments to suggest amendments where necessary. Our overall aim was to achieve clear, practical codes
- Jobs and economic growth in Botswana and South Africa, where we promote enterprise development programmes and recognise the wider need for jobs in and outside our supply chain
- Tax and transparency in South Africa, Brazil where we participated in technical meetings and aimed to reach agreement in line with international best practice and reporting requirements.

MATERIAL ISSUES

Our approach to sustainability reporting is underpinned by a well-defined process for identifying and evaluating matters that are of common material interest to our business and stakeholders. Understanding external perspectives is crucial to the process.

Our definition of 'material' is aligned with the International Integrated Reporting Framework's guidance:

A matter is material if, according to senior management and key stakeholders groups, it is of such importance that it could in the short, medium and long term:

- **Have a significant influence on, or is of material interest to, our stakeholders**
- **Substantively influence the company's ability to meet its strategic objectives.**

OUR APPROACH

Our process for determining material issues follows a two-year cycle and involves three steps: consultation, analysis, and approval. The first year of the cycle involves intensive consultation and desktop research to identify a long list of material issues. Those are analysed and discussed by internal experts and a panel of external thought leaders before they are ultimately validated by the Board's Sustainability Committee. Material issues in the mining sector are typically slow-moving. For this reason, the second year of the cycle includes only a discussion with external thought leaders and Sustainability Committee validation.

We did not host a separate stakeholder panel in 2016 (year two in the 2015/16 cycle) as extensive engagement was undertaken during the process of developing a new Anglo American sustainability strategy, which is to be released in mid-2017. Feedback received by more than 80 external experts was crucial in influencing our approach, level of ambition and priorities for the strategy, but did not identify any issues that were fundamentally different to those reported on in 2015. Changes to material issues in 2016 were largely of a structural nature: 'Responding to uncertainty' was removed as a stand-alone topic and is addressed on page 08 in 'Our sustainability context'; 'Resource scarcity' has been absorbed by the water and climate change sections. Additional information regarding sustainability considerations associated with divestments and care and maintenance has been included in the mine closure section.

MATERIAL ISSUES IN 2016

DEVELOPING A CAPABLE AND ENGAGED WORKFORCE

To deliver on our business objectives, we rely on a capable and engaged workforce that behaves in a manner that is consistent with Anglo American's values and Code of Conduct. We aim to foster a high performance culture, through building an organisation structure that is fit for purpose, resourcing this structure with the best capability and empowering leadership to deliver results. This issue applies to all Anglo American employees and contractors employed at sites identified on page 79.

PROVIDING SAFE AND HEALTHY WORK ENVIRONMENTS

Protecting the safety and health of employees and contractors at work is one of the most fundamental human rights issues facing Anglo American and other mining companies. While protecting our workforce from harm is a moral imperative for us, our focus on 'zero harm' also constitutes a direct investment in the productivity of the business. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that mitigates operational stoppages, and reduces potential legal liabilities. This issue applies to all Anglo American employees and contractors employed at sites identified on page 79.

UPHOLDING THE HIGHEST SOCIAL STANDARDS

Our ultimate goal is for host communities and governments to be left better off than when we arrived. The first step towards achieving that objective is to ensure we avoid or minimise the negative potential impacts of our activities and maintaining constructive relationships with our hosts. Building these local relationships lays the foundation for effective socio-economic development initiatives and improves our future prospects with governments seeking responsible partners. This issue applies to all communities identified as host communities (including labour sending areas) around Anglo American operations identified on page 79.

MAXIMISING THE BENEFITS OF MINING

Employees, local communities and most host governments rely, to varying degrees, on the economic benefits from mining. We aim for those benefits to be distributed equitably and to result in a more direct flow to communities around our operations. The performance of our business, as well as our licence to operate, depends on understanding and responding to reasonable stakeholder expectations, which continue to grow despite difficult market conditions. Anglo American's asset-disposal programme, and certain operations being placed on care and maintenance, has highlighted the importance of ensuring that our socio-economic development efforts support local stakeholders and institutions to become sustainable beyond mine closure. This issue applies to all communities identified as host communities (including labour-sending areas) around Anglo American operations identified on page 79.

MANAGING THE ENVIRONMENTAL IMPACTS OF MINING

Mining activities result in the disturbance of land, the consumption of resources, the generation of mineral residue, as well as atmospheric emissions and water discharges. Responsible environmental management is an important aspect of legal compliance and permitting, but also plays a significant role in improving the balance of value from mining for local stakeholders – resources are often located in underdeveloped areas where communities rely on ecosystem services for their well-being. This issue applies to all Anglo American operations identified on page 79. In the case of atmospheric emissions and water discharges, the boundary may extend beyond the operation.

WATER

Anglo American is heavily reliant on water as an input to mining and processing activities. The responsible management of water is critical, given concerns around water security, water quality, rising costs and increasing regulation and scrutiny by authorities. While competition between users can result in conflict, Anglo American has made a positive contribution to water security around some operations by leveraging mining infrastructure for community use. This issue applies to all Anglo American operations identified on page 79 as well as the catchments in which they are located.

CLIMATE CHANGE AND ENERGY

We expect that climate change will affect our business in three principal ways: demand for some of our products will change; climate regulation and taxation will have a financial impact; and the physical and social impacts of a changing climate may affect our operations and host communities. Understanding how these changes might affect our value chain is a priority for us as we strive to maximise opportunities associated with the transition to a low-carbon future. Climate change is global in nature and applies to all Anglo American operations identified on page 79.

MINE CLOSURE AND RESPONSIBLE DIVESTMENT

Mines generate economic activity for a limited period, while associated environmental impacts, if not managed effectively, may last well after mine closure. Our challenge is to play a meaningful role in helping local stakeholders sustain the socio-economic benefits of mining beyond mine closure, while remediating our environmental footprint. Effective mine closure mitigates financial liabilities, helps secure future access to resources and can have a positive effect on the financial terms of asset disposals. A number of Anglo American assets have been sold or placed on care and maintenance during the reporting period. Ensuring that sustainability considerations are taken into account throughout those processes is consistent with our values as a responsible miner and a matter of legal compliance in many jurisdictions. This material issue is applicable to all Anglo American operations and associated communities, in particular those that are nearing closure. Specific operations that have been divested or placed on care maintenance are identified on page 79.

DEVELOPING A CAPABLE AND ENGAGED WORKFORCE

We foster a high performance culture through building an organisation where our operations and functions are structured to maximise the effectiveness of the Anglo American Operating Model, resourcing the Group with capable people and designing reward structures that differentiate performance without compromising our values.

EMBEDDING BUSINESS IMPROVEMENT

Anglo American's Centre for Experiential Learning (CEL) is a state of the art facility in Johannesburg, focused on embedding business improvement across the Group.

The CEL delivers programmes comprised of business improvement processes, tools and techniques that aim to achieve stable and capable processes that reduce variability and waste; and in coaching and facilitation skills to improve project execution. The courses are designed to support the roll-out of Anglo American's Operating Model and are aligned with technical and safety training initiatives to improve efficiency and effectiveness of individual and team development.

Both areas of work play a vital role in the delivery of Anglo American's strategy, helping to develop core business processes and deliver a high performance culture.

Learning is achieved through experiential activities related to the particular improvement initiative the delegate is working on. Participants are expected to reflect on the activity, develop a theory

and then conduct experiments to test the theory's validity before attempting to initiate a solution, i.e. doing, reflecting, investigating, validating and then practising to enhance performance, with the assistance of an experienced business improvement coach. This approach provides employees with tangible skills and outcomes which can be effectively applied to real work processes and individual and team development.

In 2016, the CEL continued to support the Group in the delivery of its strategy and development of our people. In total, business improvement training – including inter-personal skills and Operating Model training – was conducted with more than 1,500 employees. These employees attended more than 90 events, representing teams from across the business – in both functional and operational areas – totalling more than 3,000 training days.

The focus for the CEL in 2017 will be to continue to support the roll-out of the Operating Model and collaborate with sites on leading business improvement practices.



A workshop is facilitated at Anglo American's Centre for Experiential Learning, with employees from across the Group.

ORGANISATION DESIGN THAT ENHANCES BUSINESS PERFORMANCE

As Anglo American's portfolio evolves, we continue to create a leaner and more effective business that is built around strong, product-focused operating units, supported by functions that provide value-adding expert leadership and ensure effective governance in order to improve business performance.

During 2016, we continued the review of our organisation to structure work more effectively, establish clear accountabilities and authorities, and remove role duplication. The review has taken place in line with the principles of the Organisation Model and is aligned with Anglo American's Operating Model, which has been rolled out at nine of our operations. As we implement the Operating Model, we are adapting our operational structures in order to derive maximum benefit from its design, which focuses on improving work processes and systems. We are also reshaping our corporate functions to maximise the value of the relationships that exist between functions and operations, while reducing costs.

The resultant design, known internally as the Functional Model, intends functions to become more cohesive, for functional work to become more integrated and for functions to have a higher level of accountability for business outcomes.

This Functional Model is delivering benefits through our ability to:

- Better promote the sharing of resources and the dissemination of best practice
- Bring consistency and the highest level of functional expertise to all business units and their operations
- Support the development and retention of highly capable people by creating career paths and opportunities that go beyond the boundaries of a single site or business unit.

While the primary focus has been on designing our functions to maximise the value they can provide, the streamlining of the Group's portfolio has also required that the size of corporate structures and overheads be reviewed to ensure they remain fit for purpose.

Number of permanent employees and contractors by region 2016⁽¹⁾

		%	
Africa	87,006	75	
South America	19,575	17	
Australia	5,281	5	
Europe	1,869	2	
North America	1,171	1	
Asia	515	1	
Middle East	10	0	
Total	115,427		

⁽¹⁾ These figures reflect the annual average of employees and contractors at managed operations during the year.

At year end, Anglo American's total headcount was 95,000 – a reduction of 32,500 people from 2015. This reduction was largely driven by the disposal of the Rustenburg complex in Platinum, niobium and phosphates, De Beers' Kimberley mine, and the Foxleigh and Callide coal assets in Australia, in addition to employee reductions across the entire portfolio. The number of people working in indirect roles (that is, not directly involved in production) across the Group reduced from 11,500 to 8,700 as our support functions were rightsized in line with the disposal process. We will continue to review the size of our support structures as the portfolio evolves.

Throughout our restructuring processes, we maintain a focus on managing employment separations respectfully and fairly. We follow due legal processes in all countries in which we have a presence and seek to engage with governments, employees and unions in order to make difficult situations as fair and transparent as possible. We work with affected employees to honour our commitments and offer support measures, including external services, to assist in finding employment elsewhere.

MANAGING TALENT AND DEVELOPING SKILLS

Equipping Anglo American with an engaged and productive workforce is essential for our success. In assessing capability, we consider technical skills and knowledge that have been acquired through experience and practice; mental processing ability; social process skills; and application (the degree of drive and commitment a person displays).

Number of permanent employees and contractors by business unit 2016⁽¹⁾

		%	
De Beers	20,557	18	
Platinum	42,918	37	
Copper	9,105	8	
Nickel	2,512	2	
Iron Ore Brazil	4,191	4	
Kumba Iron Ore	10,483	9	
Coal	19,840	17	
Niobium	1,369	1	
Phosphates	2,047	2	
Group functions	2,405	2	
Total	115,427		

⁽¹⁾ These figures reflect the annual average of employees and contractors at managed operations during the year.

We continue to invest in developing a pipeline of future talent. As part of that process, we provide development and training opportunities to our managers and workforce, which are vital in encouraging our people to grow in their work. Anglo American has a range of external and internal development programmes and spent more than \$73 million on training in 2016. In an increasingly competitive market for skills, we invest in developing a pipeline of future talent through our support of 2,700 graduates, bursars, apprentices and trainees.

Amongst the various programmes, 'Building Leaders and Shaping Talent' (BLAST) provides an accelerated development opportunity for a select number of recent graduates. The programme provides rotation across three roles and two continents in four years, thereby affording a mix of experience and global exposure across commodities and disciplines. This pathway enables participants to be considered for middle management roles by the time they exit the programme. In addition, graduates from tertiary institutions are placed on Professionals in Training programmes to ensure the technical skills are advanced to follow Anglo American's workplace standards and meet various countries' legal requirements.

Anglo American has numerous initiatives focused on supporting education and development from schools through to tertiary institutions as well as programmes targeted at building skill and leadership capability. We develop skills in mining as well as non-mining-related sectors and provide basic literacy and numeracy to our employees, contractors and community members through adult basic education and training programmes.

In South Africa, the 2016 South African Graduate Employers Association (SAGEA) survey recognised Anglo American as the Employer of Choice in the South African Mining Sector for the fifth consecutive year.

During 2016, voluntary turnover was 2.2%, while new hires amounted to 5.9% of permanent employees.

FOCUSING ON DIVERSITY AND INCLUSION

Anglo American embraces diversity in all its forms and complies with relevant legal obligations across host jurisdictions. We seek a workforce that represents the regions within which we operate and we provide opportunities for broader development within those regions. A diverse workforce brings greater variety of thought to tackle the complex, global challenges we face. We continually develop our workforce so that we will have this diversity among our leaders of the future. By year end, women made up 18% of our overall workforce (2015: 18%) and 25% of managers (2015: 25%). The proportion of permanent employees under 30 years of age was 14%, those between the ages of 30 and 50 accounted for 68% of the workforce, and the remaining 18% were over 50 years of age.

In our South African operations, we continue to promote transformation. By year end, 62% of Anglo American's management population comprised 'historically disadvantaged South Africans'.

SUPPORTING LABOUR RIGHTS

As expressed in our Human Rights Policy, and as signatories to the United Nations Global Compact, we are committed to the labour rights principles set out in the International Labour Organization core conventions, including the right to freedom of association and collective bargaining, the eradication of child and forced labour and non-discrimination. Observance of these rights is required of all our operations, irrespective of location, as well as of suppliers.

At our operations, we have policies and processes in place in order to ensure that we do not employ any under-age or forced labour. No incidents of employing under-age or forced labour were reported in 2016.

FOSTERING SOUND INDUSTRIAL RELATIONS

Approximately 75% of our current permanent workforce is represented by works councils, trade unions or other similar bodies and covered by collective bargaining agreements. We seek to improve relations with our employees and their representative bodies and see trade unions as key partners in promoting the broader welfare of our employees. In 2016, there were four instances of industrial action lasting longer than a week.

In South Africa, the labour relations climate remains challenging. However, we were pleased that in Platinum a three-year wage agreement was reached without strikes, with the increases being in line with the consumer price index of the country.

At De Beers, the company hosted a facilitated 'Relationship by Objectives' workshop with the National Union of Mineworkers, where clear objectives and timelines for managing the relationship have been agreed in preparation for wage negotiations in 2017. An unprotected strike took place at the company's Venetia mine from 22 October to 4 November 2016, which included participation from community members. The industrial action was resolved through engagement with union and community leaders and relief granted by the South African High Court.

Some parts of Chile are facing an increase in social conflicts amid social and legislative change in the country. Anglo American operations in Chile have seven recognised unions, which represent the vast majority of the Chilean workforce. Over the past four years there has been a notable strengthening of unions, supported by recent labour reforms. During 2016, we participated in collective bargaining processes at El Soldado and Los Bronces that incurred strikes of 13 and seven days, respectively, before

an agreement was reached. At the end of November, unrest by contractors' employees resulted in illegal occupation of our operations in Chile. Anglo American facilitated the dialogue which led to an agreement between the employers and employees.

In Brazil, the macro-economic and political environment is creating the context for difficult labour relations. Although no strikes occurred during 2016, there was significant union activity over proposed changes to employment conditions.

In Australia, the industrial relations environment has seen a relatively low level of disputation over the past three years, particularly in the mining sector as the industry is having to meet the challenge of weak global commodity prices and the closure of unviable operations. As a result, there have also been very few Enterprise Agreements successfully renegotiated, with the major mining union, the CFMEU, adopting an approach of continuing to operate under expired agreements. Since 2014, Anglo American has successfully renegotiated collective agreements at Moranbah North and Foxleigh mines without strike action. The collective agreement at Capcoal mine expired in 2014 and, despite numerous bargaining meetings since then, the parties were unable to agree new terms and conditions. In August 2016, approximately 135 employees at Capcoal mine commenced protected strike action and remained on strike until January 2017.

REWARD STRUCTURES THAT DIFFERENTIATE PERFORMANCE

A high performance organisation hinges on strong leadership from line managers and a culture centred on rewarding successful business outcomes. It is critical that we provide appropriate remuneration to attract, retain and motivate the right calibre of employee in the regions within which we operate.

We implement a performance management and remuneration framework that is designed to reward our people on the basis of their performance, giving equal emphasis to delivery and behaviour through short term incentives. Our structured performance management and appraisal process is geared to support a values-driven, high performance culture.

Senior leaders within the organisation are incentivised with longer term awards which are provided on meeting predetermined objectives that are in line with those of shareholders. Refer to the 2016 Anglo American Annual Report for a comprehensive account of our approach to remuneration.

In total, 15% of employees received formal performance and development reviews. Of those who received such reviews, 72% were male and 28% were female.

SAFETY AND HEALTH

Making sure that everyone who works for us is not exposed to harm is our foremost priority. Achieving this depends on having the right controls in place for all hazardous activity, and on each control always working properly and being used effectively. Effective control of safety and health risks protects our people and enhances productivity.

ROBUST CRITICAL CONTROL MANAGEMENT AT LAS TÓRTOLAS

In June 2016, the Las Tórtolas tailings dam team at Los Bronces copper mine in Chile took part in a four-day 'deep-dive' exercise. Its purpose was to review and improve how major risks are managed to ensure the integrity of the dam and that the material it contains is always secure.

This process confirmed that the team had a robust control regime in place and highlighted a range of good practices from which other sites can learn. This includes the importance of ensuring that the priority unwanted events that must be prevented have been correctly identified and their nature fully understood. To achieve this, the team undertook high-quality 'bowtie' analysis of each event. This not only included selecting the correct critical controls but also their performance specifications, escalation factors and assigning verification and monitoring responsibilities. If the performance of a control changes, the team is able to spot this immediately and proactively identify how best to remedy the situation.

One of the most important insights from this work was how vital taking a multi-stakeholder approach was to not only the planning process, but also the successful implementation of the resulting control regime. All members of the tailings dam team – from vice president of operations to the plant manager, superintendent, supervisor and front line operators – were involved. This ensured that decisions and choices made were based on the right information and knowledge, and that the way in which critical controls were used was tailored to the needs of the individual operator carrying out each piece of work.

This high degree of team involvement has created strong collective ownership of both the risks and their critical controls. It has also reinforced that critical control management is an active and continually evolving process that demands a mindset of continuous improvement.



At Las Tórtolas in Chile, operators Carlos Vasquez and Patricio Guajardo, review safety procedures on the wall of the tailings dam.

SAFETY

OUR PERFORMANCE

Our relentless focus on safety in the workplace was overshadowed by the loss of 11 members of our workforce in 10 fatal work-related incidents at operations managed by Anglo American in 2016. These fatalities represent a very disappointing increase on the six workplace deaths in 2015, and in view of the good progress the Group has made in reducing injury rates.

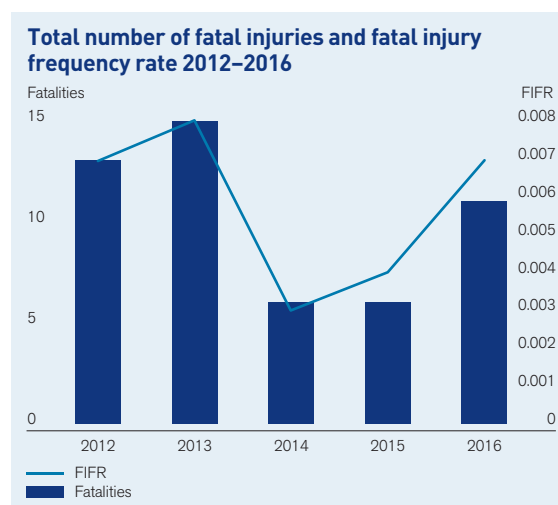
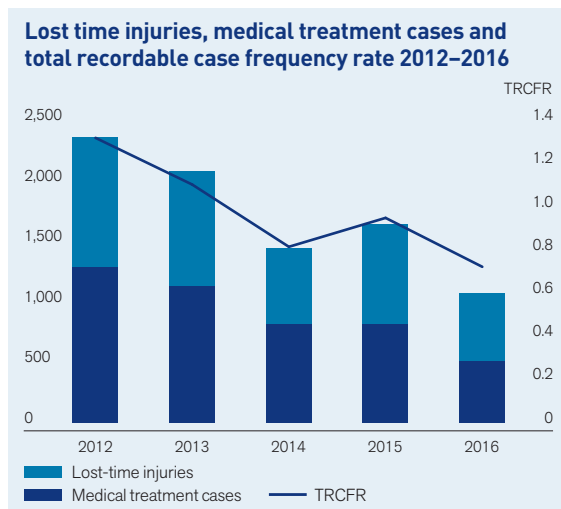
A further four non-work related deaths occurred in 2016. These related to an aviation incident in Chile; criminal activity at a Coal operation in South Africa; and a fall from height at Kumba Iron Ore. While these are not formally recorded in Anglo American statistics, they are subject to rigorous investigation and management action to prevent repeats.

The Group's fatality injury frequency rate at the end of 2016 was 0.007 compared to 0.004 in 2015. In South Africa, seven deaths occurred at our Platinum operations: two were the result of a fall of ground; four involved moving machinery; and one occurred during an unplanned detonation of an explosive. At Kumba, an employee died in a moving machinery incident and another was fatally injured while working with electricity. At De Beers, a Debswana employee lost his life in a lifting and rigging incident in Botswana and a dozer operator in Namibia died at the Namdeb southern coastal mines.

Any loss of life is unacceptable and we remain unwavering in our commitment to achieving our vision of zero harm. Throughout 2016, we strengthened our control improvement programme by placing emphasis on the effective management of critical controls to prevent harm. This work will continue during 2017 with the aim of ensuring that each of our sites follows a consistent approach.

Our lost-time injury frequency rate declined by 21% from 0.47 in 2015 to 0.37 in 2016, and our total recordable case frequency rate (TRCFR), which includes any injury that requires more than first-aid treatment, decreased by 24% from 0.93 in 2015 to 0.71 in 2016.

Our operations continue to increase and improve reporting of, and learning from, high potential incidents (HPIs) as a preventative tool to improve safety and health performance. This reporting has been extended to include high potential hazards (HPHs), which allow for gaps or control failures to be identified, and addressed, before an incident occurs. Our most common HPIs involve transportation, falls of ground, moving machinery and electricity.



SAFETY continued**MAKING HELICOPTER TRANSPORTATION SAFER AROUND THE WORLD**

Group Exploration and Geosciences (GEG) uses helicopters to support exploration and geophysics work in a number of countries with extreme, rugged topography. As this is assessed as a moderate to high risk activity, we have taken various actions to make helicopter operations safer in 2016 and beyond.

These services are usually provided by a third party, hence GEG and the Anglo American aviation team work closely with each supplier to make sure they fully comply with our internal aviation standard and, wherever possible, exceed industry good practice. External aviation expertise in each country is also used to develop an aviation safety case, risk assessment and 'bowties' to manage every helicopter-supported project.

An open and transparent incident reporting system is critical when working with helicopters so that any issues can be addressed in a timely manner. GEG has a strong reporting culture, particularly around near miss reporting, and shares this information with the Anglo American aviation team for additional analysis and oversight. To speed up this process, the aviation team now automatically receives incident reports whenever key aviation language or aviation equipment is referred to in the online incident reporting module of our reporting system.

In order that every individual who travels by helicopter undertake appropriate training, online helicopter safety induction training was developed by GEG. This is in addition to the standard pre-flight briefing provided by pilots and has been extended recently to all personnel working in remote locations, even if not helicopter-supported, owing to the risk that medical evacuation is required.

In early 2016, following an analysis of recent helicopter incidents, we identified that loadmaster actions or inactions were a common feature of incidents. Having a suspended load under an aircraft adds complexity and requires fit-for-purpose aircrafts with appropriately trained and competent pilots and ground crews. To address this, we work directly with our helicopter providers to improve loadmaster training which now includes rigger and dogman competencies.

A particularly high risk activity for both the helicopter pilot and their supporting ground crew is slinging, which is used for external loads. Incidents can occur owing to inexperienced ground and air crews, improper planning, rushing to prepare a load, and use of incorrect or damaged equipment. Effective training can prevent or mitigate many of these potential causes, but training must be consistent and formalised. In Canada, we recently worked with the Association of Mining Exploration and the Prospectors Development Association to develop an online slinging training tool, now available for use on both their websites.

**PROVIDING A SAFE WORKPLACE**

Operating safely, sustainably and responsibly remains integral to our business strategy. Our aim is to continually build and instil both a company and industry culture that protects people from harm and improves their health and well-being. Achieving this depends on working in partnership with our employees, their families, our contractors, suppliers and the wider community to reinforce the imperative of working safely at all times.

Our safety management approach is risk-based and focuses on integrating safe working practices into every aspect of what we do. This is founded on three key principles: a mindset of zero harm, no repeats and the application of simple, non-negotiable standards.

During 2016, we added further impetus to improving the use of controls to prevent harm by focusing on critical control management and strengthening 'visible felt leadership' (VFL) across the Group. These will remain priorities in 2017 and will be supported by additional programmes to further strengthen leadership and accountability for safety at

every level. The safety improvement plans implemented at each of our operations reflect these Group-wide priorities as many of the challenges and opportunities are shared.

Critical control management

The most important action we can take to protect people and save lives is to improve how critical controls are managed at each of our operations. Achieving a step-change in the quality and implementation of critical controls is the focus of our safety-critical-control management programme, which is linked to Anglo American's Operating Model and Operational Risk Management (ORM) programme. Targets relating to the delivery of ORM form part of management incentives.

A control is an act, object (engineered) or system (combination of act and object) intended to prevent or mitigate an unwanted event. A critical control is one that is crucial to prevent an unwanted event (such as loss of control of a light vehicle) or in mitigating the consequences of such an event if it happens.

SAFETY continued

WORKING IN PARTNERSHIP TRIPARTITE INITIATIVE COLLABORATES TO IMPROVE SAFETY LEADERSHIP

Our leaders regularly conduct visible felt leadership (VFL) at all our operations, with many thousands of such interactions taking place each month. As their effectiveness depends on how well they are carried out, improving their quality and impact is important. Working in collaboration with Anglo American's Tripartite Initiative – a senior leadership forum comprising company, government and labour union representatives – various ways of doing this have been explored and implemented.

A new online VFL resource centre was launched in August with a range of resources to help leaders enhance the quality of their interactions. This includes a suite of inspiring video clips that capture the experience and advice of a range of individuals, including senior leaders, site general managers and frontline operators. These share each individual's passion for safety, their personal insights on how to successfully use VFL to foster a stronger safety culture and reinforce the difference VFL makes.

To help people understand and use critical controls more effectively, a format for doing VFL with a critical control emphasis was introduced as part of Global Safety Day 2016 activity. Most of these VFL discussions were held one on one or in small groups, which is proven to be the most effective format. The feedback gained was woven into local improvement activity and shared on Global Safety Day itself.

The materials that are used to train leaders on VFL have been updated and reformatted to improve their focus and impact. The team is now looking at ways to streamline how we record and act on the important issues raised during these engagements. New feedback mechanisms and tools for employees to share their own experience of VFL will be piloted during the first half of 2017 to help further shift our safety culture to one that has care and respect at its heart.



On Global Safety Day in 2016, Mark Cutifani (centre), visited Los Bronces copper mine in Chile, where he rehearsed a visible felt leadership intervention.

Ensuring effective critical control management depends on many factors and requires a multi-faceted approach. This approach includes ensuring that each control is correctly identified, of appropriate quality, and is properly implemented. Robust monitoring specifications and processes need to be in place to ensure that the controls are effectively understood and used at management levels and by those at greatest risk: supervisors and operators working on the frontline.

While we have made good progress in ensuring that people understand what critical controls are, and upon what their effective use depends, we need to strengthen levels of accountability and responsibility for their implementation. More work is required to ensure that actions relating to critical controls are implemented timeously at every operation. There is also scope to better enforce and conform to standard operating procedures and safe work practices. This links closely with the need to further enhance frontline supervision so that supervisors can dedicate as much time as possible to ensuring the right safety behaviour is exhibited, and procedures are correctly applied and followed.

Much of the early work on piloting and refining the safety-critical-control-management programme was undertaken at coal operations in Australia. During 2016, the Group project team piloted the programme at three more operations: Los Bronces, Venetia mine, and Platinum's converting process plant. In each case, the exercise brought key stakeholders together to design and agree practical action plans for accelerating and improving critical control management across all areas of the operation. (See case study on Los Bronces' Las Tórtolas tailings dam on page 28.) Each review identified good practices as well as opportunities for improvement. The collective learnings have been used to create a model for improving critical control management, which will be rolled out at further operations over the next two years.

Anglo American's annual Global Safety Day brings all our employees and contractors together to focus on a shared challenge. Introduced in 2011, the initiative continues to forge a greater commitment to shared responsibility for safety. In 2016, the Safety Day built on the previous year's theme 'controls protect and keep you safe' to deepen the discussion on critical controls. The day marked the culmination of a phased process over three months, during which all participants were given multiple opportunities to consider critical controls and what their effective use depends upon: the right method; the right equipment, properly maintained; and the right behaviour.

A focus on critical controls was incorporated into the VFL programme that is regularly conducted at sites and offices. This has encouraged leaders to better understand the daily use of controls and identify improvements. On Safety Day, reflections on insights gained and opportunities to improve critical control use in the workplace were shared and informed local action and improvement plans. In parallel, Group corporate functions have identified how their work impacts on critical control use and what they can do to better support safe working at the front line.

SAFETY continued**Improving work management and standards**

We continue to improve the planning and scheduling of work and tasks through the implementation of our Operating Model. The Operating Model has been implemented in part or in full at nine sites, and will be extended further in 2017. Its implementation will improve the stability and predictability of our operational activity and minimise the likelihood of unplanned events. Critical controls are incorporated in all appropriate work management aspects of the Operating Model.

During 2016, we combined our safety, health and environmental management system standards into a single 'SHE Way' in an effort to integrate and streamline our approach, and stay in line with global best practice.

The SHE Way will be rolled out in 2017 and is expected to make expectations and requirements relating to our critical risks clearer and improve consistency in implementing the standards.

Leadership and accountability

Ensuring that leaders at all levels of the organisation take personal responsibility for safety is a vital part of creating a company culture that values safety. We felt it important to emphasise this in 2016 as we underwent further organisational restructuring. This has involved, among other elements, reducing the number of management layers across the organisation. From a safety perspective, this has promoted greater accountability at a corporate level for operational safety performance, and has the benefit of sharing knowledge and learnings more efficiently.

Our Group-wide safety communication programme strives to keep safety top of mind for all employees throughout the year, but it also has a particular focus on supporting leaders to entrench cultural change within their teams. The programme includes our 'let's talk safety' initiative, which is implemented across all our corporate offices and sites to make the sharing of safety learnings and information a regular feature of formal meetings across the Group. The initiative is designed around a monthly topic and provides a means for people to regularly talk about safety wherever they work. Updates on safety performance are also regularly cascaded and leaders are encouraged to reflect on their own personal safety leadership.

The findings from recent incidents have highlighted the need to further strengthen leadership and accountability around safety. In response, we will be launching a dedicated safety culture programme in 2017, which will be reinforced by the annual Global Safety Day campaign.

Learning from incidents

For each incident resulting in loss of life or a critical injury, an independent investigation is conducted to understand the root causes, weak or absent controls, and remedial actions required to prevent repeats. The lessons learnt from each are shared via our Group learning from incidents (LFI) process and discussed at the Board Sustainability Committee, as well as executive and site management levels.

During 2016, we refined our incident investigation process to ensure that it aligned with both our critical control management and ORM processes. This exercise has enabled us to streamline the process, and enhance both the quality of investigations and the recommendations that transpire.

A central database stores incident information and we continue to improve how we distribute notifications and lessons learnt. This includes a Group-wide process for sharing urgent and important information that requires action. Our focus in 2017 will be on improving the speed at which the learnings are implemented to ensure we prevent repeats.

HEALTH

OUR MANAGEMENT APPROACH

Our health strategy addresses three focus areas:

- protecting employees through the identification and control of occupational health risks in the workplace
- implementing employee well-being programmes that support the overall health of our workforce
- building partnerships to support the health of communities around operations and in labour-sending areas.

OCCUPATIONAL HEALTH

The Anglo American Occupational Health Way has since 2008 guided us in striving for zero harm. In 2016, we integrated our Occupational Health, Safety and Environment Ways into a single SHE Way to improve and streamline our management systems. Our increasingly integrated approach is consistent with the implementation of the ORM process for all operational risks. Through ORM, we require that operations identify their critical health risks, implement controls to mitigate those risks, monitor the effectiveness of controls, and learn from incidents in order to prevent repeats. ORM implementation forms part of the incentive-based remuneration for all senior executives.

Our principal occupational health risks relate to noise, inhalable hazards, musculoskeletal stress and fatigue. Mandatory technical standards are in place to ensure that each of these risks is addressed in a robust and consistent manner.

Controlling occupational exposure

Our occupational hygiene programme targets the elimination of occupational health hazards at source. During 2016, all sites were required to identify and assess their occupational health risks, and identify the controls needed to manage those risks. Several sites started to implement critical-control management plans to address their critical

health risks. This includes defining performance parameters and putting systems in place to monitor and measure control effectiveness.

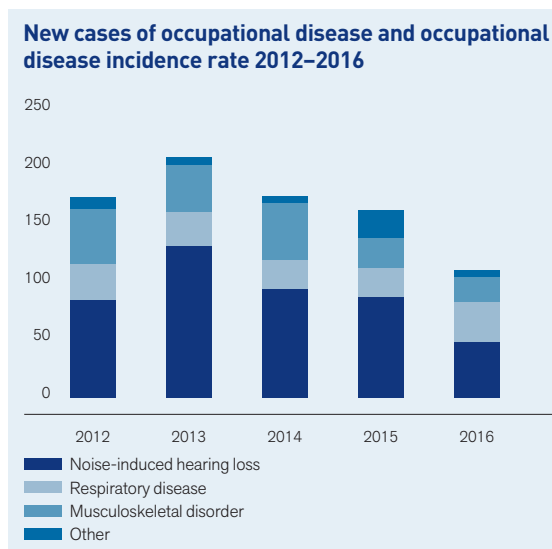
All our businesses report on the estimated number of people working in environments where they may be exposed to health hazards above the occupational exposure limits (OELs) set per individual health risk. In workplaces where there is a possibility that an OEL might be exceeded, employees are provided with appropriate personal protective equipment (PPE), such as hearing protection devices or respirators. We have intensive programmes in place to ensure that employees and contractors are trained in the appropriate use of the provided PPE, and adhere to requirements in areas where hazards are present.

In 2016, Anglo American's risk profile changed considerably following the divestment of Platinum's Rustenburg operations in South Africa (the vast majority of employees at risk of excessive exposure to noise and potential noise-induced hearing loss are underground rock drill operators at our Platinum operations). The number of employees reported to be working in environments with noise levels in excess of the eight-hour exposure limit of 85 dB(A) decreased from 40,869 in 2015 to 26,280 in 2016. Employees who were reported to be working in environments where they were potentially at risk of exposure to inhalable hazards at levels in excess of the relevant OELs dropped from 8,561 in 2015 to 6,047 in 2016.

Good progress has been made at mitigating noise levels at Platinum's remaining operations. Amandelbult has continued work on attenuating underground rock drills and rolling out customised hearing protection devices. The site has also introduced otoacoustic emission screening as a tool for early hearing loss detection. Mogalakwena mine has initiated a project to reduce the noise levels of the equipment inside haul truck cabins. Early results indicate a reduction in noise levels from 90.8 dB(A) to 81.7 dB(A).

Kumba has reduced noise levels on all equipment to below 107dB(A), in line with the Mine Health & Safety Council milestone requirements in South Africa. The business continued with a programme to equip all its high-risk employees with customised hearing protection devices to ensure the best possible protection.

Critical control management interventions have significantly mitigated levels of dust exposure at the Los Bronces crusher plant, as well as levels of exposure to a number of inhalable hazards at our Platinum process operations. De Beers Canada has integrated critical controls into the plant development design at its Gahcho Kué mine in order to eliminate dust exposure. Our Coal operations, where coal dust remains a significant hazard, implemented several initiatives in 2016 towards achieving their goal of zero occupational exposure to coal dust. The operations are reviewing engineering controls and monitoring systems, and collaborating with industry and regulators to identify areas for research and development.



HEALTH continued**Health incidents**

We report five levels of health incidents. Low level incidents (Levels 1-2) are indicators of control failure resulting in the release of a health hazard in the working environment, but not necessarily in harm occurring. Level 3-5 incidents are instances in which a control failure sustained over a prolonged period of time has caused harm. We are in the process of defining high potential hazards (HPHs) and high potential incidents (HPIs) in the area of health and occupational exposure to better align the health discipline with the Group LFI process, which is applied across the safety, health and environmental disciplines.

Monitoring the health of employees

Anglo American's occupational medicine programmes ensure that the baseline health of every employee entering the workforce is recorded, that their state of health is monitored throughout the duration of their employment, and that focused interventions are made to help the individual sustain and potentially improve their health. Our medical surveillance programmes diagnose early signs of ill health, which are treated and investigated. They include health screening for common lifestyle diseases such as hypertension, diabetes, cholesterol and obesity. Lessons learnt from our medical-surveillance programmes help inform our approach to occupational hygiene.

We continue to develop and standardise our systems for managing confidential health information. At our South African operations, we implement advanced electronic health record systems that allow health professionals to capture each health visit through a secure website. The employee's online record is linked to their hazard exposure profile and can be accurately tracked and analysed over time.

The number of new cases of occupational disease reported in 2016 was 111 (2015: 163). This improvement was led by a significant reduction in noise-induced hearing loss and, to a lesser extent, the divestment of operations (where cases are recorded only up until the date of disposal).

Anglo American has recorded no cases of silicosis owing to exposure at our operations since 2011. While cases of silicosis have been diagnosed at platinum operations, these are a result of exposure during prior employment. There is no risk of exposure to silica dust at platinum operations owing to the nature of the ore.

In 2016, we recorded 21 cases of coal-workers' pneumoconiosis (CWP) at Coal South Africa and one at Coal Australia. These cases are investigated to better understand their causes, including the past and current occupational exposure profiles of those who become ill.

In the Queensland, Australia, coal mining industry a total of 18 new cases of CWP have been identified since early 2015. This development was a concern for us and others in the sector – CWP was thought to have been eradicated from the coal industry in Australia. The actions of Anglo American's coal operations in Australia to alleviate concerns included conducting additional chest examinations for all underground employees, increased dust monitoring at underground mines, substantial reviews and improvements of engineering controls, and the introduction of real-time dust monitors at each of Coal Australia's underground mines.

**WORKING IN PARTNERSHIP
DEVELOPING OCCUPATIONAL
HYGIENE SKILLS**

As part of our efforts to develop skilled occupational hygiene resources in South Africa, Anglo American is supporting a Chair of Occupational Hygiene at the University of the Witwatersrand in South Africa, and the position's associated activities, with an endowment of \$1.4 million over the period 2014-2019.

During 2016, we supported four PhD students and six Masters students in occupational health and hygiene related fields of study, including research projects at Anglo American operations. Anglo American collaborates with other mining houses and universities across Chile, Australia and South Africa to encourage joint research activities and publications, academic staff visits and the exchange of academic materials and other information.

**Compensation for occupational lung disease
in South Africa**

Anglo American South Africa (AASA) and AngloGold Ashanti have concluded an agreement for the settlement of 4,400 silicosis claims. The settlement was without admission of liability by either company and the terms of the agreement remain confidential. The settlement amount paid by the companies will be administered by an independent trust, which will determine medical and other eligibility and compensation to claimants with the funds available. Compensation will be determined at the discretion of the trustees, and will be based upon the agreed guiding principles set out in the trust deed. The first approximately 50 payments were made to eligible claimants during December 2016.

In 2013, an application was instituted in the Johannesburg High Court against AASA and another 31 mining companies on behalf of approximately 30,000 unnamed ex-gold mineworkers for the certification of a silicosis and a tuberculosis (TB) class action. AASA and the other 31 defendant mining companies opposed the application, which was granted by High Court in May 2016. The Supreme Court of Appeal (SCA), however, has granted the defendants leave to appeal and the SCA hearing is likely to take place in the third quarter of 2017.

Anglo American and five gold mining companies, all of which are defendants in the Class Application, formed an industry working group in 2014 that has met on a regular basis and held extensive meetings with the claimants' lawyers and key stakeholders from government, labour and industry. The working group's objective is to develop, in conjunction with relevant stakeholders, a comprehensive resolution of the silicosis litigation and related statutory compensation, which is fair to employees and also ensures the future sustainability of companies in the industry.

HEALTH continued**EMPLOYEE WELL-BEING**

Through our wellness programmes, we strive to improve and maintain the health of our people and reduce absenteeism, which can have a significant impact on the ability of teams to execute planned tasks safely and effectively. In South Africa, TB and voluntary counselling and testing for HIV is included in the health screening. We offer all our permanent employees subsidised health insurance. All contractors have access to our HIV and TB testing and to medical surveillance, though their levels of access to our more comprehensive wellness offering vary across the business.

The total absenteeism rate (absenteeism owing to injuries on duty, non-work related injuries, and sickness) remained the same year on year at 5.4%. De Beers' absenteeism rate declined from 2.1% in 2015 to 1.9% in 2016. The business focused on stress management and employee psychological well-being, and HIV-related absenteeism. Kumba and Platinum continue to implement initiatives aimed at reducing high levels of long-duration sick leave and high frequency sick leave at their operations.

Wellness is impacted by all facets of life, including financial considerations. At many of our southern African businesses, high levels of employee indebtedness, continue to affect employee well-being. More than 8,000 employees have been assisted through Platinum's employee financial wellness programme, which has achieved R29 million (US\$2.1 million) in debt relief.

Weight management remains a concern at most operations. Obesity can trigger a range of other chronic medical conditions and aggravates the incidence of musculoskeletal strains, as obese individuals may no longer be fit to execute physically demanding tasks. Body mass index monitoring in certain areas of the business, provide insight into an escalating occurrence of obesity. In these regions and others, education campaigns focus on the importance of diet and exercise, while many operations facilitate access to professional medical support.

Our Los Bronces operation in Chile, screens its employees for fitness to work at extreme altitude. Over the past two years, more than 2,200 examinations were undertaken and around 170 employees were deemed unfit. The operation implements a highly effective health management programme to assist employees in regaining and maintaining adequate levels of fitness to undertake their duties. More than 97% of the unfit workers are no longer at risk. Health sessions are held onsite, which include activation, motivation and alertness sessions, as well as relaxation and stress-management activities. Employees can consult nutritionists at medical clinics and good practice audits are undertaken at cafeterias and for drivers at the site.

In 2016, we implemented a global stress-awareness campaign through the company intranet. Other campaigns focused on mental health and emotional well-being, stress management, substance abuse, smoking cessation, cardiovascular disease, work-life balance, sexual health, and influenza vaccinations.

Managing TB and HIV/AIDS

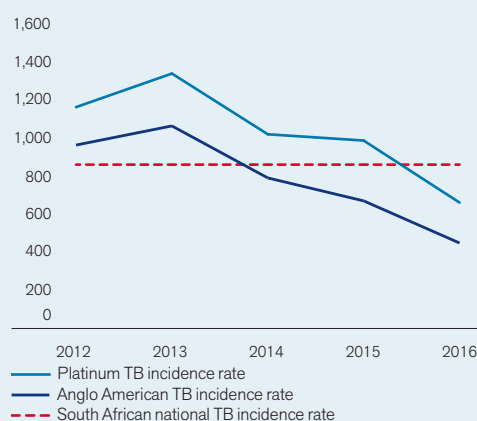
In southern Africa, TB and HIV are inextricably linked. In South Africa, we work with government in tackling the issue on an industry-wide scale to improve the health of our workforce and ensure that productivity in the mining sector is not unduly constrained.

We are recognised leaders for our TB and HIV/AIDS programmes in the workplace, and most of our performance indicators continue to show a steady improvement. At all our South African businesses, there nonetheless remain challenges, such as early diagnosis, timeous enrolment in disease-management programmes, and adherence to treatment for HIV and TB. Regrettably, we continue to diagnose new HIV cases each year and we endeavour to strengthen our prevention efforts to bring the incidence rate down.

We aim to achieve the UNAIDS global targets in terms of which, by 2020: 90% of our employees should know their HIV status, 90% of identified seropositives should be on anti-retroviral therapy (ART), and 90% of those should have undetectable viral loads. In 2016, most businesses achieved 90% of employees knowing their status. Coal South Africa in particular continues to demonstrate exemplary management of TB and HIV/AIDS; in terms of the new 90-90-90 HIV reporting, its programme compares favourably with the world's leading country programmes.

Testing (through our wellness programme) is the entry point to our comprehensive programme of prevention, care, support and treatment for HIV and AIDS. In 2016, we tested and counselled 83,655 employees and contractors in southern Africa (2015: 89,866). Participation in voluntary counselling and testing (VCT) in our full-time workforce showed an encouraging increase to 88% (2015: 68%).

Anglo American TB incidence rate, per 100,000 employees relative to the national average 2012–2016



HEALTH continued**INH PROGRAMME IN RUSTENBURG**

Following a full review of its TB and HIV management programmes, Platinum has achieved a significant improvement in performance across incidence rates, disease management programme (DMP) enrolment and treatment uptake.

The review examined the people, processes and technologies used, and the resulting plan included; increasing staff numbers and training opportunities; managing seamless referrals and the introduction of red flags to trigger follow up of defaulters and those not enrolled on DMP; the use of the Tuberculin test and the availability of single-dose isoniazid (INH) prophylactic therapy.

Between January 2015 and November 2016, the cumulative number of 'high risk' employees started on INH prophylaxis was 5,522. The follow-up of individuals with known HIV-positive status who had not joined the programme saw just over 96% of people enrolling.

The registration on HIV disease management and enrolment on anti-retroviral therapy (ART) significantly increased over this period – with HIV registration increasing from 6,727 in 2013 to 7,954 in October 2016. ART enrolment increased from 4,231 in 2013 to 6,418 in October 2016. Of the individuals on DMP, the proportion of ART uptake increased.

TB incidence has been decreasing over the past three years – with a reduction in both pulmonary TB and extra-pulmonary TB.

Against the backdrop of the 'test and treat' treatment guideline and the 90-90-90 target set by UNAIDS, Platinum will continue to work towards meeting these new targets. In addition, it will strengthen its partnerships with district health facilities and other social partners to ensure that any gaps in the prevention, treatment and care space are identified and managed.



Doctor Thuto Motubatse (centre) and nurse Gadifele Macano discuss INH prophylaxis with a patient at Platinum's dedicated TB clinic in Rustenburg.

Despite better levels of awareness, unfortunately the annual number of new HIV infections was 611 (2015: 349), 363 of which were at Platinum and 163 at De Beers. The majority of the new cases at Platinum relate to employees who have not been tested for several years. The increase in new cases diagnosed at De Beers can be attributed to an increase in the scope of reporting and improvement in testing rates, driven by leadership, to 83% in 2016, from 26% in 2015.

The number of HIV-positive employees enrolled on our HIV wellness programme remained at 80% in 2016, while the uptake of ART by HIV-positive employees decreased to

68% from 72%. The South African government adopted and implemented the World Health Organisation HIV/AIDS treatment guideline of 'test and treat' on 1 September, requiring all people diagnosed as HIV-positive to start ART treatment immediately.

The leadership of Anglo American has formally endorsed this policy for all its operations. De Beers has implemented the guideline since January 2016, and all our other operations since September, which will significantly assist in managing HIV in our operations.

HEALTH continued**HIV/AIDS indicators⁽¹⁾**

	2016	2015	2014	2013	2012
Number of employee voluntary testing and counselling (VCT) cases	45,279	50,223	59,813	51,954	57,847
Number of contractor VCT cases	38,376	39,643	48,421	40,814	37,397
Employee HIV counselling and testing participation (%)	88	68	86	75	82
Estimated HIV+ enrolment in Anglo American HIV wellness programmes (%)	80	88	78	75	70
Estimated HIV+ employees on anti-retroviral therapy (ART) (%)	68	72	53	47	45
Number of new HIV cases	611	349	543	529	527
AIDS deaths (including tuberculosis cases)	68	91	89	125	–

⁽¹⁾ South Africa and Zimbabwe only.

WORKING IN PARTNERSHIP ANGLO AMERICAN AND UNAIDS ANNOUNCE HIV TESTING PARTNERSHIP

In 2016, Anglo American and the Joint United Nations Programme on HIV/AIDS (UNAIDS) announced a public-private sector partnership to promote HIV testing worldwide.

This partnership is part of Anglo American's reinvented role in the global fight against the AIDS epidemic and our work in support of the Sustainable Development Goal of ending AIDS by 2030. It began in July, when we sponsored the International AIDS Conference in Durban and, with UNAIDS, launched the #proTESTHIV campaign. The campaign reached more than six million people via social media channels, registering more than 100,000 'protests' on the ProTest HIV website.

At 447 per 100,000 of the population, our TB incidence rate among employees in South Africa has decreased by 33% this year, and on average remains well below the South African national rate of 860 per 100,000. Regrettably, in 2016, 14 employees died from TB (related to HIV co-infection). This decrease on the 28 deaths from TB recorded in 2015 is attributable to active case management and TB awareness campaigns at Platinum.

During 2016, Platinum expanded its isoniazid (INH) prevention therapy programme for seropositive workers. (See case study on page 36.)

INVESTING IN COMMUNITY HEALTH

Our internal health drive will have limited effect if this is undertaken in communities where health systems are weak. Our activities to promote healthcare in the broader community include investments in strengthening health systems in our neighbouring communities, as well as activities aimed at supporting healthcare in developing countries more broadly.

Our comprehensive socio-economic assessments in local communities, using the Socio-Economic Assessment Toolbox (SEAT) (see page 47), include health considerations that are also provided for in social management plans.

Iron Ore Brazil's community health programme includes making improvements to health infrastructure in local municipalities, monitoring health indicators, providing training for healthcare professionals, as well as educating on TB control, alcohol and drugs, diabetes and hypertension, and sexual and reproductive health. Many of these initiatives are provided through Anglo American's longstanding partnership with the NGO, Reprolatina, on sexual and reproductive health. In 2016, more than 9,000 individuals benefited from the education activities promoted by Reprolatina in communities.

Kumba's Ulysses Gogi Modise clinic renders primary healthcare services to contractors and communities surrounding its Sishen and Kolomela operations in South Africa. The Batho Pele Mobile clinics continue to offer primary healthcare to remote communities that do not have access to healthcare facilities.

Coal South Africa continues to support the Ndlovu Care Group, especially at the Bhubezi Health Centre in Bushbuckridge. Our electronic health record system 'theHealthSource' has been implemented for Grassroots Soccer, an Anglo American Chairman's Fund-supported organisation.

UPHOLDING THE HIGHEST SOCIAL STANDARDS

Our goal is for host communities and governments to be left better off than when we arrived. The first step towards achieving this involves avoiding or minimising potential negative impacts. We strive to do this by applying the highest social performance standards and maintaining constructive relationships with our hosts.

LIMPOPO REGIONAL DEVELOPMENT – ‘SHIFTING THE NEEDLE’

South Africa's Limpopo province is very important to Anglo American, with both diamond and platinum assets located there.

Following an evaluation of our socio-economic development activities and best practice in socio-economic development planning, we decided to adopt a regional approach to development opportunity identification. The magnitude of the socio-economic issues in Limpopo requires action on a scale greater than any one mine can meaningfully begin to tackle. The province is faced with enormous challenges; it has a large population that has generally low literacy and skills levels, and high rates of unemployment. There is also a shortage of quality housing and limited infrastructure, including sanitation and potable water, which is a scarce resource.

It became clear that we needed to move from being a single actor to a regional partner; from a participant in the development debate to a leader and facilitator. As a result, we embarked on work to catalyse collaboration and partnership on systemic, cross-sector, transformational sustainable development in Limpopo.

The starting point was to develop a detailed understanding of the opportunities based on the bio-physical and social conditions of the province. Working with Dobbin International, experts in the area of spatial analysis and planning, we assessed Limpopo to determine potential opportunities across a range of sectors. The approach involved gathering relevant spatial data on socio-economic and

environmental aspects, including: climate, soils, groundwater availability, topography, sensitive ecosystems, as well as transport and urban developments. The data is utilised by a range of models, including agriculture, energy, forestry, and tourism in order to determine the potential for development.

The work identified significant potential in agriculture, including game farming, forestry, tourism as well as the energy sector. The advantage of having all the information spatially referenced is that interventions and programmes can be specifically targeted.

A critical success factor in relation to the initiative is the partnership platform. The proposed approach draws on the collective impact model, which hinges on the idea that in order for organisations to create lasting solutions to social problems on a large scale, they need to co-ordinate their efforts and work together around a clearly defined goal.

The approach requires a strong backbone-support team, comprising a representative for each of the core areas of business, government, the UN and donor community, faith groups, and research. It is hoped this new approach of inclusive, participatory and transparent collaboration and partnership for development has the potential to significantly increase the range, scale and integration of development initiatives both around our mines and more widely in our host province. By doing so, we will begin to 'shift the needle' in terms of development in Limpopo.



The detailed study identified significant undeveloped potential in the Limpopo region for agriculture, including game farming, forestry, tourism and the energy sector.

Building positive and trusted relationships with the stakeholders and communities around our operations is essential to maintain and strengthen our socio-political licence to operate. Inclusive stakeholder engagement underpins our approach to respecting human rights and to responding to legitimate stakeholder aspirations and concerns. Ensuring that we avoid or minimise any harm that our operations may cause, while at the same time building inclusivity and growing the socio-economic benefits for communities, is an investment in our shared future.

Our ability to manage social impacts and enhance positive benefits to communities is influenced significantly by evolving societal and stakeholder expectations. While each operation has its unique social characteristics, typical issues of concern among host communities relate to environmental impacts, contractor management and a perception of limited opportunities for local businesses. Negative effects can trigger stakeholder opposition, resulting in project delays, disruption to our operations and reputational damage.

OUR MANAGEMENT APPROACH

Our Social Way defines Anglo American's governing framework for social performance. It provides clear requirements for all Anglo American-managed sites to ensure that policies and systems are in place to engage with affected communities, to avoid, prevent and mitigate adverse social impacts, and to optimise development opportunities.

The Social Way is supported by our industry-leading toolbox, SEAT, which provides our operations with detailed guidance for how to manage of social impacts and deliver socio-economic development. We use SEAT to improve operations' understanding of their positive and negative socio-economic effects, enhance stakeholder dialogue, management of social issues, build our ability to support local socio-economic development, and foster greater transparency and accountability.

Engagement with local stakeholders identified through operational stakeholder mapping exercises is central to the process. Operations are required to undertake a SEAT assessment every three years and to make these publicly available.

MITIGATING SOCIAL RISKS AND IMPACTS

Each site is assessed annually against the Social Way requirements. More in-depth reviews of priority issues are undertaken on a rotational basis as part of the operational risk-assurance process. The 2016 assessment results reflect steady improvement across almost all Social Way requirements, with a year-on-year decline reported in the number of serious and moderate non-compliances across the Group. (See graph on page 41). Each operation is expected to implement an improvement plan for requirements that are not met in full. During 2016, we achieved our target to eliminate all serious non-compliances with the Social Way requirements. Progress in this regard is included in the chief executive's quarterly performance scorecard.

ANGLO AMERICAN'S SOCIAL PERFORMANCE REQUIREMENTS

Social risk and impact management

Identify, assess and manage social risks and impacts, according to IFC performance standard requirements, throughout the life of mine,

Social performance strategy and social management plan

Develop, document and implement a long term social performance strategy and annual social management plan.

Stakeholder engagement

Develop a stakeholder engagement plan, as guided through SEAT, to be updated annually or more frequently, as appropriate.

Socio-economic development

Detail socio-economic development-related strategic objectives and how these will be implemented.

Social commitments

Develop a social commitments register to identify, document, monitor and report to site management and the business unit head of corporate affairs, or equivalent, on the implementation of social commitments.

Social complaints and incident management

Implement a site-level social complaints and incident procedure.

Community health, safety and security management

Identify, assess and manage the health, safety and security impacts of our activities on external stakeholders.

Contractors, suppliers and other business partners

Put in place procedures to avoid and minimise material adverse social impacts and to maximise positive impacts that could arise through engagements with our contractors, suppliers and business partners.

Social performance resourcing

Ensure that site and operational teams have adequate financial resources, capacity and capability to implement the Social Way requirements.

Context-specific requirements

Develop specific management plans, where identified as relevant in impact assessments, for the following: resettlements, cultural heritage, Indigenous Peoples, and benefit-sharing agreements.

Notwithstanding our progress, we recognise the need to improve capacity and capability at several operations, and to further integrate the management of socio-political risks and opportunities into core business processes.

Addressing challenges in South Africa

Social instability leading to community unrest remains a particular challenge in South Africa, and particularly for our operations in Limpopo province. Many of the protests have their roots in poor public service delivery and unemployment. Persistent drought in the region has exacerbated socio-economic challenges and social sensitivities, heightening negative sentiment around mining, and raising expectations for mining companies to deliver socio-economic benefits.

The situation is receiving increasing public attention. In 2016, ActionAid South Africa released a report reviewing the impacts of mining on communities in Limpopo, and the South African Human Rights Commission hosted a two-day hearing to address the underlying socio-economic challenges of mining-affected communities in the country.

Anglo American continues to engage and work collaboratively with employees, unions and the South African government, and also with communities around our mines, to address the challenges. We have placed a particular strategic focus on mitigating social conflict and promoting socio-economic development across Limpopo province. (See case study on page 38).

COMMUNITY COMMUNICATION IN SOUTH AFRICA

The global economic environment has resulted in steep falls in the prices for many mined products. Economic difficulties have in some cases compounded a lack of trust between mining companies and government and, more particularly, between companies and mining communities. There is an increasing expectation from our communities that we should be doing more. Unmet expectations and a lack of trust are critical concerns for us, as mining communities remain at the core of our licence to operate.

Building trust is not a one-off exercise; it is a continual process that requires a range of different approaches. One of those avenues involves showcasing our existing investments in education, health, enterprise development and mine community development.

The traditional platform of corporate advertising is not the best way to reach mine communities; therefore, a new approach to communication was needed, one that entailed a shift towards authentic engagement on the channels that communities listen to.

The result was the groundbreaking radio drama series, Makarapa City. It is based on edutainment methodology, which targets emotions and drives connection through storytelling that plays out in communities where those we wanted to reach live and work.

Radio is the premier communications channel in South Africa; reaching millions of listeners daily across all language groups. The community radio campaign aimed to deliver key messages in each episode about how Anglo American has partnered with communities on important social issues.

An integrated communication plan was created, which included an internal launch of the drama on Anglo American's social intranet, and an external editorial campaign that linked to all the key sustainability

themes raised in the series. Social media were used to drive listenership and a mobile competition was launched to increase levels of engagement.

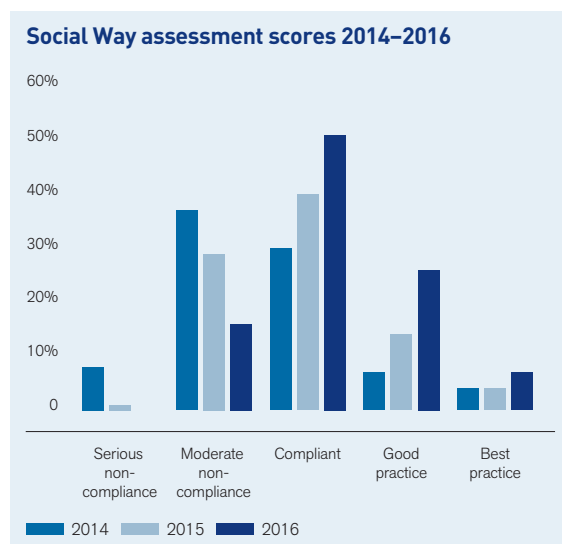
Through the story lines, the drama focused on social issues facing many people in mine communities, such as indebtedness, education, modernisation, health and enterprise development. The stories tapped into the realities of communities' everyday lives in an authentic and realistic way.

Qualitative and quantitative research by an independent party revealed that the first season made a considerable impact. Listeners related to the story lines and the characters, mentioning them by name. Listeners made the connection between Makarapa City and Anglo American, which positively impacted on levels of trust and contributed to behaviour change related to the issues addressed in the series.

The first season of Makarapa City was launched in February 2016 and, due to its success, a second season was commissioned and rolled out in September.



A recording of the popular radio drama Makarapa City, which deals with the social issues facing many people in mine communities.



To promote open, transparent communication regarding our community development commitments, we have committed to publish our Social Labour Plans (SLPs) on the company's website. In determining and managing our SLP commitments, we often experience challenges associated with conflicting stakeholder interests and consulting across several traditional communities, as well as with government department delays.

The Group recognises the critical importance of effective engagement to address risks of mistrust and lack of clear communication, which have been catalysts in many incidents. This is a particular concern at Platinum's Mogalakwena mine, where incidents have led to disruption to our operations, damage to property and increased tensions in the relationship between the mine and some stakeholders. In 2014, a task team was established with representation from the Mapela community villages close to the mine, to serve as an engagement platform, facilitated by the South African Human Rights Commission.

In 2015, we piloted a project to monitor 'real time' community perceptions of our impacts, through text messages on mobile phones. This pilot included participation from communities around Mogalakwena mine. The process aims to gauge levels of trust and acceptance of our presence and detect shifts in community sentiment. The pilot, which gave us better insight to community perceptions, concluded in 2016. An ongoing programme will be rolled out at our priority sites in 2017.

SOCIAL COMPLAINTS, GRIEVANCES AND INCIDENTS

Our mandatory Group-wide complaints and grievances reporting procedure, which includes social incidents, is designed to ensure openness, accountability and respectfulness in our handling of any stakeholder grievances. Level 3-5 (moderate to significant) social incidents are reported to the Board and included in the chief executive's quarterly performance scorecard.

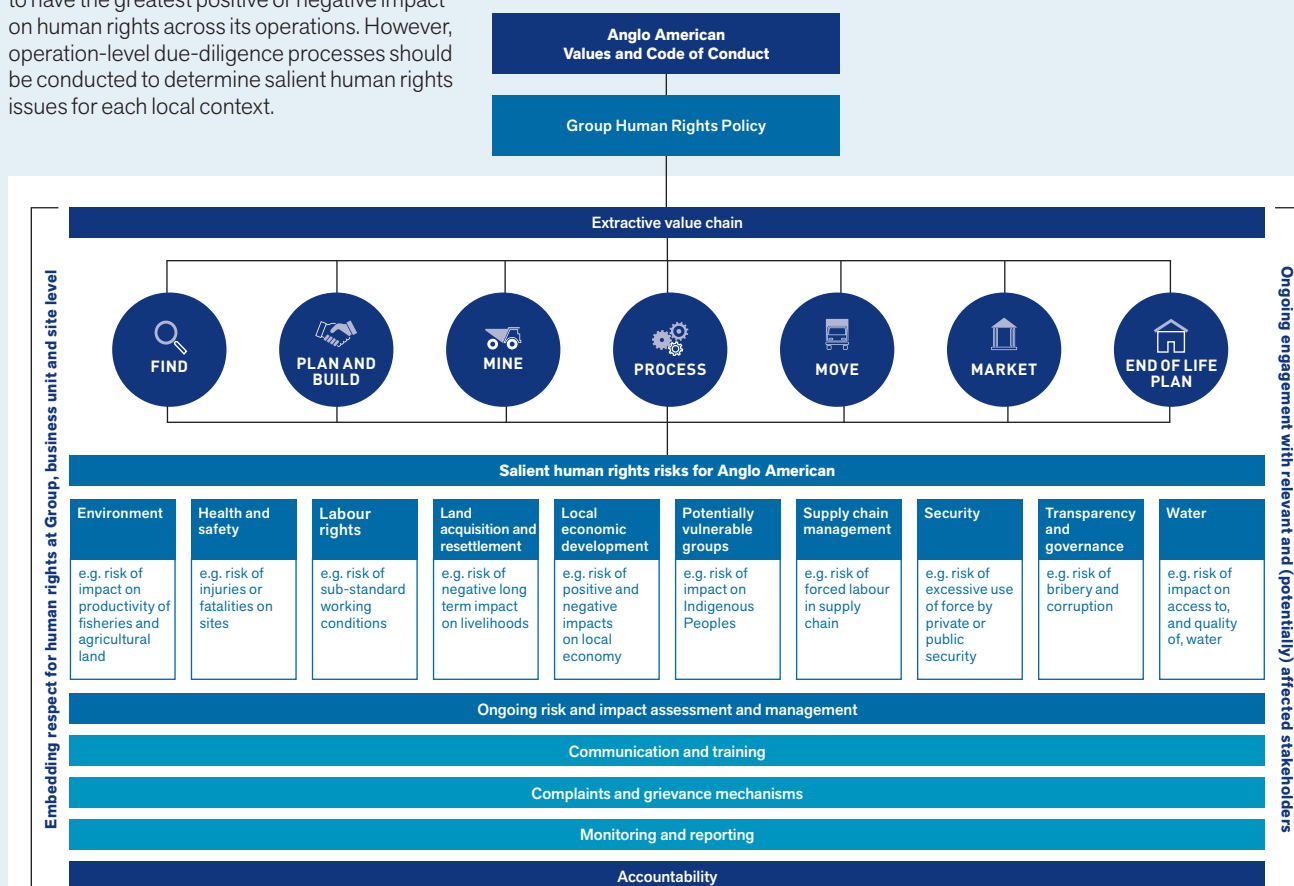
Stakeholder complaints and grievances provide valuable indicators to help operations anticipate deeper community concerns and proactively mitigate social risks. A focus during 2016 was to improve the completeness and/or accuracy of reporting at sites in some parts of the business. In 2017, we plan to make additional improvements to social incident and grievance management to enhance consistency across the Group in identifying, reporting and classifying social complaints and grievances. These enhancements will ensure a clear differentiation between social incidents and grievances and the definition of appropriate remedial measures and will be reflected in future reports.

During 2016 we recorded and reviewed approximately 1,588 complaints, grievances and social incidents across the Group, and identified 823 actual incidents, of which 163 were Level 3-5 incidents. We also recorded 413 complaints and grievances at level 3-5 severity. Of the level 3-5 complaints/grievances, there were 10 with a primary impact on human rights and 19 related to land use. There was one incident reported with an impact related to Indigenous Peoples with a level 2 classification.

Nearly 70% of the complaints and grievances we received related to contractor management and other matters that have root causes that are not strictly community-related in nature. These involve, for example, contractor management. However, such matters often result in concerns being raised by members of the community, and are therefore currently categorised as social incidents and grievances.

HUMAN RIGHTS FRAMEWORK

These are the areas where the company is likely to have the greatest positive or negative impact on human rights across its operations. However, operation-level due-diligence processes should be conducted to determine salient human rights issues for each local context.



RESPECTING HUMAN RIGHTS

Increasing regulatory and voluntary developments in the field of business and human rights reflect the growing expectations from governments and civil society for business to demonstrate more clearly what it does to respect human rights; this includes showing how it avoids doing harm, and how it provides access to remedy where rights have been negatively affected.

Our Human Rights Policy and framework guide our approach to identifying and addressing our salient human rights risks, which are also integrated into the Social Way and SEAT tools. Our most significant human rights risks from a Group perspective and throughout all stages of the mining life cycle are shown in the figure above. Our progress on managing these is addressed throughout this report.

Operation-level due-diligence processes are a requirement of the Social Way and have now been conducted at the majority of sites. Human rights risks and potentially vulnerable groups are also identified through annual social risk assessments at each operation. We have also undertaken more in-depth assessments at some sites to enhance our broader understanding of human rights risks.

For example, in early 2016, Platinum worked with Shift, a non-profit human rights organisation, to conduct a comprehensive human rights due diligence process across the business. Each site has identified its key human rights issues in terms of potential impact (positive and negative) on people or risk to the operation. Common issues identified across all the sites included perceptions of discrimination associated with employment and procurement opportunities, unfulfilled commitments, and disrespect for labour rights among contractors. Each site is required to define action plans to address the actual and perceived human rights concerns raised.

Human rights partnerships and commitments

Since 2010, the independent peace-building organisation, International Alert, has been a strategic partner in strengthening our governance of human rights and security. We also have ongoing dialogues with other leading human rights organisations such as Shift and the Danish Institute for Human Rights. These exchanges further assist us in building capacity for human rights due diligence at various levels of our company, as well as in developing and implementing risk-mitigation measures across the business.

Our approach to human rights is aligned with the UN Guiding Principles on Business and Human Rights (UNGPs) and we remain committed to implementing the UN Global Compact Principles. In accordance with the UK's Modern Slavery Act 2015, we are preparing a Group statement to demonstrate our approach to preventing modern slavery and human trafficking in our operations and supply chain, which will be published in mid-2017. The UNGP's Reporting Framework requirements are integrated throughout this report.

During 2016, Anglo American participated in several national and international initiatives to inform and improve on best-practice approaches to human rights. This included contributing to the development of the UK Equality and Human Rights Commission's guide for company boards, and the UK Government's National Action Plan on Business and Human Rights. In November 2016, our chief executive, Mark Cutifani, spoke to, and engaged with, international stakeholders during the 2016 Business and Human Rights Forum in Geneva.

There were no significant investment agreements entered into in 2016 requiring specific human rights clauses.

Security and human rights

We are a longstanding supporter of the Voluntary Principles on Security and Human Rights (VPs) and seek to ensure that appropriate measures are taken at all operations to manage security and human rights risks. During 2016, we continued to work with our strategic partner, International Alert, to strengthen our implementation of the VPs.

During 2016, we rolled out standardised security and human rights training material for our operations. With the help of International Alert, we have conducted gap analyses at all our South African and Latin American business units to determine how well we are implementing the VPs. We have identified our focus areas and developed action plans that will be implemented in collaboration with International Alert. Our risk assessments assist in determining human rights-related training requirements, which vary between businesses. Nearly 3,100 employees and contractors participated in security-related human rights training.

RESPONSIBLE RESETTLEMENT

Land acquisition and resettlement is one of our most material social issues. Resettlements can have long term consequences for the social structures and livelihoods of affected peoples and may present significant risks to our capital projects and operations.

At Anglo American, all resettlement exercises initiated since 2010 must meet or exceed the requirements set out in the International Finance Corporation (IFC) Performance Standard 5 on Land Acquisition and Involuntary Resettlement and lead to a demonstrable improvement in livelihoods. In accordance with the IFC Performance Standards, each resettlement must be planned and implemented in a participatory manner. Our aim is to plan and design new projects in a way that avoids or minimises any resettlement.

Resettlement close-out reviews are in progress at Mogalakwena and Twickenham in Limpopo, and Unki in Zimbabwe. The reviews seek to establish to what extent livelihoods have been affected and restored. The progress of these reviews has faced challenges owing to limited social baseline data and reluctance among communities to engage in the process.

While there has been further progress in the relocation of 521 households in Dingleton to a new purpose-built suburb in Kathu, 93 families have yet to move to their new homes. The resettlement was necessary because the expanding Sishen operation was encroaching on the designated 500-metre buffer zone between the mine and a residential area. Residents were offered a new modern home of the same size as their prior dwelling, or the option of a buy-out, which 23 families accepted. In order to mitigate the impact of higher municipal property taxes, Kumba established a trust fund to subsidise the extra costs for a period of 25 years. Benefits have extended beyond home ownership. A total of 603 community members were trained in skills relevant to the construction of the new residential area and a total of 46 Dingleton small, medium and micro enterprises have received training from a professional business development team. More opportunities are being identified to ensure that local community members benefit from the resettlement.

Iron Ore Brazil is in the process of resettling 31 families. Satisfactory progress has been made in the case of 28 families, while there are infrastructure issues to be resolved before the remaining three families can be moved to their new homes.

INDIGENOUS PEOPLES

We recognise the potential vulnerability of Indigenous Peoples to the impact of mining activities, given their traditional reliance on natural resources and the special cultural significance of their lands. As a member of the ICMM, we committed to the 2013 ICMM Position Statement on Indigenous Peoples and Mining, which endorses the principle of Free, Prior and Informed Consent (FPIC). This commitment is incorporated into our Social Way standard. Aligned with the Position Statement and our own policy, we accordingly seek the consent of Indigenous Peoples for all new projects (and changes to existing projects) that are located on lands traditionally owned by, or under customary use of, Indigenous Peoples and are likely to have significant adverse impacts on them.

De Beers' operations in Canada are located near Indigenous Peoples' territories. Ensuring local benefits from mining has always been an important aspect of impact and benefit agreements (IBAs) with Indigenous Communities around De Beers operations in Canada. Over and above IBA conditions, De Beers has proactively sought to increase community benefits by awarding contracts to Aboriginal-owned companies who meet commercial terms, as well as providing local employment and training opportunities.

When Snap Lake mine went into care and maintenance at the end of 2015, IBAs associated with the operation were put on hold. This development was preceded by extensive engagement with those affected to explain why care and maintenance was necessary, what the impacts may involve, and possible mitigation measures.

In September 2016, De Beers officially opened Gahcho Kué – the world's largest new diamond mine in the past 13 years. De Beers has maintained a keen focus on social contributions throughout the development of the mine. In addition to existing regulatory environmental requirements, De Beers has established the Ní Hadi Xa agreement with five Aboriginal parties. (See case study on page 45.)

In Peru, we have engaged in a consultation process with two indigenous communities regarding the proposed Corcaunta exploration project. In Zambia and Papua New Guinea, we interact with communities who self-identify as Indigenous or who have the characteristics of Indigenous Peoples, even though the host governments do not formally recognise them as such. In accordance with our standards, we manage such engagements in line with our FPIC commitments and have secured our social licence for each of these exploration projects. While our exploration and projects teams in Finland are not active in a region with Indigenous People, they consult seasonally with reindeer herding co-operatives who lead a land-based lifestyle.

MANAGING SOCIAL IMPACTS IN OUR SUPPLY CHAIN

Globally, there is an increasing expectation of business to demonstrate accountability in ensuring responsible business conduct by all parties in corporate supply chains.

In 2016, we modified the Anglo American Responsible Sourcing Standard for Suppliers so that it is more user-friendly and comprehensive. The standard addresses

supplier compliance with local and applicable international regulations and with Anglo American requirements regarding safety, wellness, the environment, business integrity, human rights, labour practices and economic development. The updated standard ensures that our performance requirements are easy to understand, and provides for new regulatory requirements, in particular relating to human rights and transparency.

The standard defines a risk-based approach to managing our suppliers. Our standard contract terms require acceptance of our code and supplier submission of self-assessment questionnaires. In addition, we retain audit rights to verify practices.

During 2016, engagement continued with external organisations and potential suppliers in order to raise awareness of responsible sourcing requirements as part of the commercial award criteria for working with Anglo American. To promote an understanding of responsible sourcing practices for small business, we piloted a two-day training workshop for 22 local suppliers at Platinum's Mogalakwena operation. The process included completing self-assessments to assess compliance with various elements of local law and the Code, and a follow-up mini audit at a selection of the small and medium (SME)-sized suppliers.

An additional 72 suppliers in various categories, accounting for more than 30% of our total supplier expenditure, were requested to complete self-assessments and audits were undertaken at six suppliers. These exercises identified areas for improvement in supplier management systems; legal compliance (including matters relating to employee contracts); workplace safety (including inadequate preparedness for fire and emergencies; poor handling and storage of dangerous goods; inadequate training on safe work practices and non-issuance of personal protective equipment); and excessive working hours (in excess of 60 working hours a week and inadequate provision for breaks).

Our supplier engagement programme focuses on agreeing corrective action plans between suppliers and our procurement teams. We use insights gained from the engagement programme to inform our supplier development approach for subsequent years.

To promote an industry-wide commitment to responsible sourcing, the ICMM is co-ordinating a collaborative process aimed at harmonising an industry approach to responsible sourcing in order to promote greater supplier participation, reduce costs and encourage better sharing of non-competitive supplier data. This process builds on the industry-wide approach piloted over the past two years in South Africa through the Chamber of Mines, in which we actively participate. A set of common principles has been agreed, along with simplified auditing protocols and principles of 'mutual recognition'. The process is ongoing and will progressively address aspects relating to supplier development and capacity-building.

MAXIMISING THE BENEFITS OF MINING

As a major mining company, with the majority of our operations in developing markets, our contribution to host governments and communities extends well beyond creating jobs and paying taxes. We seek to ensure that the benefits we generate flow more directly to local communities and that we respond effectively to increasing stakeholder expectations.

SOCIO-ECONOMIC CONTRIBUTION OF GAHCHO KUÉ

Located in the remote and challenging environment of Canada's Northwest Territories (NWT), Gahcho Kué has been in development since 1995. Throughout this process, De Beers and its joint venture partner Mountain Province Diamonds Inc. have worked with the local Indigenous Peoples to ensure that the benefits of this asset are shared by all stakeholders.

Gahcho Kué is estimated to have contributed C\$440 million (US\$ 396 million) to the NWT economy between 2006 and 2015, with a further C\$350 million (US\$ 315 million) accruing to the rest of Canada. This has been underpinned by approximately C\$1 billion (US\$ 0.9 billion) in capital investment between 2006 and 2016. The total secondary economic contribution to the NWT (including indirect and induced impacts) was equivalent to 4% of mining sector gross value added (GVA) in NWT over the 10 years to 2015. This contribution is set to grow substantially, with more than 90% of the mine's impact expected to come from 2016 onwards, equivalent to a further C\$5.3 billion (US\$ 4.7 billion) in GVA for the NWT.

The direct employment contribution as a result of Gahcho Kué's activities in 2015 was 180 full-time employees (FTEs) – 10% of employment in NWT's extractive industries. A further 1,870 FTEs were supported indirectly through the operation's supply chain and contractors. The induced employment impact (that is, employment created as a result of increased household spending) was 660 FTEs.

The operation's positive socio-economic outcomes have been enhanced by the inclusive approach adopted by De Beers when tackling environmental issues. In addition to existing regulatory environmental requirements, De Beers has established the Ní Hadi Xa agreement with five Aboriginal parties: North Slave Métis, Łutsel K'e Dené First Nation, Tłı chǫ Government, Northwest Territory Métis Nation, and Deninu K'ue First Nation.

A Chipewyan name for 'For Watching the Land', Ní Hadi Xa is an environmental agreement between De Beers and these Aboriginal parties in the NWT. The agreement aims to encourage the building and maintenance of positive respectful relationships, providing a forum for active engagement in the monitoring and management of the mine and the mine's interaction with the land and environment.

As part of the agreement, a representative from each Aboriginal party sits on the Ní Hadi Xa Governance Committee together with a representative of the mine. The Committee meets quarterly and helps to promote inclusion and drive a collaborative approach between De Beers and the communities. The agreement is unique and reflects an evolution in how the industry approaches community engagement in Canada.

De Beers' diamond mine portfolio has played a fundamental role in Canada's emergence as a diamond-producing country. Gahcho Kué's anticipated 12-year life, producing an average of 4.5 million carats per year, continues to support that growth and does so with a focus on benefiting the communities with which De Beers works.



Gahcho Kué mine, in Canada's Northwest Territories, is estimated to have contributed C\$440 million to the local economy between 2006 and 2015.

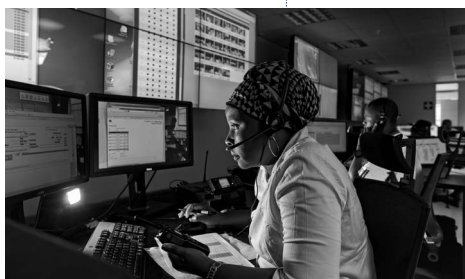
OUR INTEGRATED APPROACH TO SOCIAL PERFORMANCE

Building resilient relationships with host governments, communities and customers through an integrated approach to social performance.



CULTURE AND COMPETENCIES

Leadership establishes a culture of high understanding and awareness of social issues and ensures they are factored into decision-making and resourcing.



STRONG MANAGEMENT SYSTEMS

Social Way implementation exceeds compliance and integrates social risk and impact management into operational processes and reporting.



EXCELLENT COMMUNITY RELATIONS

A range of inclusive, transparent and responsive engagement mechanisms has been established led by senior management and involving all employees.



EXTERNAL RECOGNITION AS A PREFERRED PARTNER AND SUPPLIER

The mine is certified to a recognised responsible mining standard, and is receiving commercial benefits as a result.

STRATEGIC LONG TERM APPROACH

Site has identified social risks, impacts and opportunities aligned with the life of mine plan and is taking a long term strategic approach to managing these.



EFFECTIVE IMPACT MANAGEMENT

Best-practice impact management along with community participation in mine design, impact mitigation and monitoring.



SUSTAINABLE COMMUNITY DEVELOPMENT

Co-development and co-delivery of priorities with other development actors leads to the local area outperforming comparable communities on development indices.



PARTNERS IN THE FUTURE

Strong community support. Long term access to resources. Commercial benefits. Positive and sustainable legacy post-mine closure.

OUR MANAGEMENT APPROACH

Our strategic focus is on improving the productivity of local markets and public institutions. The aim is to support sustainable job creation and effective public service delivery, to ensure that local economies are able to deliver opportunities even after mine closure. Our strategy recognises the importance of implementing programmes that build on existing successful initiatives and strengthen the capacity of local institutions, as opposed to isolated projects. The diagram below illustrates our socio-economic development strategy.

All operations are required to adhere to the Social Way requirements on socio-economic development and to implement SEAT in order to enhance development in host communities and countries. This approach allows our sites to better understand their priorities and target interventions that have the greatest impact. It also helps to understand the type of partnerships that are required to deliver impact at scale and over the long term.

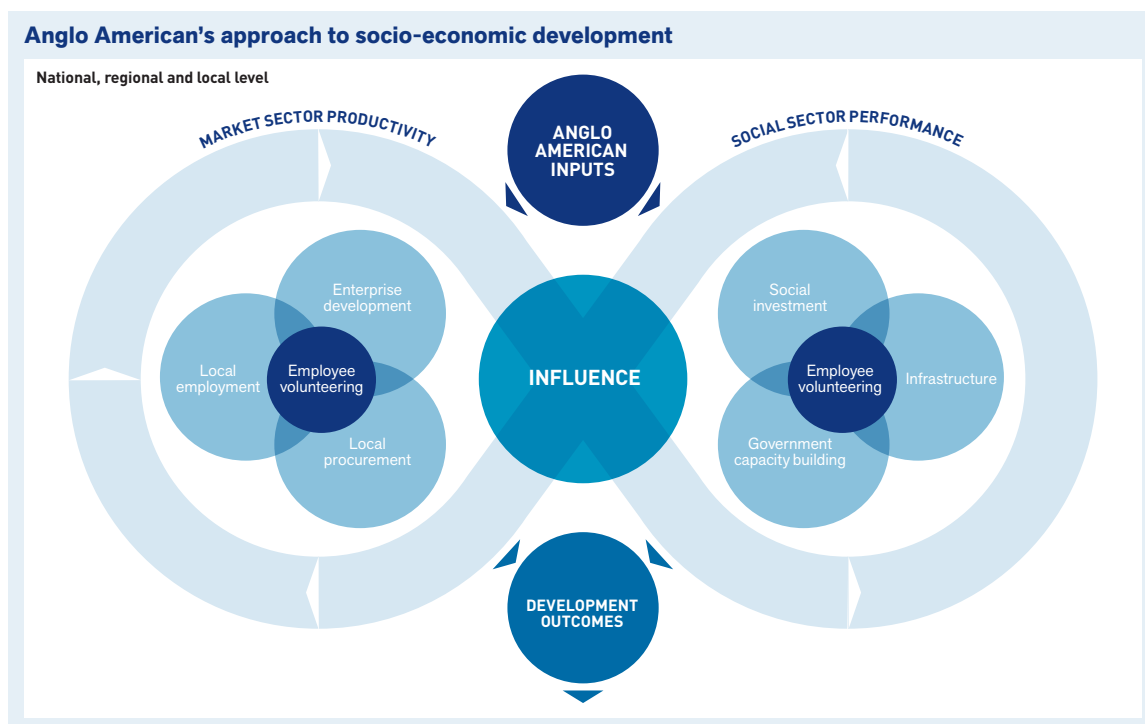
Evaluating our socio-economic development performance, especially at high priority sites, provides us with valuable insight into leading practices and their success factors, as well as lessons from less successful projects.

Understanding our unique contribution and opportunities as well as our recurrent weaknesses, is informing the development of more effective site-level socio-economic development strategies. Job-creation and water-related activities have been constantly raised as a priority across sites during 2016.

We have developed a robust assessment methodology tool to measure our socio-economic development performance and inform the design of effective site-level strategies. A score for each site is produced using data on inputs and outcomes and complemented with feedback in multi-disciplinary workshops. A score of 60% represents full implementation at compliance level and higher scores reflect progressively leading practice. Implementation of the strategy is progressing well, but there is still some variation in performance across the Group, with the highest scores achieved at our Latin American operations. The methodology has attracted considerable external interest, and we are now working with the IFC, our NGO partner TechnoServe, and KPMG to better understand the multiplier effect of successful socio-economic development strategies and test its applicability in other contexts.

Enhancing our approach and contribution

In 2016, we were invited by the World Bank to present on our integrated approach to local procurement and enterprise development at our iron ore operation in Brazil, Minas-Rio. We also shared learnings in a roundtable organised by the Shared Value Initiative at Davos. In addition, we collaborated with KPMG on a review of how we design, implement and measure our socio-economic development strategies. The process enabled us to make our strategic approach more robust.



SUPPORTING LOCAL MARKETS

To stimulate local markets, we promote local and preferential procurement, enterprise development (ED) and workforce development. These programmes created a strong platform for job creation within and outside the mining value chain.

Our local procurement initiatives, supported through supplier development initiatives, provide the anchor for boosting economic growth in communities located around our operations. All our operations adhere to our leading Group-wide Local Procurement Policy and implement local procurement strategies and reporting against targets. Our operations' efforts are supported by a comprehensive local procurement toolkit and summary guide.

In 2016, we launched an optimised system for registering suppliers through our global website. The harmonised approach will improve efficiencies in our supply chain through providing increased visibility of companies that wish to work with our supply chain capability across the businesses. We plan to expand this opportunity and launch a pilot online supplier portal for advertising local supply chain opportunities. The aim is to facilitate the identification of a pipeline of procurement opportunities that will support us in identifying community-owned businesses that are 'high potential' suppliers, or could benefit through our supplier development initiatives.

In 2016, operations spent approximately \$8.8 billion (2015: \$11.4 billion) with suppliers, which accounted for 49% of our total economic value distribution. Expenditure on suppliers based in the communities close to our operations was \$2.0 billion (2015: \$2.3 bn)⁽¹⁾, which represented 23% of total supplier expenditure (2015: 20%).

In South Africa, our operations contribute to the country's drive to promote BEE. In 2016, Anglo American-managed businesses spent R28 billion with BEE-compliant businesses. This reduction in absolute terms is reflective of lower levels of supplier expenditure; the percentage of total expenditure in South Africa (excluding goods and services procured from the public sector and public enterprises) remains unchanged at 79%. The amended broad-based BEE Codes of Good Practice place greater emphasis on preferential procurement and investments in supplier development.

The third iteration of South Africa's Mining Charter is under development and will set new BEE expenditure targets. We are collaborating with government and industry to share experiences, identify synergies, and create efficiencies across the sector.

We are also supporting initiatives to stimulate local manufacture and technology development, thereby increasing our contribution to empowerment. Our supplier development programmes across the Group aim to improve the efficiency, capability and productivity of small businesses, as well as develop a more robust and competitive supply chain for Anglo American through increased access to local expertise, reduced logistics costs and availability. We seek to leverage our existing supplier base to unlock opportunities for local employment and skills development, and nurture 'supplier partnerships' and joint ventures between our existing large suppliers and local entrepreneurs.

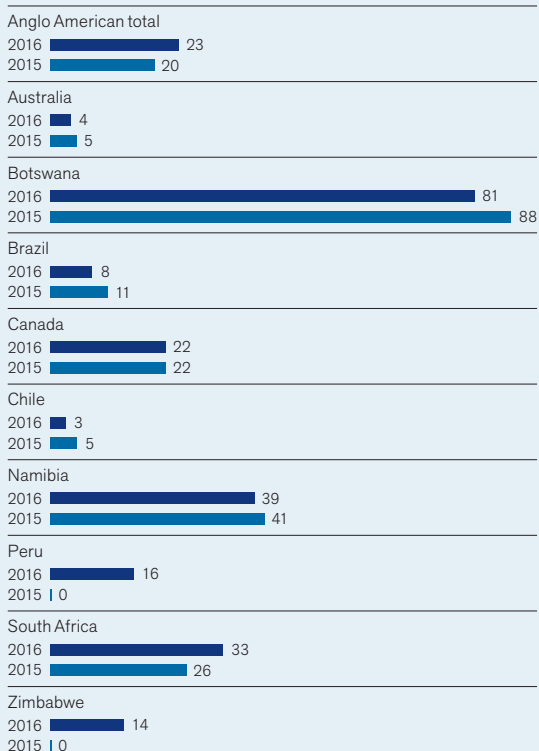
Our programmes demonstrate the case for focusing on developing existing procurement capacity in the areas close to our operations. Partnering to strengthen capacity in sectors that can deliver value for the company presents many opportunities to reduce costs and provides a competitive advantage for local communities. This more localised and systematic approach integrates supplier development more effectively with our workforce and enterprise development agenda.

Programmes in our operations in Brazil, and at our De Beers, Coal and Platinum businesses in South Africa, are progressing well.

Our supplier development programme in Brazil, Promova, celebrated its fourth anniversary in March 2016. Since its inception, Promova has worked with more than 140 local companies to unlock \$87 million in local expenditure that accounted for a 16% increase in local GDP. Promova's approach involves a thorough analysis of supply chain demand dynamics and then builds local capacity based on gaps in the market. Capacity-building is achieved through intensive training and mentorship programmes. More than 1,700 people have been trained in person and through online courses.

Expenditure with suppliers based in host communities

% of total available expenditure



⁽¹⁾ These figures include De Beers operations in Namibia and Botswana for the first time. The 2015 figure has been restated to reflect this change.

Anglo American enterprise development programmes

Initiative	Year launched	Key characteristics	SMEs supported (2008–2016)	Jobs supported (2008–2016)	Partners
South Africa: Zimele	1989	Supports jobs in South African SMEs, mainly in mining and labour-sending areas; provides equity finance or subsidised loans through a nationwide network of business hubs; has six funds that focus on developing businesses in particular sectors, and increasingly support non-mining-related SMEs	2,306	50,651	Sefa Mining Fund; National Treasury; Transnet; TechnoServe
Chile: Emerge	2006	Provides access to capital, business advice and mentoring through a sophisticated three-tier approach that matches different levels of entrepreneur maturity and allows them to 'graduate' from one level to the next, to the point where they are able to access commercial banks and achieve their maximum potential	59,338	60,618	TechnoServe; Fondo Esperanza; Enaex; Caterpillar; Komatsu; Joy Global; Sodexo; Gerdau
Botswana: Tokafala	2013	Contributes to the government's economic diversification programme	211	2,041	De Beers; Debswana; Government of Botswana; TechnoServe
Peru: Emerge	2014	Designed to reinforce existing supplier development programmes, focusing on farming and other strategic sectors	121	1,066	Moquegua Chamber of Commerce; TechnoServe
Brazil: Crescer and Aunnacar	2013	Designed to reinforce existing supplier development programmes, focusing on farming and other strategic sectors	471	1,922	Caixa Econômica; Banco do Nordeste; BDMG; Komatsu; Sapore; Prodapys; Cooperativa CMD; TechnoServe
Total			62,447	116,298	

The Platinum business in South Africa ringfenced a hundred supply opportunities, to the value of R300 million (US\$21.9 million), for local SMEs. The Platinum team also worked with large suppliers to form partnerships with local SMEs to deliver goods and services to our operations. SMEs that are contracted through this programme participate in the Platinum supplier development programme, which offers customised mentorship to ensure the sustainable transfer of skills.

In tandem with our supplier development initiatives, our enterprise development programmes are designed to foster the potential of local entrepreneurs to build local capacity. All Anglo American ED schemes (see table above) provide business and implementation support, coupled with access to capital and markets. The schemes are designed to take advantage of the benefits associated with our large supply chain and to develop long-term platforms for partnerships with governments, NGOs and companies.

As our operations alone are not able to meet local demands for employment, we are working with various partners to provide diversified workforce development opportunities and to develop non-mining jobs in our communities through ED and local employment programmes. This integrated approach to enterprise and workforce development allows the impact of our value chains to deliver strong economic

opportunities during the life of the mine but also builds more local entrepreneurial capacity in other sectors to help sustain socio-economic development in the long term.

Zimele, our first ED programme, was launched in 1989 and its early focus was on supporting non-banked, primarily black entrepreneurs to participate in our supply chain. This model was recognised by international organisations such as the IFC as a pioneering best practice in corporate ED efforts. Government institutions have also chosen Zimele as a partner to foster job creation South Africa. By 2015, Zimele had six funds and had delivered funding to more than 2,200 SMEs and supported more than 50,000 jobs since 2008.

Based on the Zimele experience we have launched programmes in Chile, Peru, Brazil and Botswana. These programmes have a strong focus on capacity development and mentorship to help establish resilient local businesses that will not have a long term reliance on support from Anglo American. We work in partnership with local banks and other development institutions in a co-funding model.

Our approach has been refined in partnership with our global ED partner, TechnoServe.

SUPPORTING INSTITUTIONAL CAPACITY

To support the delivery of public services, we concentrate on working with local institutions to strengthen their capacity, maximise the socio-economic benefits from our own infrastructure, and deliver social investment that supports those most in need.

Our presence creates large revenue flows for local municipalities and host governments. In some instances, a lack of capacity and skills prevents municipalities from delivering sound public services to local populations. We invest in strengthening the skills, competencies and abilities of municipal staff and on empowering community members to exercise their civil rights constructively. In the longer term, facilitating more effective municipal investment in social services can reduce expectations on the business to deliver these services through corporate social investment (CSI) projects. In turn, we need to ensure that through our CSI efforts we support local government in delivering effectively, rather than taking on their role. We engage with local government and other key stakeholders to determine a strategy for collective efforts to support local capacity-building.

In South Africa, in 2015 we completed a three-year partnership with the Development Bank of Southern Africa to develop local government capacity in 11 municipalities. An evaluation of the project's impacts, efficiency and effectiveness has provided valuable lessons that are informing the development of a second phase of the project. This next phase will involve an emphasis on developing structured partnerships with government at provincial level and will align with our strategic focus on socio-economic development in the Limpopo province.

In Brazil, we have been collaborating with Agenda Pública to strengthen local government capacity and service delivery in Barro Alto and Niquelândia since 2013. In 2016, we implemented additional projects to strengthen the capacity of local governments in Minas Gerais in Brazil. Projects initiated during 2016 in Chile and Peru are progressing well. The regional project in partnership with the InterAmerican Development Bank (IDB) will further support capacity building in local institutions close to our operations.

The provision of water-related infrastructure that directly benefits communities around our operations is a priority at several of our operations where water scarcity is a prevalent challenge, as well as a key opportunity for development. Such a project is under way at our Minas-Rio operation in Brazil.

Our approach to CSI seeks to integrate and align our activities with our other core socio-economic development programmes. Our operations in Latin America are delivering CSI projects in collaboration with other large corporates with government institutions and with suppliers so that the scale of the projects is larger, their effectiveness higher and costs lower.

While the bulk of our socio-economic development strategy is designed to leverage core business activities, much of our CSI continues to support vulnerable and marginalised stakeholders, who are unable to participate in our value

Global expenditure by type

	\$ million	%	
Community development	50.9	60	
Education and training	15.0	18	
Water and sanitation	5.3	6	
Health and welfare	5.1	6	
Other	3.0	4	
Sports, art, culture and heritage	2.2	3	
Institutional capacity development	1.8	2	
Environment	0.6	1	
Disaster and emergency relief	0.1	–	
Energy and climate change	0.1	–	
Total	84.1		

Global expenditure by country

	\$ million	%	
South Africa	40.1	48	
Peru	13.6	16	
Chile	10.3	12	
Brazil	9.9	12	
Canada	4.9	6	
Namibia	3.0	4	
Botswana	1.0	1	
United Kingdom	0.8	1	
Rest of World	0.3	–	
Australia	0.2	–	
Total	84.1		

chains. This investment includes a focus on areas such as health, education, sports, arts and culture, and support to vulnerable children.

In 2016, Anglo American's CSI expenditure in local communities, including from the Anglo American Chairman's Fund, the Anglo American Group Foundation and our enterprise development programmes, totalled \$84 million (2015: \$124.1 million). This figure represents 0.3% of underlying EBIT, less underlying EBIT of associates and joint ventures. The reduction was a result of efficiency measures put in place which were balanced with stronger focus on partnerships and co-funding.

We monitor our CSI through a standardised reporting process aimed at maximising the value that Anglo American and its host communities derive from these investments. Health and education are strategic focus areas in our CSI programme, and a top priority for national and community-level stakeholders. In 2016, Anglo American spent \$15 million on education and training, and \$5 million on health and welfare projects.

Facilitating opportunities for staff to participate in our social investment projects can help us to better connect with communities and demonstrate our commitment to helping them achieve their development vision. Staff volunteering can also make many of our workforce's skills available to host communities. Our leading staff volunteering programme is Copper's 'Ambassadors' programme, which was launched in 2014. Teams of employees partner with local community groups to propose projects which, if successful, can receive up to \$5,000 in funding from Anglo American's social investment budget. Through training workshops, advocacy and funding, the programme

seeks to build capacity in project management in the beneficiary community organisations to support community development. In Chile, 55 social projects have been supported in two different regions; these involve 133 workers (employees and contractors) and \$122,650 in funding distribution, with an average of \$2,230 per project. These figures have decreased since 2015 owing to the divestment of the Mantos Blancos and Mantoverde operations in Chile during 2015. This programme is being used as a model for developing a Group-wide approach to employee volunteering.

WORKING IN PARTNERSHIP SUPPORTING PRODUCTIVITY AND CAPACITY-BUILDING IN LOCAL MARKETS AND INSTITUTIONS

Our new partnership with the Inter-American Development Bank (IDB) via the Multilateral Investment Fund, involves promoting job creation and institutional capacity-building through a \$6 million co-funding project (\$2 million from the IDB and \$4 million from existing Anglo American CSI funds). Its objective is to support our socio-economic development in Peru, Chile and Brazil, and demonstrate that we can get closer to our vision of becoming partners in the future.

The project has been jointly developed by the IDB, Anglo American and TechnoServe, our Group NGO partner for enterprise development, which will also develop and implement the project. This will continue to follow our integrated approach focused on supporting productivity and capacity-building in local markets and institutions.

"This is not only recognition for the excellent work on socio-economic development that our teams are delivering on the ground, but also its potential. The recognition of the IDB via its committed co-funding demonstrates that we are a trusted partner to foster development in mining communities in the region," says Christian Spano, our socio-economic development principal.

The partnership represents an important milestone for Anglo American, and is even more important in the context of recognition by third parties, who are supporting our approach and partnering with us through investing in these programmes.

The achievement also reflects the collaborative work involving the social performance, international relations teams, supply chain and human resources teams across the Group, business units and all those who work in our

operations in South America. TechnoServe has played a strategic role in supporting our local social performance teams on the ground, as well as preparing and submitting the application for the project and giving support to the IDB teams during the approval process.

"This work is the beginning of a stronger relationship with a strategic stakeholders in the region. The IDB recognises, too, that this project reflects the principles of the organisation's core extractive strategy. It is also part of a journey that will help us to improve our programmes and challenge ourselves when working in partnership with these leading institutions," says Christian.

The next steps will involve the IDB, our local teams and TechnoServe working together to deliver the detailed implementation process of the project in Peru, Chile and Brazil.



Luis Peñaloza (left) and a colleague at the family cheese factory, supported by the Emerge programme in Chile.

ECONOMIC VALUE-ADD

It is through our core business activities – employing people, paying taxes to governments and procuring from host communities and countries – that we make our most significant positive contribution to economies.

The value distributed directly by Anglo American in 2016 amounted to \$17,772 million. This figure includes:

- \$8,800 million paid to suppliers
- \$3,336 million to our employees through wages and related expenditure
- \$2,584 million in taxes and royalties borne to governments
- \$0 million paid to Anglo American and outside shareholders
- \$581 million to providers of capital
- \$2,387 million that was reinvested in the Group
- \$84 million in corporate social investment.

The majority of our total supplier, employee and tax expenditure was in developing countries. Through the multiplier effect, the positive economic contribution of our operations extends significantly further than these direct forms of value distribution.

Economic value distribution 2016

	\$ million	%	
Suppliers	8,800	50	
Employees	3,336	19	
Company taxes	2,584	15	
Reinvested in the Group	2,387	13	
Providers of capital	581	3	
Corporate social investment	84	0	
Dividends	0	0	
Total	17,772		

Payments to governments

Anglo American has voluntarily provided information about our tax payments on a country-by-country basis for the past 12 years; and we remain an active participant of the Extractive Industries Transparency Initiative (EITI). Anglo American has no operational mines in countries that are implementing the EITI.

Our publicly available 2015 Tax and Economic Contribution report (www.angloamerican.com/investors/annual-reporting) has been recognised as a leading example of reporting on mining's contribution to society. The report has been commended for providing an accessible presentation of the detailed disclosure requirements of the new Chapter 10 of the EU Accounting Directive – introduced into UK law as the Reports on Payments to Government Regulations, and for voluntarily providing a broader review of our socio-economic development contributions. We were pleased that, for the second year in a row, the report won the PwC Building Public Trust award in the tax reporting in the FTSE 350 extractives category.

The 2016 Tax and Economic Contribution Report will be available in June 2017.

Taxes borne and collected: developed vs. developing

	\$ million	%	
Developing	2,750	78	
Developed	788	22	
Total	3,538		

MANAGING THE ENVIRONMENTAL IMPACTS OF MINING

Many of the environmental impacts of mining are borne by communities around our mining operations, while others also contribute to global challenges such as climate change. Through the implementation of best-practice standards, we aim to achieve and surpass basic legal compliance.

WORKING IN PARTNERSHIP

RENEWED PARTNERSHIP WITH FAUNA & FLORA INTERNATIONAL

In the mining process, some environmental impact is unavoidable. Activities have the potential to affect habitats and species through land disturbance, land-use change and pollution. Consequently, partnering in biodiversity management is a key activity at Anglo American.

In 2016, we renewed our partnership with Fauna & Flora International (FFI) to ensure that we continue to address the extent of our mining footprint on local biodiversity. Through our partnership, FFI provides independent strategic advice on biodiversity and helps build our capacity to manage biodiversity risks.

“Working with Anglo American, FFI is able to influence decision-making, change an operation's performance and objectives and resolve potential conflict and competition for vital natural resources, such as water and agricultural land. So, our partnership helps reduce business risk while deriving conservation gains,” says Pippa Howard, FFI's director of business & biodiversity.

Our partnership with FFI has been built on mutual understanding and respect, and with their support and input will lead to the identification of best-management practices, and risk reduction.

FFI also continues to advise De Beers in meeting its 'no net loss of significant biodiversity' commitment, including FFI specialists providing input at one of the company's operations in Namibia.

We are also working with FFI at our Sakatti polymetallic exploration project in Finland, partly to assess whether 'no net loss to biodiversity' is feasible as a result of our operations. We are continuing our work together to reassess the biodiversity risks across the Anglo American portfolio.

All of this makes sound business sense, as a growing number of stakeholders – including, crucially, investors – regard biodiversity and environmental management as integral to protecting an organisation's reputation, shareholder value and ongoing licence to operate.



A combined team from Flora & Fauna International and Anglo American reviewing the management of biodiversity and ecosystem services risks at Los Bronces copper mine in Chile. Photo credit Pippa Howard.

OUR MANAGEMENT APPROACH

Anglo American's environmental performance has been guided for many years by our Environment Way internal policy requirements. During 2016, we combined our safety, health and environmental management system standards into a single 'SHE Way' to integrate and streamline our approach, and stay in line with global best practice. Our Investment Development Model includes sustainability criteria to ensure that we identify and manage environmental risks from the outset. Our approach to environmental risk management has been integrated into our ORM process. ORM implementation, including for our most significant environmental risks, forms part of performance-based remuneration for senior executives along with a target to reduce significant environmental incidents.

Notwithstanding progress in many areas, realising our long term environmental management goals will require considerable further focus and investment around best practices. In keeping with our ambition, we continue to invest in growing our internal specialist capacity, and in technological innovation, including through our Sustainability Open Forums. (See page 20.)

ENVIRONMENTAL INCIDENTS

Reporting, investigating and sharing lessons learnt from environmental incidents (actual and potential) forms an essential part of improving controls to prevent repeats and of integrating environmental consciousness into core business processes.

Anglo American reports five levels of environmental incident severity according to actual and/or potential consequences on the receiving environment. Level 3-5 incidents (ranging from moderate to high impact) are featured in the chief executive's report to the Board and are addressed each quarter by the Board's Sustainability Committee.

A steady decline over the past three years in the number of environmental incidents in all categories indicates continued improvement in the management of environmental controls across operations. In 2016, there were no Level 4 or Level 5 incidents reported for the second consecutive year. The Group reported four Level 3 (moderate impact) environmental incidents during 2016, compared with six in 2015 and 14 in 2014. Three of the incidents in 2016 were also reported as high potential incidents, which could have potentially resulted in more serious impacts. The 2016 Level 3 environmental incidents are reviewed in the table below. Significant fines and penalties related to environmental incidents in 2016 amounted to \$1,234,820.

Level 3 environmental incidents 2016

Primary impact	Description	Remedial action
Copper, Chile		
Water	The failure of a welding joint at a constricted portion of the slurry pipeline that connects Los Bronces mine with the Las Tórtolas processing plant resulted in the discharge of approximately 1,000 tonnes of benign ore pulp. A portion of the ore flowed to the Colina river, situated in the Santa Filomena area. The incident resulted in an administrative fine owing to a delay in reporting the incident. An independent study is being completed and will be available in 2017. At this stage, no damage to the ecosystem has been reported.	Remedial action included rescuing and relocating around 1,400 invertebrate animals, and removing pulp from the area affected. More than 900 tonnes had been cleared by the end of 2016. Although the emergency shutdown procedure was activated immediately the containment measures failed to deploy. Monitoring, control and mitigation measures have since been strengthened significantly to prevent repeats.
Water	In November, there was an overflow of mine-affected water from the containment pond at Los Bronces' Donoso waste rock dump. The overflow took place following high levels of snow melt.	The overflow was contained and the pump capacity rate has been increased to 200 litres per second to prevent further overflows. Additional short term measures to increase pumping capacity were also implemented to accommodate higher levels of snow melt following unusually high temperatures in the region.
Coal South Africa		
Water	The Schoongezicht pollution control dam at Landau colliery overflowed and discharged acidic water into the Schoongezicht river. The cause of the incident related to a combination of heavy rains and insufficient removal of sediment.	The dam has been de-silted to create an additional 60,000 litres of holding capacity to accommodate heavier precipitation in the rainy season. More effective procedures to separate clean water from mine-affected water have been put in place and additional volumes of water will be sent to the eMalahleni plant for treatment.
Soil	Following heavy rainfall, the Kopseer dam at Landau overflowed and discharged mine-affected water into the Clydesdale pan. The pan was already severely degraded prior to the discharge.	A number of procedural and technical controls have been put in place to prevent repeat incidents. Technical controls include the installation of evaporation measures, new treatment options, and an electrocoagulation trial.

LAND STEWARDSHIP

We own large areas of land throughout the world and operate in a number of environmentally sensitive areas where we have a legal and social responsibility to minimise our impact on the environment.

Rehabilitation

One of our most important responsibilities is the rehabilitation of our land to the post-mining land-use agreed with stakeholders. In 2016, we commenced the development of a revised progressive rehabilitation strategy. The primary objective of the strategy is to identify and reduce risks associated with land that has been disturbed and is available for rehabilitation, and to minimise the future creation of a backlog. Other objectives include building internal expertise and capacity, identifying and capitalising on concurrent rehabilitation opportunities, and improving performance indicators and reporting. Operations will develop detailed rehabilitation plans that identify individual risks, opportunities and resource requirements to meet rehabilitation targets.

The Group manages 1.57 million hectares of land, of which 109,411 hectares has been altered either for mineral extraction activities, or other industrial or commercial purposes. Of the altered land, 7% (7,913 hectares) has been fully rehabilitated and approved by the relevant regulatory authorities.

Rehabilitation is a particular risk at opencast operations, including those at Kumba, De Beers and Coal operations. Progress in addressing remaining backlogs at these businesses continues to be impacted by financial and technical constraints.

Biodiversity

Development of any sort, and in particular mining, has an associated impact on the environment. As the exploitation of mineral resources increases, so does the risk to biodiversity and their associated ecosystems. The challenge is to find a balance between securing economic growth, minimising environmental impact and ensuring long term sustainability.

Where significant biodiversity risks or opportunities are identified, partnerships and collaboration with local stakeholders ensure that the ecological considerations and community needs are addressed through the implementation of stand-alone biodiversity action plans (BAPs). A total of 31 operations have BAPs in place.

As members of ICM, we are committed to the Mining and Protected Areas Position Statement, to respecting legally designated protected areas, and to not explore or mine at any World Heritage sites. Targets relating to 'no-net-loss of biodiversity' are set on a site-by-site basis, depending on local risks and opportunities.

In Canada, an investigation by an environmental NGO, CPAWS-Wildlands League, in 2015, claimed to have found failures in self-monitoring and reporting of environmental impacts at De Beers' Victor mine in Ontario, Canada. The mine operates in extensive wetlands that support abundant wildlife, aquatic life, and plants. De Beers reviewed its practices with regulators, who confirmed that the operation's approach and programme is compliant, comprehensive and effective, and can continue as structured. Subsequent to this investigation, the CPAWS-Wildlands League publicly announced, in December 2016, that they were initiating a private prosecution against De Beers Canada Inc. associated with alleged issues with mercury monitoring at Victor mine. Proceedings have been served on De Beers Canada Inc. The prosecution relates to whether De Beers Canada's annual reporting of its mercury monitoring programme to the Government of Ontario and Attiwapiskat First Nation complied with the mine's Amended Certificate of Approval. De Beers Canada Inc. is actively defending this prosecution.

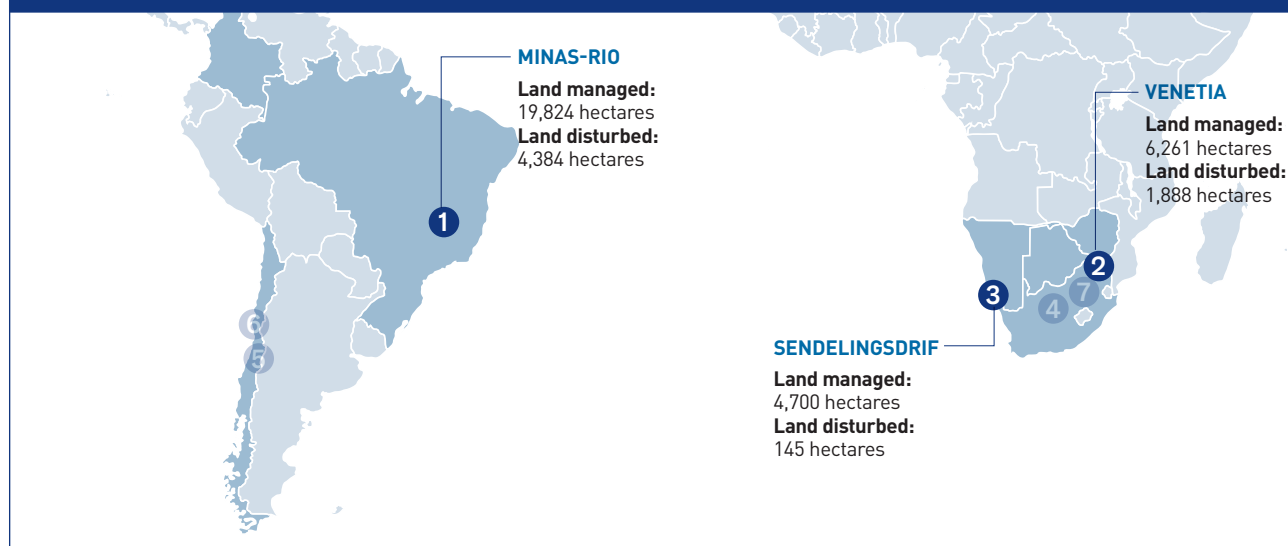
WORKING IN PARTNERSHIP DE BEERS SUPPORTS RHINO CONSERVATION

Debswana, a joint venture partnership between De Beers and the Government of the Republic of Botswana, currently supports about 50% of Botswana's white rhino population. Both the Orapa Game Park and Jwana Game Park, which surround Debswana's Orapa and Jwaneng mines, are home to several thousand animals, including rhino, giraffe, zebra, baboon, cheetah and leopard.

De Beers supports the Tlhokomela Trust as part of its ongoing commitment to protect the diversity of the natural world in which it operates. The Tlhokomela Trust recognises the role Botswana plays in the conservation of white and black rhino, in increasing danger from poaching. At the current rate of poaching, white rhinos (only 20,000 remain) and black rhinos (only 4,500 remain) will be extinct in the African wilderness by 2024. For every acre of land used for mining De Beers' diamonds, five acres are dedicated to the conservation of nature.



A rhino leads her calf in the Orapa Game Park wildlife conservation area.

OPERATIONS LOCATED IN ENVIRONMENTALLY SENSITIVE ENVIRONMENTS**1 Minas-Rio**

Iron Ore Brazil, Brazil

Description: The Minas-Rio mine and pipeline are located in the Atlantic forest and Cerrado biomes, which host several protected species. The operation is also situated in a region with a distinctive iron-rich rocky soil type (Ironstone Rupestrian Fields – IRF), which supports unique animal and plant life. Land clearance for mining there is subject to strict regulation, including significant offset requirements. For IRF, every hectare disturbed must be offset by two hectares, with similar ecological characteristics, in the same watershed.

Response: Iron Ore Brazil is working with private land owners to establish an ecological corridor designed to reverse the fragmentation of local habitats. To date, 17 out of a total of 90 properties have undergone a detailed environmental evaluation process to establish their suitability for the project.

Progress on IRF offsets has been hampered by several factors, including challenges in acquiring suitable land. Our partnership with the Federal University of Viçosa to find suitable sites for offsets is ongoing.

Extensive wildlife monitoring programmes are in place to mitigate impacts on vulnerable species and native vegetation is harvested for future use in rehabilitation and offsets. Iron Ore Brazil continues to support the Protected Areas of Amazon Programme.

2 Venetia

De Beers, South Africa

Description: Venetia mine is situated adjacent to the Venetia Limpopo Nature Reserve established by De Beers in Limpopo province, South Africa. The Mapungubwe Cultural Landscape was proclaimed as a World Heritage site in 2003, and, in 2009, a revised buffer zone was proclaimed without prior consultation with the mine. This resulted in the mine falling within the buffer zone of the Mapungubwe Cultural Landscape.

Response: De Beers operates according to conditions agreed with the government, and in 2013, through active engagement with the South African government, De Beers received consent for Venetia's underground project to proceed. A revised buffer zone that excludes Venetia mine was accepted by the UNESCO World Heritage Committee in 2014 and is going through the local legal process. While no mining takes place in the core area, there are shared water resources that are carefully managed by the mine.

3 Sendelingsdrif

De Beers, Namibia

Description: Sendelingsdrif falls within the southern end of the Namib desert in the Succulent Karoo Biome. The Succulent Karoo is recognised as the world's only desert biodiversity hotspot and the mining licence falls within Management Resource Protected Area (mining) and IUCN Category VI Protected Area of the Tsau//Khaeb (Sperrgebiet) National Park.

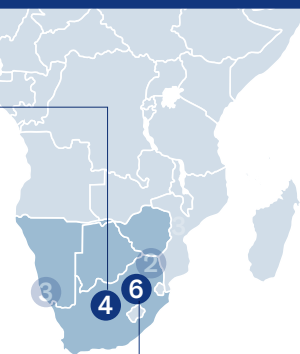
Response: The De Beers team at Sendelingsdrif, together with research partners – the Gobabeb Research and Training Centre and Kew Gardens' Millennium Seed Bank project in East Sussex – has developed an environmental management plan that will minimise the footprint of the mine; ensure that landforms and soil structures are rehabilitated; and implement innovative restoration measures. The restoration ecology programme will ensure the survival of significant plant species after mining.

OPERATIONS LOCATED IN ENVIRONMENTALLY SENSITIVE ENVIRONMENTS**EL SOLDADO**

Land managed:
8,030 hectares
Land disturbed:
1,245 hectares

**SISHEN AND KOLOMELA**

Land managed:
87,876 hectares
Land disturbed:
14,963 hectares

**ISIBONELO**

Land managed:
1,269 hectares
Land disturbed:
908 hectares

4 Sishen and Kolomela

Kumba Iron Ore, South Africa

Description: Sishen and Kolomela iron ore mines are situated in the southern part of a protected woodland in Northern Cape province. The region hosts several protected plant species that may not be removed or damaged without permits.

Response: Sishen and Kolomela mines' BAPs are used in conjunction with land management plans to address top risks, including the effects of mine dewatering, alien and invasive species, bush encroachment and the relocation of protected species to offset areas. Research and biodiversity monitoring protocols are used to understand and measure long term biodiversity trends. In 2015, Kumba applied to extend its mandatory offset requirements by an additional 2,500 hectares.

5 El Soldado

Copper, Chile

Description: El Soldado copper mine is situated in a priority biodiversity conservation area, which hosts a number of protected indigenous species of flora, including the protected Belloto del Norte tree.

Response: El Soldado focuses on reforestation, research, monitoring and environmental education through the Biodiversity Action Plan. Increasing the survival rate of the protected Belloto del Norte trees remains a priority, with additional resources being invested in improving reforestation techniques. Monitoring and research are conducted in partnership with Chile's Institute of Ecology and Biodiversity.

6 Isibonelo

Coal, South Africa

Description: Isibonelo is located within the sensitive Oliphants river catchment of Mpumalanga – host to the majority of the country's collieries. The operation's key considerations relate to the presence of red-data plant species, a significant area of wetland within the mining area, grassland management, pollution and alien-plant invasion.

Response: As part of its original mining licence agreement, Isibonelo has established two off-site wetland rehabilitation projects to offset planned impacts of the mine. It also revised its original mine design to avoid impacting around 500 hectares of wetland. The protection of red-data plant species and management of alien plant species are addressed via the Isibonelo BAP.

WASTE MANAGEMENT

Mining generates significant quantities of mineral waste, as well as some non-mineral and hazardous substances. These result in impacts on land through the establishment of tailings dams and waste rock piles, and may also result in impacts on water if not managed effectively.

We apply the 'avoid, reduce, re-use and recycle' management hierarchy to ensure the least possible effects on human health and the environment, during both the operational and post-closure phases. Where possible, mineral residue is placed into mined-out areas/pits. This provides increased containment safety and reduces the overall footprint of the disturbed land. We also seek to minimise impacts by making use of mineral waste in construction of containment facilities; waste rock is being used to build containment dams at Mogalakwena, Jwaneng, Gahcho Kué, and Venetia mines.

Given the nature of our business, our efforts are focused on mineral residue as our most material waste-related risk.

Mineral residue

Tailings storage facilities are classified as one of our top 10 major risks and are subject to a rigorous risk-management programme. In February 2014, we began implementing a new mineral residue management technical standard, to be fully implemented by the end of 2017 for tailings dams and water-retaining dams, and by the end of 2018 for waste rock piles. The new standard raises the bar in the level of care for our mineral residue facilities, as we seek to move beyond compliance towards best practice. Most businesses are phasing in the new standard and its requirements ahead of schedule. We are also aligned with the ICMM position statement on preventing catastrophic failure of tailings storage facilities, which ICMM member companies are committed to implementing by November 2018.

We classify facilities based on potential consequences of a catastrophic event; classification criteria include: public and employee safety; employee health; environmental, financial, and reputational consequences of incidents. The classifications determine: design criteria; the frequency of monitoring and inspection; assignment of appropriately skilled and resourced people; and governance structures to manage, monitor, audit and review facilities. In short, the more severe the consequences of any potential failure, the more stringent the standard of care applied in all aspects of the stewardship of our facilities.

During 2016, we completed a comprehensive inventory of, and updated risk tables for, all the containment facilities in Anglo American (90 tailings storage facilities and 213 water containment structures). Our waste dumps and stockpiles will be fully inventoried in 2017. Critical controls at facilities are audited internally by rotation at all facilities and each of the businesses is addressing identified priority issues. External, independent technical review panels are being established for our mineral residue facilities to undertake independent reviews, and are already in place at several of our operations. Such panels will be in place Group-wide by mid-2018.

It is a mandatory requirement that best available technologies (BAT) in mineral residue management are evaluated and included in all new early studies for mineral residue facilities. In-pit disposal, such as employed at several Australian coal operations, or filtration of mineral residue, such as at Greenside coal operation in South Africa, represent examples of BAT implementation.

In South Africa, waste classification and management regulations introduced in 2015 include pollution-prevention measures aimed at reducing long term groundwater liabilities. During 2016, the regulator proposed changes that would eliminate the mandatory lining of mineral residue facilities. All affected businesses continue to monitor legislative developments and engage in activities to ensure compliance. Platinum is engaging with regulators through the Chamber of Mines to present risk-based alternatives.

Anglo American evaluates lessons to be learnt from external mineral residue management practices and incidents. Following a major dam failure incident at a non-Group operation in Brazil in November 2015, we assessed the circumstances and any pertinent implications for improving our approach to dam safety. We also participated actively in the ICMM review, from which the aforementioned position statement emerged.

Non-mineral waste

Reduction and/or recycling targets related to non-mineral waste have been set at individual business units and operations. Kumba and Platinum operations aim to send zero waste to landfill by 2020.

Iron Ore Brazil recycled around 85% of non-mineral waste, which is above its established annual goal of 80%. Coal South Africa is piloting a mobile processing plant to recycle waste tyres. Kumba is investigating a similar pilot. Anglo American continues to engage with the Recycling and Economic Development Initiative of South Africa on waste tyre recycling prospects.

The management of hazardous substances is strictly regulated and controlled at our operations, as well as at the receiving waste facilities, which are regularly audited externally. We have implemented bioremediation facilities at Kumba's Sishen and Kolomela operations and at Platinum's Mogalakwena mine to treat soil that has been impacted by hydrocarbons.

AIR QUALITY

The most material Group-wide air-quality issue relates to sulphur dioxide (SO₂) emissions around our copper and platinum smelters, nitrogen dioxide (NO₂) associated with the combustion of diesel, as well as particulate emissions.

In 2016, we generated a total of 35,800 tonnes of SO₂ (2015: 43,000 tonnes) and 35,200 tonnes of NO₂ emissions (2015: 42,370 tonnes).

In South Africa, Platinum has reported its emissions data into the National Air Emissions Inventory System database as required by the Department of Environmental Affairs. The Rustenburg smelter and refineries have had their atmospheric emission licences renewed. Platinum has made progress with designing abatement technologies for its smelters, to enable them to comply with the Air Quality Act's 2020 limits on SO₂ levels. The ambient air-quality monitoring systems in place at the three smelters record the number of SO₂ exceedances on a daily basis to manage and control ambient limits. During the year, all sites continued to meet permissible legislated hourly ambient limits.

At Kumba's Sishen mine, dust emission levels, specifically PM₁₀ (fine dust) emissions, continue to pose a challenge. Over the past few years the mine has implemented an extensive dust improvement plan, which has now been integrated with the ORM programme. This has achieved significant reductions in dust levels, including a 50% reduction in levels of PM₁₀ emissions, compared to levels in 2012. However, as a result of a significant reduction in the PM₁₀ regulatory limits introduced in 2015, the number of exceedances has increased, despite a significant overall reduction in the monitored levels of dust.

Copper's Los Bronces operation is enhancing its air-quality management to support permitting for its underground project. The operation is completing a baseline air quality study to determine potential gaps related to existing regulations and/or environmental conditions, which includes developing an air-quality model and an expanded air-quality monitoring network. In addition, a new emissions regulation that took effect for the Chagres smelter from December 2016, allows a maximum of 14,400 tonnes per annum of sulphur dioxide emissions to be released from the smelter. An emissions-reduction project is currently under way to comply with the new standard.

MATERIALS CONSUMPTION

As a large diversified mining company, Anglo American operations consume a wide variety of resources. These are reported according to what is most material for individual businesses. The most material resource at a Group level is water, which is addressed on page 62. During 2016, our global operations consumed 399,000 tonnes of explosives (mainly at our opencast operations), 166,000 m³ of lubricants, and 3,600 tonnes of grease. Off-road tyres used on haul trucks and other mobile machinery, flotation reagents, mill liners at our Copper business, and nickel electrode pastes, are some of the other materials commonly used in the business.

PRODUCTS STEWARDSHIP

Our product-compliance obligations largely stem from the implementation of the UN's Globally Harmonised System of Classification and Labelling of Chemicals (GHS), which affects all of our products sold outside of their country of manufacture. Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is the EU legislation enacted to address the GHS in the EU. It aims to improve the protection of human health and the environment from the risks that can be posed by chemicals. In principle, REACH applies to all chemical substances.

Systems are in place to ensure our compliance with the REACH regulations and other international related regulations such as GHS. During 2016, a high-level six-month plan for product compliance was implemented, with a particular focus on our platinum and copper products. The plan included a comprehensive review and update of the safety data sheets of our precious metals and ferronickel products. As part of the divestment process in 2016, we successfully transferred REACH dossiers for products associated with the divestment sites to the new owners as required by the REACH regulations.

WATER

Water is of great importance to our business activities, given that around 75% of our current portfolio is located in high-water-risk regions. Effectively managing our water risks and impacts mitigates the risk of operational disruptions and presents an opportunity for us to play a leadership role in our water catchments.

ANGLO AMERICAN AND ICMM PARTNER TO TEST OUT A NEW APPROACH TO WATER MANAGEMENT

The ICMM developed a new water stewardship framework, based on adopting a catchment-based approach, in 2014. The approach requires inclusive engagement and collaboration with all relevant stakeholders on shared water challenges. In early 2015, the ICMM selected Minas-Rio to collaborate with them in the first application of the guidance, and the project was brought to life in Brazil in 2016.

For Anglo American, partnering with the ICMM was an opportunity to assess and improve water security at Minas-Rio, and to become conversant with the social implications created by the water catchment and the potential business risks associated with meeting legal, social and regulatory requirements. These challenges were compounded by the water crisis Brazil was experiencing. Since 2012, rainfall had been well below average throughout the country as a result of the weather phenomenon known as El Niño.

The issues regarding a mine's water-basin management are complex and involve a vast range of aspects – technical, environmental, societal, and reputational. This initiative was an opportunity to run a robust analysis associated with those multi-disciplinary perspectives.

Through this process, Anglo American and the ICMM brought together members of the local communities, municipalities, water basin committees and civil society organisations to better understand and manage shared water risks in the San Antonio water catchment. This enabled us to better understand stakeholder concerns and

aspirations related to the use of water in Minas-Rio; identify major water issues and risks in the catchment and across mine life cycle; and, finally, build a response strategy to address water risks.

For the ICMM, the pilot allowed them to road-test the approach at a water-intense operation and, based on the findings, ensure it was practicably applicable for other members. The process followed each of the steps included in the ICMM guidance:

1. Reviewing the importance of water in a mining context
2. Establishing Minas-Rio's starting-point – why water is important for the operation
3. Evaluating stakeholder perceptions
4. Drafting a baseline report
5. Holding a multi-stakeholder workshop to discuss findings
6. Establishing findings and future actions.

Applying the ICMM guidance demonstrated that water-related risks are often seen from very diverse perspectives across Minas-Rio, and that management of such risks can fall under separate systems and processes. The approach has helped Anglo American consolidate these risks so that they can be managed using a holistic framework.



Looking across the catchment of the San Antonio river, from Conceição do Mato Dentro at Minas-Rio, Brazil.

OUR MANAGEMENT APPROACH

In 2016, we developed a new water management standard and water management guidelines in alignment with global best practice and the ICMM water reporting guidelines. A cornerstone of the new standard is a more focused and structured approach to managing catchment-wide water risks, in partnership with regional stakeholders. The standard requires that every site identify or appoint a water co-ordinator to oversee implementation of the standards and our strategy. Each business unit has developed and is implementing its own water plan and in certain high-risk regions we have developed regional water plans.

Our immediate priorities involve ensuring access to adequate supplies of water for operations without compromising other local needs, and compliance with permit and legal requirements. The implementation of detailed, dynamic operational water balances that are linked to regional climatic data is a critical step towards achieving this. Modelling water-balance scenarios improves our ability to predict and quantify risks and identify infrastructure requirements to enable timely management responses to climatic variability.

The Anglo American Investment Development Model, which has replaced the Anglo American Project Way, integrates water-risk management more systematically in our project planning and development processes.

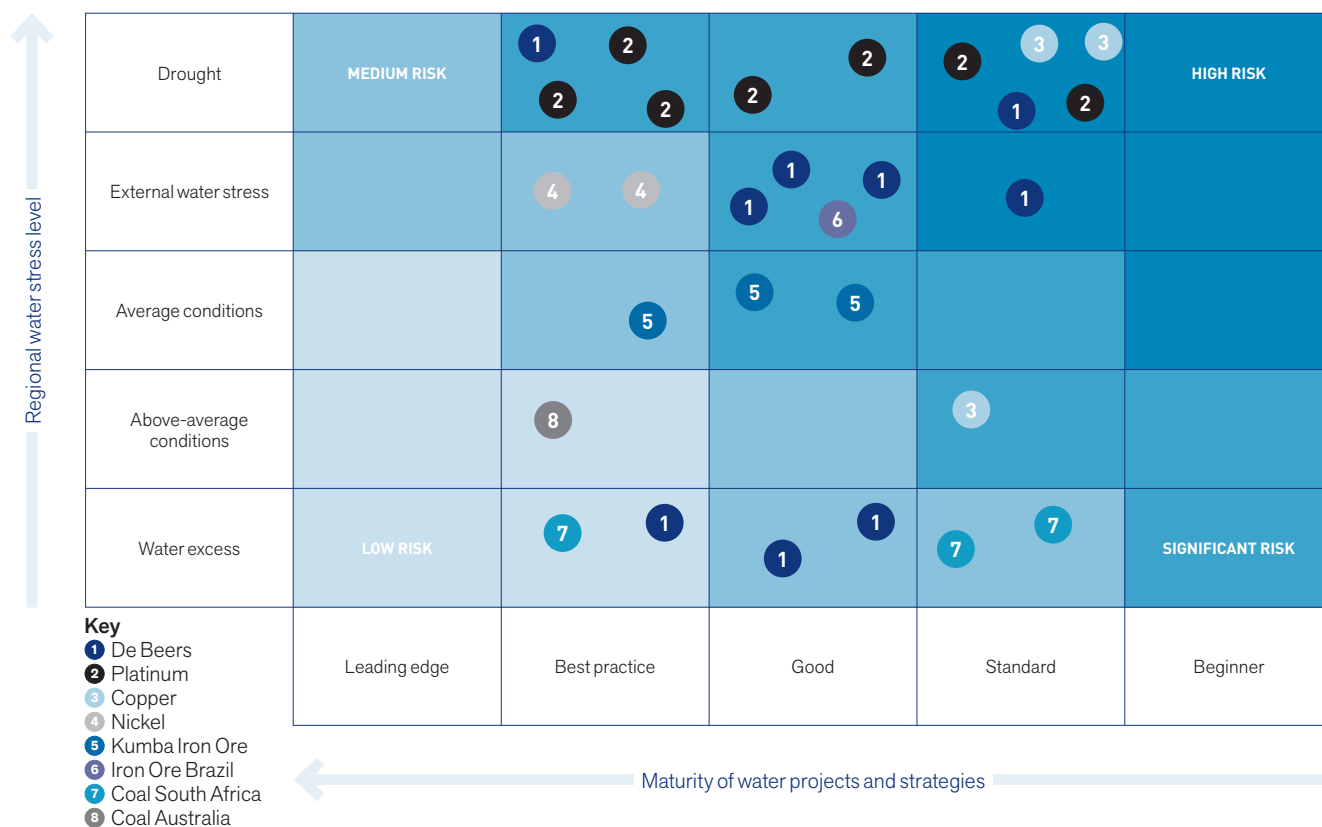
Setting ambitious targets

We have been rolling out a more comprehensive and rigorous set of performance indicators across the Group and aim to start reporting against the new indicators by the end of 2017. Our new approach, in line with ICMM practice, measures cubic metres of water usage per tonne of production.

We are working towards the following revised, more ambitious targets for 2020:

- reduce our absolute freshwater intake by 20%
- recycle/re-use water for 75% of our water requirements
- improve our water intensity to greater than 1 (i.e. sufficient water to meet mine plan) at all operations
- record no Level 3 (or above) incidents.

WATER MANAGEMENT OPERATIONAL RISK, 2016



ASSESSING WATER RISKS

A qualitative assessment of water risks at all Anglo American's operations is depicted in the graphs on page 67. The assessment included water security, operational water management, water quality and pollution, environmental protection and compliance, as well as mine dewatering and depressurisation.

Out of the six 'high risk' operations identified, there are two critical water scarcity areas that are currently receiving specific attention: our Platinum and De Beers operations in the Limpopo province of South Africa; and our Copper operations in the Andes in Chile.

ADDRESSING WATER SCARCITY

Water security in the Group has improved over the year with eight sites reporting water shortages during 2016, down from 11 sites in 2015. However, continued drought conditions and water restrictions in South Africa and possible shortages in Minas Gerais State in Brazil may drive further water scarcity risk.

In South Africa, our Platinum business has started modelling water supply scenarios for the next 20 years for each of its water stressed operations, where there are rapidly growing demands for water to support agricultural, mining, industrial and domestic consumption. In the Limpopo province, the business has developed a bulk-water strategy and infrastructural plan to safeguard the long term security of water availability for its operations and surrounding communities. Since a high number of our assets are in the southern African region, we have developed an overarching, coherent, collaborative water strategy for the region, which will be launched in 2017.

Our Los Bronces copper mine continues to mitigate water supply challenges by implementing technical solutions that promote water efficiency and water resilience. The site currently recycles more than 66% of available water. Water is transported to the operation via a 56-kilometre pipeline from the Las Tórtolas tailings dam using a special water-recycling system. Several projects have been implemented that allow the operation to use industrial water from third parties, achieving synergies with thermo-electric power plants and wastewater treatment plants. The operation is expanding its engagement with regional stakeholders and potential water partners, evaluating new water sources, ranging from water transfer schemes, to regional desalination.

OPERATIONAL EXCELLENCE

Water consumption

Anglo American's total new-water consumption decreased by 14% from 222.9 million m³ in 2015 to 190.7 million m³ in 2016. The decrease was due to the divestment of water-intensive operations and efficiency measures. Of our total operational water requirements, 66% was met by recycling/re-using water (2015: 64%).

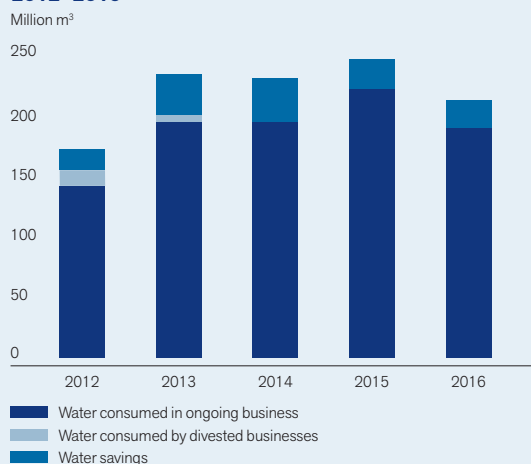
Water saving projects, which include more effective dust suppression, dewatering of tailings and more efficient ore separation, saved the Group approximately 23 million m³ of water (2015: 25 million m³), relative to projected levels.

Our operations also seek to reduce their dependency on high quality water through water switching and the use of lower quality water where practicable. Potable water usage across the Group remained level at 8% of total new water used.

In South Africa, Kumba's Sishen and Kolomela iron ore mines are located in an arid region, but have access to a large groundwater aquifer that requires ongoing dewatering to enable mining. Sishen pumps water from that aquifer into the regional government water supply pipeline and Kolomela has implemented an initiative to artificially recharge water to underground aquifers to restore water levels.

Copper's Quellaveco project is located in an extremely arid region in Peru. To augment water availability, we are constructing a dam to serve the mining project, the local community and agricultural industry.

Total water consumed against business as usual 2012–2016



Water quality

We seek to minimise the adverse effects of our mining activities on surrounding surface and ground water to avoid affecting the water security of our stakeholders. Poor quality water is harmful to the environment and human health, can affect mining and processing equipment, and present closure liabilities.

Our principal water quality related risks are high salinity and acid rock drainage at some of our coal operations in South Africa and Australia, and at copper operations in Chile.

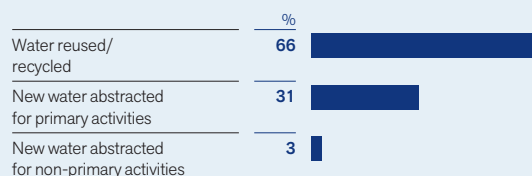
At Coal South Africa, water treatment plants are used extensively to treat mine-affected water. The flagship eMalahleni water reclamation plant, built in partnership with BHP Billiton and the eMalahleni Municipal Council in 2007, treats around 25,000 m³ of mine-affected water every day, which meets the potable water needs of nearby mines and provides drinking water for 80,000 people. The treatment process produces gypsum-based by-products, which are used in the manufacture of cement and fertiliser industries. Gypsum is also used for making building materials – it is mixed with cement, clay and water and baked to produce bricks, blocks and panels for constructing homes. Anglo American has built 60 houses from the gypsum-based building materials.

Our Coal business is also investigating passive water treatment at three of its sites as a means to reduce closure liability without generating additional waste. In all cases, the treated effluent is suitable for irrigation of crops in local communities. Process designs are being developed for demonstration-scale implementation in 2017. The country's Department of Water and Sanitation has shown significant interest in these projects as part of a national long term acid mine drainage management strategy.

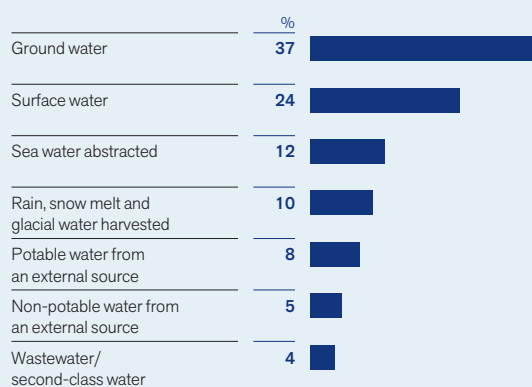
At Copper's El Soldado operation, seepage from the El Torito tailings dam is being managed through the installation of drains, while studies for the mitigation of sulphates in tailings dam water are ongoing. Copper's Los Bronces operation continues to implement a temporary solution for the collection of acidic water generated from the inactive Donoso waste rock dump until a final solution for transferral of acidic water to Los Bronces is finalised. The operation manages the discharge of acid mine drainage into the environment using an engineering design to contain, manage and treat melting ice on the waste rock dump, and is currently developing a permanent solution to the issue.

Potential water quality concerns associated with elevated salt levels at Snap Lake mine in Canada continue to be managed and monitored in line with its approved care and maintenance plan. The mine is involved in technical studies, stakeholder engagement and legal processes to evaluate options should it remain in extended care and maintenance.

Total water recycled/reused in 2016



Total water abstracted by source in 2016



TECHNOLOGY AND INNOVATION

The outcomes of the Anglo American FutureSmart™ Water Open Forum held in 2015 helped us to better define our technology pathway towards closed-loop operations and the potential elimination of our water dependency.

Investing in new integrated water-technology solutions is one of our most important focus areas and fundamental to achieving a step-change in water efficient mining. The implementation of many good-practice 'now' technologies – relating in particular to fine-tailings management and haul-road dust suppression – is standard at most operations. Evaporation control is also becoming a major focus for water scarce operations.

We are also continuing to make good progress in introducing newer technologies. These include, for example: separating water streams that do not contact wastewater; discharging less water to tailings; bitumen-based dust suppressants; remote monitoring of water flows and levels in dams and tailings; and piloting passive water treatment technologies. Designing and operating water efficient mineral residue and processing facilities is another priority for us. Our Los Bronces and Mogalakwena operations, for example, are adopting evaporation covers, expanding the use of thickeners, and investigating other technology to recover water from slimes dams. Similar opportunities are being explored at other mines.

ENGAGEMENT AND PARTNERSHIPS

We believe that, increasingly, water insecurity is a major driver of social inequality and that collaborative efforts are critical to effectively address water challenges and enable access to water for everyone. Our engagements with host governments, industry associations, local authorities, communities, NGOs, businesses, suppliers and other stakeholders on water related issues is an integral part of our water journey.

We participate in several important water-related forums, such as the Strategic Water Partners Network (SWPN) programme aimed at addressing South Africa's water shortages. In South Africa, we participate in a consortium that assesses acid mine drainage in the Olifants river catchment in Mpumalanga, including the feasibility of applying mine-impacted water for irrigation purposes. We recently participated in the Olifants River Catchment Management Forum established with other mining companies. Anglo American has worked with Exxaro and SWPN to develop the first draft water-loss-reduction plan for Gauteng province. This programme aims to reduce the business-interruption risks in Gauteng and earn water credits. In Peru, the Quellaveco copper project engages local communities in monitoring its water management practices, and is examining options for providing water or power from its dams.

We work with local governments to build resilience in host communities through the provision of water and associated infrastructure that is linked to our mining activities. Examples include Kumba's Kolomela and Sishen operations, which pump groundwater, in excess of operational needs, to Sedibeng Water to supply neighbouring communities. We have also been providing potable water to communities in drought-stricken areas, including Mogalakwena platinum mine in South Africa and Cerrejón coal mine in Colombia.

As part of our commitment to promote transparency and accountability on water-related issues, we participate annually in the CDP water programme (refer to www.cdp.net/water).

CLIMATE CHANGE AND ENERGY

Our climate change strategy is designed to safeguard the business and host communities against climate change risks, and to contribute to mitigating global greenhouse gas (GHG) emissions. We seek to understand the implications of climate change on our value chain, and to maximise opportunities associated with the transition to a low-carbon future.

A JOURNEY TO PHYSICAL CLIMATE RESILIENCE

The mine project investment decisions we make today are well within timescales that could be significantly affected by weather variability associated with long term climate change.

Anglo American seeks to understand the physical implications of climate change for our operations and neighbouring communities, and to implement appropriate adaptation responses. Key elements of our approach include:

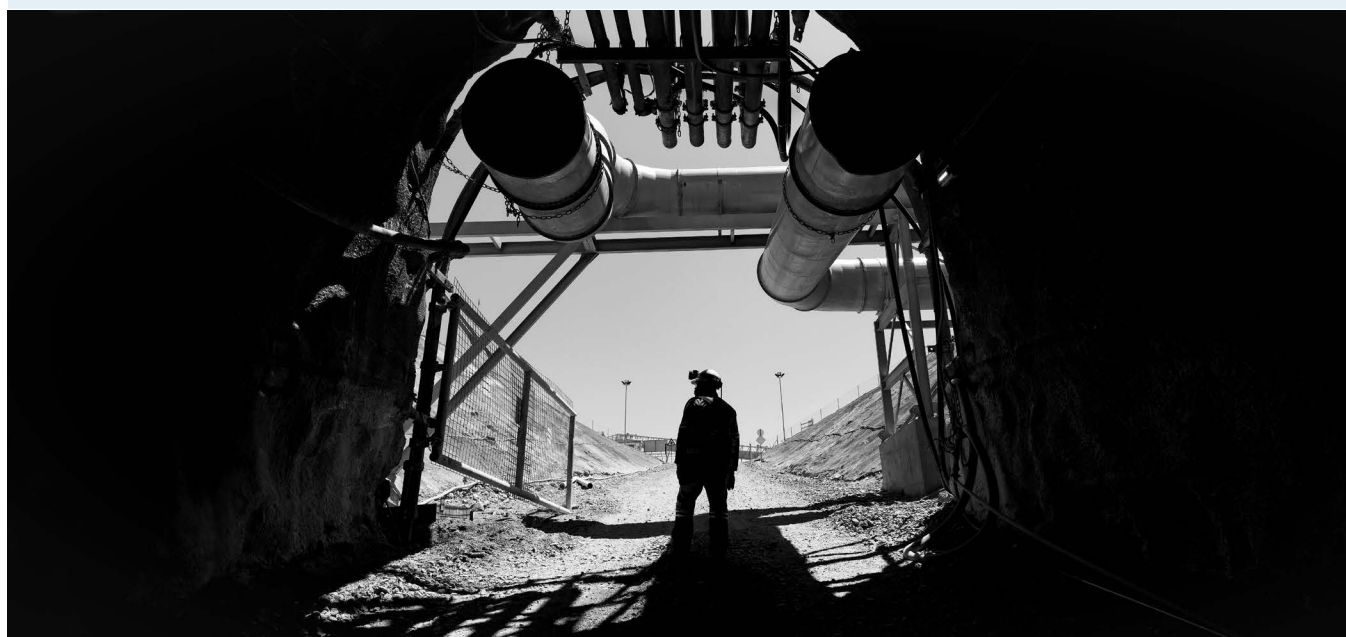
- building climate scenarios using the best available science
- using our Operating Model to identify vulnerability and exposure
- integrating critical controls into operational risk management.

Working with the UK Met Office, we undertook early climate studies in 2010-2011, ranking all Group operations and projects for climate vulnerability. Our highest risk sites are located in Peru and Chile, with several of our other operations also vulnerable to extreme weather events. In 2012-2014, we built low-resolution climate scenarios for vulnerable regions, seeking to develop best practice guidance for our operations and new investment projects. We selected De Beers' Venetia diamond mine, located in a hot semi-arid region in South Africa, as the pilot site for integrating climate risk responses into Anglo American's Operating Model.

Using a number of regional climate change models, the scenarios projected climatic variables up to mine closure and beyond, with risks relating to extreme rainfall events, extended periods of drought and steadily increasing temperatures.

The adaptation team spent time with the mining function at Venetia to clarify and explore the implications of the scenarios. For example, the distinct rise in temperature has significant implications for water recovery from the tailings dam and the mine's ventilation requirements. The pilot exercise highlighted the importance of working with experienced line managers to reconcile the modelled long term climate scenario projections with the adaptation required through engineering and design controls.

Following on the baseline analysis and as part of our ongoing programme on climate resilience, in 2016, we partnered with the UK Met Office on high-resolution modelling for our Los Bronces operation in Chile. The scenario data will be used to inform our catchment-based water model, air quality and natural hazard assessments and control measures. Similar exercises are planned for Platinum's Mogalakwena mine and Debswana's Jwaneng and Orapa operations in Botswana.



At the entrance to the underground workings at De Beers' Venetia diamond mine in South Africa.

OUR MANAGEMENT APPROACH

Through implementation of our climate-change strategy, we aim to:

- reduce our carbon footprint as part of our voluntary commitment to mitigate our impacts and reduce our exposure to emerging climate change regulation
- manage climate risks and opportunities associated with our products and investments
- improve our ability to influence the development of effective government policy
- drive greater resilience to the physical effects of climate change within our business and host communities.

We have implemented an energy and carbon management (ECO₂MAN) programme across the Group since 2011. Through ECO₂MAN, we are able to analyse our activities and identify opportunities to reduce energy consumption and carbon emissions. ECO₂MAN is underpinned by a carbon and energy technical standard and related guidance, and site-level reduction targets. The targets constitute a reduction against current business plans, which take into account known factors influencing performance, such as stripping ratios, ore hardness and depths, haul distances, expansions and closures. Performance is driven through the implementation of discrete projects that reduce energy and emissions intensity at the operations concerned.

Anglo American's Operating Model provides the framework for integrating energy and emissions management into the business process. In evaluating operational performance, in addition to measuring energy savings achieved, we assess the project pipeline and new opportunities identified. Our process for identifying physical climate risks is aligned with the Group integrated risk management and ORM processes. Through our adaptation programme, we will continue to understand and address our most significant climate and extreme weather risks.

Strategic KPIs and executive incentives

The Anglo American and business unit CEO scorecards include performance on energy and carbon; at present, however, these are not directly linked to the company's short term incentives. However, a proposal for including the existing energy and carbon targets within Anglo American's long term incentive plan was approved in February 2017.

REDUCING OPERATIONAL EMISSIONS

In 2016, Anglo American operations were responsible for 17.8 million tonnes of CO₂-equivalent emissions (Mt CO₂e) (2015: 18.3 Mt CO₂e). The Group's total energy consumption was 105.43 million GJ (2015: 106.25 million GJ).

Total energy used decreased slightly (1%), while GHG emissions fell by 3% when compared to 2015. Lower consumption across most other businesses owing to divestments and efficiency measures was offset by a large increase (~7 million GJ) in energy consumption at Barro Alto in Brazil following the furnaces' rebuild. The reduction in GHG emissions was a result of lower electricity emissions factors in Brazil and South Africa, GHG mitigation projects and, to an extent, the sale of a number of operations in 2016. The latter did not have a significant impact on GHG reductions owing to the less GHG-intensive nature of those operations.

In 2015, we completed a five-year cycle of energy- and carbon-reduction targets, exceeding our targeted 19% reduction in GHG emissions by 3% relative to the business as usual baseline, and meeting our 7% energy-reduction target. In 2015, all operations set new targets for 2020. Our Group reduction targets for 2020 are 8% for energy and 22% for GHG emissions. These were agreed in the context of capital constraints and market complexities and uncertainties, and are subject to divestments and significant business changes.

In 2016, a total of 320 energy efficiency and business improvement projects saved 5.8 million GJ in energy consumption, with the avoided energy cost estimated at \$90 million. The cumulative avoided energy costs under the ECO₂MAN programme over the past three years is estimated at \$260 million based on 2016 energy prices. The GHG emissions savings in 2016 (4.5 Mt CO₂e) were marginally lower than in 2015 (4.6 Mt CO₂e) owing to the divestment of underground Platinum operations where ventilation projects contributed materially to GHG savings.

Several of our South African operations are benefiting from tax deduction incentives, estimated at \$14.6 million (R200 million) for measurable energy savings. Kumba in particular has achieved significant energy savings through a range of emission-reduction initiatives across its haulage fleet. This included improving payload management systems, expanding the implementation of the diesel energy efficiency management programme, optimising the loading of haul trucks, and haul truck engine adjustments.

A large portion of our GHG emission savings is achieved through the capture and use of coal mine methane for power generation at our underground operations in Australia. Moranbah North mine's waste methane power station has now reached full capacity. Similar power-generating facilities are being constructed at Grosvenor mine.

In addition to our focus on GHG management, we investigate opportunities for carbon-offset partnerships. We have identified opportunities for implementation once a compliance carbon-trading market develops.

Energy security

Insecurity of energy supply has the potential to compromise our production goals as well as the safety of our employees, who depend on, for example, mechanical ventilation in underground mines. Electricity accounts for about 44% of our total energy consumption; the direct consumption of fossil fuels accounts for 53% and renewable energy for the remaining 3%.

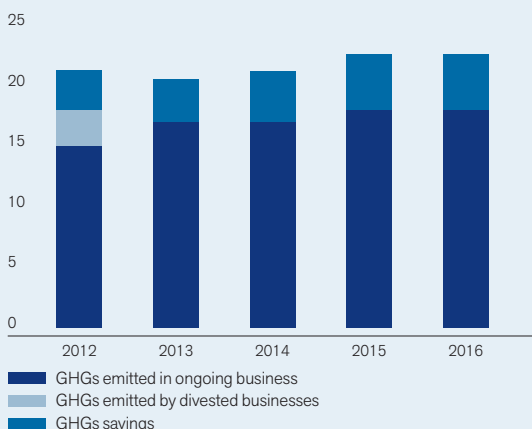
In South Africa, the need for load curtailment, which endured through 2014 and 2015, receded in 2016, mainly as a result of: improved Eskom plant availability; new capacity; improved maintenance regimes; and lower industrial demand. All Anglo American operations in the

country have emergency-preparedness plans in place, including protocols to minimise the impact of unplanned power station outages. Anglo American has assisted with bringing independent power projects to market; one such example is the 100 MW Kathu concentrated solar thermal plant with energy-storage capability, and the 450 MW Khanyisa discard-coal project.

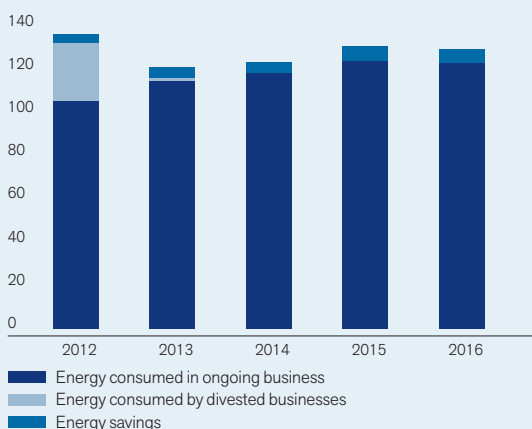
Electricity supply in Brazil is highly reliant on hydropower and the persistent drought last year raised concerns over power insecurity. The drought has eased and, while the underlying supply risk nonetheless remains, it has lessened significantly owing to increased use of thermal-power generation.

Total GHG emissions against business as usual 2012–2016

Million tonnes CO₂e

**Total energy consumed against business as usual 2012–2016**

Million GJ

**RESEARCH AND DEVELOPMENT**

Our roadmap for a carbon-neutral mine was given impetus following the FutureSmart™ Innovation Open Forum on energy that we held in December 2016. As a result of the two-day event, attended by leading specialists from a range of industries, we are developing new partnerships and better defining our technology pathway in the medium term, as well as identifying and prioritising innovation projects.

We seek to implement best-available technologies on an ongoing basis, particularly in regard to underground ventilation, fuel use and pumping. We have also invested in the harnessing and re-use of energy, such as waste-heat recovery from Platinum's Waterval smelter in South Africa, and Coal South Africa's solar photovoltaic projects.

To date, we have invested \$201 million in low-carbon technology research and development. A particular focus is the development of low-emission technologies that utilise significant quantities of PGMs. Platinum will invest \$100 million, over the period from 2014-2019, in companies that use or enable the use of PGM-based technology in their products or processes.

Our longer term partnership research programmes include piloting platinum-based fuel cells for mobile and stationary power systems. We have also successfully piloted fuel cell technology for underground locomotives and in a mini-grid rural electrification project.

In February 2017, Anglo American and 12 other companies launched the Hydrogen Council. Through the Council we confirmed our ambition to accelerate investment in the development and commercialisation of both hydrogen and fuel cell sectors. Hydrogen-powered fuel cell electric vehicles offer the most natural solution for zero emission vehicles – emitting only water and requiring little change to the way we are all used to driving and refuelling our cars.

Other partnership projects include research in Australia to use algae to sequester carbon and for bioremediation. De Beers has started investigating the potential for mineral carbonation of kimberlite tailings as a carbon capture and storage technology solution.

To date, we have invested approximately \$10 million in clean-coal technology and are a founding member of the South African Centre for Carbon Capture and Storage.

ASSET PORTFOLIO RESILIENCE

We continue to identify and assess the potential impacts of climate change on our portfolio. In 2015, we conducted an assessment of climate change scenario risks and opportunities for the thermal coal market for 2030 and beyond, and confirmed that thermal coal will continue to play an important role in the energy mix in the near term. In 2016, we undertook a qualitative assessment to determine implications for product demand for copper and PGM markets. The qualitative analysis, which included the International Energy Agency 2° Scenario, indicates that in the transition to a low-carbon economy and under increasing climate constraints, the demand for both metals is positive, and is particularly attractive for copper.

Demand for copper is expected to increase, given its use in several low-carbon technology applications, such as in electric vehicles and information and communications technology equipment. A key development area for platinum is the use of fuel cells to provide power, both in stationary applications (such as residential power) and in mobile applications (such as power trains for vehicles). Fuel cells are efficient, versatile and scalable, emit only water vapour and could reduce levels of reliance on liquid fossil fuels. Platinum has unique catalyst properties with broad new technology applications.

As a next step, we plan to undertake dynamic quantitative modelling of the scenario indicators and their financial impacts on Anglo American's asset portfolio. This analysis is expected to be finalised in 2018.

PUBLIC POLICY POSITIONS AND ENGAGEMENT

The Paris Agreement on climate change will add momentum and strengthen the climate policy stance taken by governments to deliver their national carbon emission reduction objectives. We anticipate a range of carbon pricing and offset/incentive policies to emerge in all our operating geographies. We continue to work with governments, industry peers and other stakeholders on the development and implementation of efficient, effective and equitable climate change policies.

In South Africa, the government issued a draft bill on carbon tax in 2016. There remain several policy and technical alignment aspects outstanding. Draft regulations on the use of offsets were published in June 2016. We are evaluating options to source cost-effective carbon credits.

Anglo American supports the ICMM's position statement on climate change and related work on implementing a global solution for managing a low-emissions economy, and its principles for climate change policy design. We have a clear position on climate change in our business. This is available for download on www.angloamerican.com. The policy requires every business unit to take responsibility for ensuring that its direct and indirect activities are consistent with the Group climate change policy and position. During 2016, we reviewed the climate change positions and activities of organisations of which Anglo American and our business units are members to ensure that those organisations do not hold positions on climate change that are contrary to our own.

MINE CLOSURE AND RESPONSIBLE DIVESTMENT

Our approach to ensuring responsible mine closure emphasises the importance of designing, planning and operating a mine with closure in mind. In doing so, we aim to reduce long term risks and liabilities to our business and ensure that we leave a positive legacy when our mines conclude their operational lives.

SENDELINGSDRIF MINE CLOSURE

At Sendelingsdrif mine in Namibia, De Beers is demonstrating that forward thinking on mine closure can deliver real value for stakeholders throughout life of mine (LoM).

Sendelingsdrif is located along the Orange river in the south of the country. Mining started in 2014 with an expected LoM of 2023. It is the second largest deposit and extends the overall LoM along the Orange river, enabling Namdeb to fulfil its strategic goal of sustaining carat production in the Orange River Mining Licence area.

The resource is allocated in a biodiversity hotspot area, where the vulnerable white-flowered *Juttadinteria albata* occurs. Namdeb developed a rehabilitation plan for the area, which was approved by the Namibian government and which earmarked the Sendelingsdrif area for future nature-based tourism. Based on this, several steps needed to be taken to ensure biodiversity of conservation in the area so that the future end land use is not compromised.

Considering the sensitivity of the area in which the mine operates, the integration of concurrent rehabilitation and conservation of biodiversity into the life cycle of the mine became major business-case drivers. Three key objectives were identified including:

- Adopting an integrated LoM and closure approach

- The integration of biodiversity management throughout the life cycle of the mine
- Using innovative mine design and concurrent rehabilitation to reduce closure liabilities and improve rehabilitation outcomes.

Having explored various options for the mine plan, a dynamic mining/back-dumping design was implemented. This approach included the development of a minimal waste dump, which was only required during initial mining. The oversized waste from the treatment plant is loaded and hauled from the trommel and tailings from the dense media separation (DMS) tailings conveyor to the adjacent mined-out blocks as part of the mining circuit.

By following this innovative, integrated approach, and not a conventional dumping design, significant value has been realised, with an overall operational cost saving of 35% in cost per tonne for materials handling, with an equal reduction in closure liability, proving the business case for integrated LoM and closure planning.

The development of a restoration ecology framework early in the mine's life cycle, and its inclusion in the LoM plan, is designed to assist De Beers in meeting its commitment to no-net loss of significant biodiversity.



At Sendelingsdrif, field trials of waste dump rehabilitation early in the project helped to integrate conservation of biodiversity into the life cycle of the mine.

MINE CLOSURE

OUR MANAGEMENT APPROACH

Our Mine Closure Toolbox (MCT) is the primary means through which we seek to achieve a structured approach to closure planning and management. It is aimed at ensuring that the full spectrum of life of mine opportunities, risks and liabilities is effectively identified, that plans are fully costed, and that provision is made on the balance sheet for premature closure. Nearly 80% of our managed operations remaining in the portfolio at the end of 2016 have closure plans that are fundamentally aligned with the Toolbox requirements. This is an increase from the previous year owing to the divestment of a number of assets that had closure plans aligned with the MCT. Three Platinum sites and one De Beers site do not have stand-alone mine-closure plans that are fundamentally aligned with the Toolbox requirements. This is due to there being no regulatory requirement for closure plans at certain operations.

Our mine closure planning focus areas are: establishing the status and prioritisation of our operations' closure plans; integrating planning processes; calculating and funding of closure liabilities; and stakeholder engagement.

Our commitment to responsible mine closure is an important aspect of integrating sustainability into our wider business. The Toolbox is designed to be used in conjunction with a number of other standards and toolboxes, including the Social Way, our Socio-Economic Assessment Toolbox (SEAT), and Investment Development Model. The latter includes a set of requirements for mine closure to ensure that closure is taken into account from the outset in the way mines are designed. All projects are required to develop a closure plan as part of the project development and investment evaluation process.

CLOSURE PLANS

In 2016, we identified our priority 'high risk' and 'high opportunity' operations in terms of mine closure, with a focus on our strategic assets. Each site has identified value-adding closure plan actions and is tracking their implementation.

For example, Kumba's Sishen mine has updated its closure plan with a revised approach to integrated mineral-waste management. This involves reducing its operational footprint by improving short-haul in-pit dumping and optimising available space in existing waste rock dumps. Copper's El Soldado mine in Chile has reviewed its closure plan options and an action plan has been developed to close the gaps.

Coal South Africa's Landau mine has developed a numerical geochemistry water model to assist in identifying cost-effective long term water treatment options and developing closure scenarios. This includes options for passive water treatment, which can yield significant cost savings in the long run because they require less energy, maintenance and monitoring than traditional methods. Landau has also

completed its detailed social closure plan. This will be integrated into the overall mine closure plan and complemented with the implementation of an aligned stakeholder engagement plan. The social-closure process developed by Landau will be utilised at other relevant Anglo American operations.

A project team is overseeing the closure of Kumba's Thabazimbi mine, where processing activities were completed in September 2016. The focus in 2016 was on further developing the mine closure plan, with details on proposed activities, resource requirements and the proposed detailed schedule. An internal assurance review is in progress. The public participation process will commence early in 2017 and, once completed, the plan will be submitted to government for approval.

All our operations in South Africa are required to update their liability assessments annually. Platinum is developing a Toolbox-aligned closure plan for its Amandelbult mine and will develop a plan for its Polokwane smelter in 2017. A plan for Twickenham mine, which is currently under care and maintenance, will be developed in 2018.

A closure-plan review and gap analysis was undertaken for Debmarine Namibia and an action plan is being implemented to address gaps and align with the Toolbox requirements. This was the first application of the Toolbox for a seaborne operation and was highly successful.

Integrated mine planning processes

We are progressively integrating mine closure planning with our operational strategies. This involves assessing and identifying opportunities to make operational changes that require no or modest additional expenditure, and which result in significantly reduced operational costs and closure liabilities. For example, Sendelingsdrif mine in Namibia has integrated ongoing, dynamic backfilling of depleted open pits and restoration ecology into its LoM and closure planning. (See case study on page 69.)

Anglo American has developed an Integrated Closure Planning System (ICPS) which was piloted during 2016 at Kumba's Kolomela mine and at Drayton mine in Australia, where operations ceased in October 2016. Implementation of the ICPS includes a closure-risk assessment and gap analysis, reviewing the closure vision, identifying detailed closure criteria and tracking closure-opportunity implementation plans. Two further pilots are planned in 2017: at De Beers' Voorspoed mine and at one of the Debswana mines. We aim to roll out the system across the Group in 2018.

Through our mine closure programme, we identify opportunities to realise value from improving rehabilitation performance and reduced liability. Our progress regarding rehabilitation is reviewed on page 55.

MINE CLOSURE continued**ICMM MINE CLOSURE ROUNDTABLE**

The sustainability of mining communities when mines close is an important issue for the entire industry, and one that can adversely affect our reputation. Working collaboratively in this field is vital to ensuring our industry is committed to leaving a positive legacy behind in our host communities.

In 2016, Anglo American hosted the fifth International Council on Mining and Metals (ICMM) Roundtable on Mine Closure. Bringing together representatives of global mining companies, the three-day roundtable was an opportunity for knowledge-sharing and peer-to-peer learning around the challenges of integrating social priorities into mine closure planning and the long term post-closure management of water.

Mining companies can generally estimate and account for potential physical and biophysical closure liabilities with a fair degree of accuracy, even in the case where an operation has a long remaining life of mine (LoM).

However, the scope and costs associated with social aspects are generally not well understood during the life of the operation and therefore not integrated into the LoM and overall mine closure plan. As an operation comes to the end of its useful life, the social aspects of closure could become major reputational and cost issues for it and its parent company if such issues were not properly managed during the life of the operation.

As a leader in this field, Anglo American's mine-closure toolbox already looks to address these issues. On the second day of the roundtable, we shared some of this expertise on a visit to Landau colliery, where we showcased our work on both social closure and water management. This was the first time that a site visit has been incorporated into the roundtables.

In making our Mine Closure Toolbox freely available to companies outside Anglo American, and engaging with our peers through platforms such as the ICMM roundtable, we believe we can benefit our stakeholders and the mining industry as a whole.



On the second day of the ICMM roundtable Anglo American hosted a visit to Coal South Africa's Landau colliery, where we showcased our Mine Closure Toolbox.

CLOSURE LIABILITIES

The Group accounting standard for calculating closure liabilities is being updated following an extensive review by the finance and mine closure planning teams.

In 2016, we piloted an integrated mine planning software platform at Capcoal mine in Queensland, Australia. The software enables consistent and accurate accounting of closure liabilities and incorporates the development of a rehabilitation schedule for the LoM. These activities are completed in the same software package as used by the LoM planners, which is critical to the integrated planning objective. The trial was successful and the platform will be further piloted at Platinum's Mogalakwena mine in 2017.

In South Africa, compliance with new financial provision regulations for closure liabilities that were published in November 2015 has been extended to February 2019. Our operations are aligning their closure liability assessment protocols and methodology with the new legislation requirements, which address concurrent rehabilitation and latent liabilities in a more specific and structured manner. The legislation, if unchanged, is expected to result in possible increases in closure liabilities.

ENGAGEMENT

During 2016, Anglo American presented papers on its ICPS and the Landau colliery social closure plan at international conferences. In South Africa, we hosted an ICMM roundtable on closure planning, which included site visits to Landau and the eMalahleni water-treatment plant.

We provided mine-closure planning and toolbox training at Debswana, Debmarine Namibia, and Coal Australia, with a total of 65 participants. We also provided high-level mine closure awareness training to senior management groups at Platinum's Amandelbult mine and Debswana's Orapa, Letlhakane and Damtshaa mines, with a total of 22 participants.

Internal assurance audits were conducted at our Grasree coal operation in Australia, Victor diamond mine in Canada, Landau coal mine in South Africa and Los Bronces copper mine in Chile.

SUSTAINABILITY DIMENSIONS OF DIVESTMENTS AND CARE AND MAINTENANCE

In February 2016, our chief executive, Mark Cutifani, announced the intention to dispose of a number of assets in the Bulk commodities and other minerals businesses. Difficult market conditions have also necessitated certain operations being placed on care and maintenance.

When operations are divested or placed on care and maintenance, there are impacts on employees, communities and the environment. In the case of divestments, these impacts are often positive as the operational lives of many mines are extended with new capital investment. Our aim is to divest businesses responsibly by ensuring that new owners are credible and ethical, that liabilities are fully transparent, and that our legal and other social and environmental commitments are honoured. Efforts around mitigating the effects of care and maintenance focus on stakeholder engagement, mitigating job losses and wider social impacts, and ongoing environmental care and monitoring.

DIVESTMENTS

During 2016, we received \$1.8 billion of disposal proceeds, including the \$1.5 billion sale of our niobium and phosphates business in Brazil to China Molybdenum Co. Ltd. We completed the disposal of two coal assets in Queensland, Australia in the year; a 70% interest in the Foxleigh metallurgical coal mine, and the sale of our 100% interest in the Callide thermal coal mine.

The disposal of Platinum's Rustenburg operations to Sibanye Gold, announced in 2015, was completed in 2016. Anglo American also sold its 9.7% interest in Exxaro Resources Limited. The disposal of the remaining interests in Tarmac operations located in the Middle East was completed in 2016.

Sales have also been agreed for the Dartbrook coal mine in Australia, the Union platinum mine in South Africa, and the Pandora platinum joint venture in South Africa, subject to a number of conditions.

Our approach to divestment is undertaken in accordance with the Anglo American Code of Conduct and company values. This includes due-diligence assessments of lesser-known bidders and ensuring that known liabilities associated with assets for divestment are disclosed to bidders.

Divestment processes are invariably coupled with concerns over job losses. There were, however, very few jobs affected as all sale agreements involved the transfer of employees to the new companies on a like-for-like basis.

In Australia, high minimum legal standards pertaining to safety, health and environment, coupled with statutory monitoring by regulators provides a degree of comfort that new owners will operate responsibly. The disclosure of

certain types of known environmental liabilities during the sale process is legislated and the potential buyer must have bonds in place to cover reclamation obligations and certain identified environmental obligations.

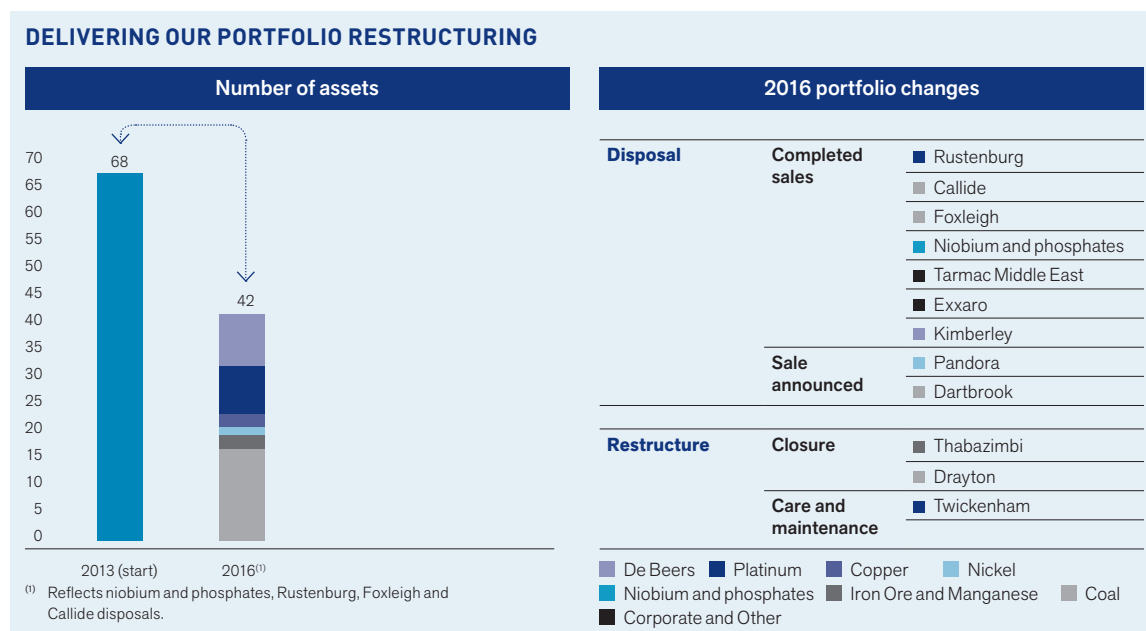
Following the sale of the Rustenburg operations in South Africa, social commitments and environmental obligations attached to the Rustenburg mining rights were transferred to the new owners in full. Rustenburg operations have, during their time with Anglo American, also implemented many voluntary commitments that have had a profound positive impact on the health and wellness of employees and contractors. An example of this is our work on HIV/AIDS and TB. To prevent any interruption in the provision of isoniazid prophylaxis for TB control, the respective health teams put arrangements in place to ensure that over 2,000 employees on prophylaxis continue to receive therapy. In addition, TB management services, including the provision of direct observed treatment, continued uninterrupted. The health care arrangements also allowed for the continuation of HIV disease management services and access to ART has not been interrupted.

De Beers has invested in extensive conservation activities around many of their mines and their environmental standards require that all material environmental and social issues associated with the current and historical use of the site are disclosed. In South Africa, regulatory authorities must approve the transfer of the mining rights. The purchaser succeeds to the seller's obligations by operation of law and must replace the seller's financial provisioning in a manner acceptable to the regulators.

With the sale of Namaqualand Mines in South Africa in 2014, De Beers retained one of the mining licence areas because of the scale of the rehabilitation required. De Beers has undertaken extensive earthmoving and rehabilitation work to address the rehabilitation requirements, following which this licence area will also be sold. Restoration of biodiversity is important in this area, which lies in the Succulent Karoo Biome, a global biodiversity hotspot. Since the start of the divestment process, all environmental, social, legal and other commitments and engagements with regulators and other stakeholders have been maintained.

A dedicated taskforce worked on the due-diligence, specification and requirements of programmes across safety, health, environmental and social functions during the sale of the niobium and phosphates business. This information was externally assured by a recognised third-party service provider and assurance letters issued/made available to respective interested parties. The relevant budgets and other resources for these functions were also clearly provided to potential buyers, as well as the legal and other risks associated with the current state of the business and potential future impacts on the business plan.

SUSTAINABILITY DIMENSIONS OF DIVESTMENTS AND CARE AND MAINTENANCE continued



CARE AND MAINTENANCE

De Beers' Snap Lake mine in Canada and Debswana's Damtshaa mine in Botswana were placed on care and maintenance in December 2015. Damtshaa mine is expected to remain on care and maintenance for up to three years. Forty employees remain on site for maintenance activities, while the remainder of the workforce have been redeployed to other areas of the business. At Snap Lake, suspension and maintenance work continued to employ nearly 200 people, and around 40 were transferred to the Gahcho Kué project. Regrettably, 434 employees left employment at the mine.

For operations that are on care and maintenance, the De Beers team continues to maintain mine infrastructure, while ensuring that the mine remains safe for people, wildlife and the environment. The environmental monitoring commitments required by the De Beers licences, permits, leases, authorisations and environmental agreements continue, consistent with the approval of respective regulators. Environmental activities are scaled accordingly to reflect the current modified impact on the environment.

De Beers Canada and the Snap Lake site team continue to maintain all community and government stakeholder relationships as decisions are made regarding the future of the mine. During the lead-up to care and maintenance, regular meetings with indigenous leaders took place to explain what would happen and why the operation was going into care and maintenance. When the mine went into

care and maintenance, impact and benefit agreements (IBAs — formal contracts between the mine and indigenous communities that outline the impacts of the project, responsibilities of both parties, and the sharing of benefits) were put on hold, while businesses supporting the mine also made redundancies.

Twickenham mine was placed on care and maintenance in 2016, as this particular orebody is not viable to mine at current PGM commodity prices. The decision affected 1,142 individuals employed at the mine. Measures to mitigate the impact of job losses at Twickenham included the redeployment of employees to similar jobs at other operations, voluntary severance packages, and the reskilling and redeployment of employees to other operations or employment outside of the operation. Ultimately, 61 out of the 1,142 employees affected were retrenched.

Peace River Coal in Canada was placed on care and maintenance in 2014 and Dartbrook mine in Australia remains on long term care and maintenance. Robust legal requirements around care and maintenance apply in both these jurisdictions.

DATA AND ASSURANCE

INDEPENDENT ASSURANCE PROVIDER'S ASSURANCE REPORT ON SELECTED SUSTAINABLE DEVELOPMENT INFORMATION

To the Directors of Anglo American Plc.

We have undertaken an assurance engagement on selected sustainable development performance information (selected information), as described below, and presented in the Sustainability Report 2016 (the Report) to the stakeholders of Anglo American Plc (Anglo American) for the year ended 31 December 2016. This engagement was conducted by a multi-disciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

SUBJECT MATTER AND RELATED ASSURANCE

We are required to provide reasonable or limited assurance on the selected information set out in the tables below. The selected information described below has been prepared in accordance with the criteria set out in the basis for the preparation of key sustainability data; as set out on pages 77 to 78 of the report and the International Council of Mining and Metals' (ICMM) Sustainable Development Framework.

(a) Reasonable assurance on the following KPIs (marked with 'RA')

	Unit	Page
Total work-related fatalities	number	81

(b) Limited assurance on the following KPIs (marked with 'LA')

	Unit	Page
Total scope 1 CO ₂ emissions	tonnes	84
Total scope 2 CO ₂ emissions	tonnes	84
Total energy use	gigajoules	84
Number of level 3, 4 and 5 environmental incidents	number	84
Total new water consumed, excluding sea water	m ³	84
Fatal injury frequency rate (FIFR)	rate	81
Total recordable case frequency rate (TRCFR)	rate	81
New cases of occupational diseases diagnosed (NCOD)	number	82
Corporate social investment (CSI) spend	USD	85

(c) Limited assurance on the following statement (marked with 'LA')

	Unit	Page
The Directors' statement on page 92 of the Report, that Anglo American has complied with the ICMM Sustainable Development Framework, principles and reporting commitments.	Text	92

DIRECTORS' RESPONSIBILITIES

The directors are responsible for the selection, preparation and presentation of the selected information in accordance with the reporting criteria. This responsibility includes the identification of stakeholders and stakeholders' requirements, material issues, for commitments with respect to sustainable development performance and for the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for the preparation and presentation of their statement that Anglo American has complied with the ICMM Sustainable Development Framework, principles and reporting commitments. This responsibility includes ensuring that the Group has processes and systems in place that are designed, implemented, operated and monitored in compliance with the ICMM SD Framework, principles and reporting commitments relevant to the preparation of the statement that is free from material misstatement, whether due to fraud or error.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Services Proprietary Limited applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express an assurance opinion and conclusion on the selected information based on the work we have performed and the evidence we have obtained. We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain reasonable or limited assurance about whether the selected sustainable development performance information is free from material misstatement.

An assurance engagement in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of Anglo American's use of its reporting criteria, as a basis of preparation for the selected information and performing procedures to obtain evidence about the

quantification of the selected information and related disclosures. The nature, timing and extent of procedures selected depend on the practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments we considered internal controls relevant to Anglo American's preparation of the selected information. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the selected information set out in section (a) of the Subject Matter and Related Assurance paragraph on page 74.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Given the circumstances of our limited assurance engagement on the selected information set out in section (b) and (c) of the Subject Matter and Related Assurance paragraph above, in performing the procedures listed above we:

On selected information (b):

- Understood the processes that Anglo American has in place for determining the selected information to be included in the report
- Obtained an understanding of the systems used to generate, aggregate and report the selected information
- Conducted interviews with management at the sampled operations and at head office
- Inspected documentation to corroborate the statements of management in our interviews
- Performed control walkthroughs
- Inspected supporting documentation and performed analytical procedures on a sample basis to evaluate the data generation and reporting processes against the reporting criteria in respect of Polokwane and Waterval smelters, Mogalakwena concentrator and the following mines (Capcoal, Dawson, Minas-Rio, Barro Alto, Los Bronces, Sishen, Zibulo, Greenside, Landau, Jwaneng, Venetia, Namdeb, Tumela, Union and Dishaba)
- Inspected and tested the consolidation of the data at head office to obtain an understanding of the consistency of the reporting processes across the Anglo American Group
- Evaluated whether the selected information presented in the Report are consistent with our overall knowledge and experience of sustainability management and performance at Anglo American.

On selected information (c):

- Inspected Anglo American's response regarding its compliance with the ICMM Sustainable Development Framework, principles and reporting commitments, and the documents referred to in the response and confirmed that the documents included elements referenced
- Understood the processes that Anglo American has in place for determining and monitoring compliance to the ICMM Sustainable Development Framework principles and reporting commitments and how the documents referred to in the response are maintained and kept up to date
- Conducted interviews with management at the sampled operations, set out in (b) along side, and executives at head office and inspected documentation to corroborate their statements
- Understood the process undertaken to identify the sustainable development issues, risks and opportunities that Anglo American considers to be most material and inspected documents related to the outcomes of the materiality process and the discussions held by the Sustainability Committee of the Board
- Obtained an understanding of the application of the sustainable development management systems related to the identified material sustainable development issues, risks and opportunities
- Inspected that performance indicators related to Anglo American's material sustainable development issues, risks and opportunities have been disclosed in the Report, and performed the procedures set out in (b) above over the selected information set out in section (b) of the Subject Matter and Related Assurance paragraph
- Inspected Anglo American's assessment of their reporting of performance in accordance with the core option of Global Reporting Initiative's (GRI) G4 guidelines and the Mining and Metals Sector Supplement (MMSS).

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the selected information set out in section (b) and (c) of the Subject Matter and Related Assurance paragraph above have been prepared, in all material respects, in accordance with the relevant reporting criteria.

REASONABLE ASSURANCE OPINION AND LIMITED ASSURANCE CONCLUSION

In relation to the Report for the year ended 31 December 2016:

(a) Reasonable assurance opinion on selected key performance indicators

In our opinion, the selected information set out in section (a) of the Subject Matter and Related Assurance paragraph above for the year ended 31 December 2016 are prepared, in all material respects, in accordance with the reporting criteria.

(b) Limited assurance conclusion on selected key performance indicators

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected information set out in section (b) of the Subject Matter and Related Assurance paragraph above for the year ended 31 December 2016 are not prepared, in all material respects, in accordance with the reporting criteria.

(c) Limited assurance conclusion on Anglo American's statement regarding compliance with the ICMM

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Directors' statement on page 92 of the Report, that Anglo American has complied with the ICMM Sustainable Development Framework, principles and reporting commitments is materially misstated.

OTHER MATTERS

The maintenance and integrity of the Anglo American website is the responsibility of Anglo American management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of its presentation on the Anglo American website.

RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express an assurance opinion or conclusion on the selected information to the Directors of Anglo American in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Anglo American, for our work, for this report, or for the opinion or conclusion we have reached.

KPMG SERVICES PROPRIETARY LIMITED


Per PD Naidoo
Director

09 March 2017

1 Albany Road
Parktown
Johannesburg
South Africa
2193

BASIS FOR THE PREPARATION OF KEY SUSTAINABILITY DATA

INTRODUCTION

Our data governance process, definitions, calculation methodologies and additional guidance notes are documented in the Anglo American S&SD Indicators, Definitions and Governance business process standard, which is mandatory throughout the business. External verification was, for the purposes of reporting, carried out against this basis of preparation document.

Organisational boundaries and scope

Anglo American accounts for 100% of operations over which it holds management control, including in some instances joint ventures where we have the formal right to mandate Anglo American management and performance standards. A full list of those operations is available on pages 79-80. Our proportional share of independently managed operations is not included in our sustainability reporting scope. Acquisitions and divestments are accounted for from date of acquisition/until date of sale.

Data sources

Anglo American hosts a single database for reporting key sustainability metrics, including those relating energy, GHG emissions, water consumption, environmental incidents, occupational health, social performance and safety. Corporate social investment figures are captured in our financial reporting system and collated in a spreadsheet. Consistent reporting processes and indicator definitions have been implemented and applied for all indicators in the assurance scope.

This data is captured on a monthly basis by more than 50 operations and subject to integrity reviews by corporate analysts each quarter. A selection of material indicators is reported internally on a monthly basis and to the executive and Board at each meeting.

It should be noted that while indicators in the assurance scope are reported with a high degree of accuracy, estimates are allowed in December for energy and water consumption data as they are dependent on invoices from utility providers.

Reporting period

Our reporting year runs from 1 January 2016 to 31 December 2016. Changes to historical data follow a formal change request process, which is signed off by relevant heads of functions and restated externally, if material.

KPI DEFINITIONS

Scope 1 emissions

Scope 1 emissions include CO₂e emissions from fossil fuels, coal seam gas fugitive emissions, renewable fuels, and operational processes. Process emissions include those associated with on-site and managed sewerage facilities, on-site water treatment facilities, the use of carbonates in acid leaching processes at copper processing facilities, fugitive emissions during the production of phosphates. Emissions from the combustion of fossil fuels and biomass, and coal used in metallurgical processes as a reductant are excluded. Process emissions are calculated based on measurements as well as estimates.

Scope 2 emissions

Scope 2 emissions include CO₂ from electricity purchased and reported in million tonnes of CO₂e.

Total energy use

Total energy use is calculated from electricity purchased, energy from fossil fuels and energy from renewable fuels, and reported in million GJ.

Total amount of water used for primary activities, excluding sea water

Total new water entering the operation which is used for the operation's primary activities. Primary activities are those activities in which the operation engages to produce their product (e.g. change houses, process plants) or that are linked to licence agreements. New water is the water required to replace losses of water from the water circuit. It does not include any water re-used or recycled internally and includes all external sources and quality of water abstracted for primary use and from all external sources. The metric is reported in million m³. Where actual data is not available, estimation methodologies are applied based on the most up to date hydrology studies.

Total work-related fatal injuries

A fatality is an employee or contractor death resulting from a work-related injury. Anglo American records all work-related losses of life for the purposes of internal and external investigation, management action, legal process and compensation. However, while fatal injuries that result from criminal activity and public-road incidents are recorded for management purposes, these are not included in formal statistics and frequency-rate calculations.

Fatal injury frequency rate (FIFR)

The FIFR is the rate of fatality per 200,000 hours worked due to all causes for both employees and contractors.

Total recordable case frequency rate (TRCFR)

The TRCFR is a rate per 200,000 hours of employee and contractor fatal injuries, lost-time injuries, and medical treatment cases. First aid cases – minor work-related injuries which, in normal circumstances, are able to be treated successfully in accordance with recognised first aid training – are not included in this calculation. Injuries are diagnosed by medical and safety professionals according to Anglo American criteria. These criteria are additional to local legal reporting and compensation requirements.

Total number of new cases of occupational diseases

The total number of new cases of employee occupational diseases is the sum of occupational diseases due to asbestosis, chronic obstructive airways disease, coal-workers' pneumoconiosis, dermatitis, hand-arm vibration syndrome, malaria, musculoskeletal disorders, new and repeat cases of noise-induced hearing loss, occupational asthma, occupational cancers, occupational tuberculosis, platinosis, silicosis, venous thromboembolism owing to business travel and other occupational diseases. Occupational diseases are diagnosed by medical professionals according to Anglo American diagnostic criteria. These are additional to local legal reporting and compensation requirements. Contractors are not included in these figures.

Total amount spent on corporate social investment (CSI)

Categories for corporate social investment expenditure include charitable donations, community investment and commercial initiatives. CSI is reported in US dollars and converted from currency of the operations at the average foreign exchange rate applied by Anglo American for financial reporting purposes.

Charitable donations include cash donations; contributions in kind; employees' working hours spent on charity projects during work hours; and the cost of initiatives designed to inform communities about community-benefit initiatives (e.g. the production of reports that are issued to communities for the purpose of reporting progress). Not included is expenditure that is necessary for the development of an operation (e.g. resettlement of families) or for receiving a licence. Training expenditure for individuals who will be employed by the company following completion of training is not included.

Community investment includes the funding of community partnerships which address social issues; the costs of providing public facilities to community members who are not employees or dependants; the marginal value of land or other assets transferred to community ownership; and income-creation schemes or mentoring/volunteering initiatives which do not have a principally commercial justification.

Commercial initiatives include enterprise development and other community initiatives/partnerships that also directly support the success of the company (such as supplier development). There must, however, be a clear and primary element of public benefit.

We prohibit the making of donations for political purposes to any politician, political party or related organisation, an official of a political party or candidate for political office in any circumstances either directly or through third parties.

REPORTING SCOPE

as at 31 December 2016

Unless otherwise stated, data included in this report accounts for 100% of the businesses managed by Anglo American, with the exception of De Beers, where 100% of De Beers' joint venture operations in Namibia and Botswana is also accounted for. Data for acquisitions is included from date of acquisition and divested businesses discontinue reporting from the date of disposal.

Businesses included in reporting scope		Businesses included in reporting scope	
	Country		Country
Platinum		Nickel	
Mining operations		Codemin	Brazil
Amandelbult	South Africa	Barro Alto	Brazil
Mogalakwena	South Africa		
Unki	Zimbabwe		
Union	South Africa	Niobium and Phosphates	
Bathopele [divested]	South Africa	Catalão [divested]	Brazil
Thembelani [divested]	South Africa	Cubutão [divested]	Brazil
Siphumelele [divested]	South Africa		
Twickenham project [care and maintenance]	South Africa		
Processing operations		Iron Ore	
Waterval smelter	South Africa	Kumba Iron Ore	
Mortimer smelter	South Africa	Kolomela	South Africa
Polokwane smelter	South Africa	Sishen	South Africa
Rustenburg base metals refinery	South Africa		
Precious metals refinery	South Africa	Iron Ore Brazil	
Other		Minas-Rio	Brazil
Western Limb tailings retreatment	South Africa		
De Beers		Coal	
De Beers Canada		Australia and Canada	
Victor	Canada	Callide [divested]	Australia
Snap Lake [care and maintenance]	Canada	Capcoal	Australia
Gahcho Kué	Canada	Dartbrook	Australia
De Beers Consolidated Mines		Dawson	Australia
Venetia	South Africa	Drayton	Australia
Voorspoed	South Africa	Foxleigh [divested]	Australia
Debswana		Grosvenor	Australia
Damtshaa [care and maintenance]	Botswana	Grasree	Australia
Jwaneng	Botswana	Moranbah North	Australia
Orapa	Botswana	Peace River Coal [care and maintenance]	Canada
Letlhakane	Botswana		
Namdeb		South Africa	
Namdeb Diamond Corporation	Namibia	Goedeheop	South Africa
Debmarine Namibia	Namibia	Greenside	South Africa
Commercial and industrial		Isibonelo	South Africa
Element Six	Global	Kriel	South Africa
Sales and Brands	Global	Kleinkopje	South Africa
		Landau	South Africa
		New Denmark	South Africa
		New Vaal	South Africa
		Zibulo	South Africa
Copper			
Chagres smelter	Chile	Other	
El Soldado	Chile	Vergelegen wine farm	South Africa
Los Bronces	Chile	Corporate offices	Global
Quellaveco project	Peru	Exploration	Global

Joint ventures, associates, investments and other interests excluded from reporting scope

	Country
Platinum	
Masa Chrome Company	South Africa
Modikwa Platinum Joint Operation	South Africa
Kroondal Pooling and Sharing Agreement	South Africa
Mototolo Joint Operation	South Africa
Bokoni	South Africa
Pandora	South Africa
Bafokeng-Rasimone	South Africa
Atlasta Resources Corporation	South Africa
Johnson Matthey Fuel Cells	South Africa
Wesizwe Platinum Limited	South Africa
Royal Bafokeng Platinum Limited	South Africa
De Beers	
De Beers Diamond Jewellers	Global
Copper	
Collahuasi	Chile
Iron Ore and Manganese	
Iron Ore Brazil – Ferroport	Brazil
Samancor	Australia and South Africa
Coal	
Jellinbah	Australia
Dalrymple Bay Coal Terminal Pty Ltd	Australia
Newcastle Coal Shippers Pty Ltd	Australia
MBD Energy Ltd	Australia
Phola plant	South Africa
Mafube	South Africa
Richards Bay Coal Terminal	South Africa
Carbones del Cerrejón	Colombia
Other	
Exxaro Resources	South Africa

2016 DATA

Safety					
	2016	2015	2014	2013	2012
Anglo American total					
Work-related loss of life	11 ^{(1)(RA)}	6	6	15	13
Fatal-injury frequency rate (FIFR)	0.007 ^(LA)	0.004	0.003	0.008	0.007
Total recordable case frequency rate (TRCFR) ⁽²⁾	0.71 ^(LA)	0.93	0.80	1.08	1.29
Lost-time injury frequency rate (LTIFR)	0.37	0.47	0.35	0.49	0.58
De Beers					
Work-related loss of life	2	0	0	0	0
FIFR	0.006	0	0	0	0
TRCFR	0.41	0.53	0.62	0.78	1.17
LTIFR	0.09	0.15	0.17	0.19	0.32
Platinum					
Work-related loss of life	7	2	3	6	7
FIFR	0.013	0.003	0.006	0.01	0.011
TRCFR	1.05	1.52	1.22	1.83	2.13
LTIFR	0.73	0.98	0.69	1.05	1.15
Copper					
Work-related loss of life	0	0	0	1	0
FIFR	0	0	0	0.006	0
TRCFR	0.66	0.47	0.49	0.61	0.61
LTIFR	0.18	0.09	0.14	0.20	0.20
Nickel					
Work-related loss of life	0	0	0	0	1
FIFR	0	0	0	0	0.028
TRCFR	0.55	0.79	0.93	1.71	1.43
LTIFR	0.16	0.18	0.17	0.16	0.12
Niobium and Phosphates					
Work-related loss of life	0	1	0	0	0
FIFR	0	0.022	0	0	0
TRCFR	0.81	1.03	1.63	1.46	1.3
LTIFR	0.16	0.28	0.50	0.31	0.39
Iron Ore Brazil					
Work-related loss of life	0	1	0	0	0
FIFR	0	0.011	0	0	0
TRCFR	0.3	0.41	0.23	0.23	0.22
LTIFR	0.13	0.13	0	0	0.01
Kumba Iron Ore					
Work-related loss of life	2	0	1	0	2
FIFR	0.016	0.005	0	0	0.010
TRCFR	0.78	0.90	0.87	0.82	0.71
LTIFR	0.28	0.23	0.23	0.18	0.1

⁽¹⁾ A fatal incident involving a fall from height at Kumba Iron Ore was deemed non-work related and has not been included in the total number of fatal incidents.

⁽²⁾ First aid cases and medical treatment cases are not reported separately at all Platinum operations. This discrepancy in the application of the Anglo American definition is being addressed.

^(RA) Reasonable assurance provided by independent assurance provider (refer to page 74).

^(LA) Limited assurance provided by independent assurance provider (refer to page 74).

Safety					
	2016	2015	2014	2013	2012
Coal					
Work-related loss of life	0	2	2	3	2
FIFR	0	0.009	0.009	0.013	0.008
TRCFR	0.52	0.70	0.68	0.83	1.12
LTIFR	0.28	0.37	0.40	0.44	0.68
Exploration, corporate offices and Vergelegen					
Work-related loss of life	0	0	0	0	0
FIFR	0	0	0	0	0
TRCFR	0.51	0.53	0.43	0.51	0.46
LTIFR	0.21	0.23	0.11	0.30	0.16
Divested businesses					
Work-related loss of life	0	0	0	5	1
FIFR	0	0	0	0.161	0.005
TRCFR	0	0	2.21	0.71	0.94
LTIFR	0	0	0	0.23	0.25

Employees potentially exposed to hazards ⁽¹⁾					
	2016	2015	2014	2013	2012
Total number of employees	82,869	92,345	99,908	101,074	85,763
Noise	26,280	40,869	42,585	46,916	44,593
Coal dust (respirable particulate)	3,705	5,225	6,057	6,010	5,809
Respirable crystalline silica	2,342	3,336	3,970	7,890	7,078
Known cause of occupational asthma	1,057	988	612	335	1,987
Exposed to the risk of tuberculosis	1,447	2,608	2,312	6,125	6,823
Known cause of occupational cancers ⁽²⁾	4,374	4,448	5,068	2,765	1,108
Malaria	1,418	14	17	31	0
Hand-arm vibration	0	0	4,721	5,653	6,034
Platinum compounds, soluble (Platinum salt)	0	0	0	43	214

New cases of occupational disease					
	2016	2015	2014	2013	2012
Noise-induced hearing loss	48	83	94	132	85
Musculoskeletal disorder	22	26	49	41	48
Coal-workers' pneumoconiosis	22	10	15	13	16
Chronic obstructive airways disease	8	4	8	10	7
Occupational asthma	1	3	1	4	3
Occupational tuberculosis	4	9	2	2	5
Pneumoconiosis due to other fibrogenic dust	0	0	0	0	0
Occupational dermatitis	1	5	6	3	4
Other occupational diseases	3	16	0	2	5
Occupational cancers	0	3	0	1	1
Malaria	0	0	0	1	0
Silicosis	0	0	0	0	0
Hand-arm vibration syndrome	0	0	0	0	0
Platinum salt sensitivity	2	0	0	0	0
Total new cases of occupational disease	111^(LA)	163	175	209	174

⁽¹⁾ The figures in the table above include employees working in environments where hazards are at levels from 50% or more of the occupational exposure limit, when no controls are in place.

⁽²⁾ Occupational cancer includes respirable crystalline silica prior to and including 2014, but excludes respirable crystalline silica in 2015.

^(LA) Limited assurance provided by independent assurance provider (refer to page 74).

Occupational disease incidence rates

	2016	2015	2014	2013	2012
Total occupational disease incidence rate (per 200,000 hours worked)	0.134	0.177	0.175	0.207	0.203
Noise-induced hearing loss	0.058	0.090	0.094	0.131	0.099
Musculoskeletal disorder	0.027	0.028	0.049	0.041	0.056
Coal-workers' pneumoconiosis	0.027	0.011	0.015	0.013	0.019
Chronic obstructive airways disease	0.010	0.004	0.008	0.010	0.008
Occupational asthma	0.001	0.003	0.001	0.004	0.003
Occupational dermatitis	0.004	0.017	0	0.002	0.006
Occupational tuberculosis	0.005	0.010	0.002	0.002	0.006
Other occupational diseases	0.004	0.017	0	0.002	0.006
Occupational cancers	0	0.003	0	0.001	0.001
Malaria	0	0	0	0.001	–
Silicosis	0	0	0	0	0
Platinum salt sensitivity	0.002	0	0	0	0

HIV/AIDS⁽¹⁾

	2016	2015	2014	2013	2012
Employees in high HIV-burden countries	51,430	73,909	69,238	68,884	70,720
Estimated HIV prevalence rate (%)	16.0	15.8	16.3	16.2	16.8
Number of employee voluntary testing and counselling (VCT) cases	45,279	50,223	59,813	51,954	57,847
HIV counselling and testing participation (%)	88	68	86	75	82
Number of new HIV cases	611	349	543	529	527
Estimated number of HIV-positive employees	8,331	11,689	11,278	11,243	11,884
HIV incidence rate	1.35	0.69	0.91	1.02	0.91
Estimated HIV+ enrolment in Anglo American HIV wellness programmes (%)	80	88	78	75	70
Estimated HIV+ employees on anti-retroviral therapy (%)	68	72	53	47	45
AIDS deaths (including tuberculosis cases)	68	91	89	125	–
Number of contractor VCT cases	38,376	39,643	48,421	40,814	37,397

Tuberculosis

	2016	2015	2014	2013	2012
New cases of tuberculosis (TB)	296	511	544	734	677
TB incidence rate per 100,000 employees	447	669	790	1,064	963
Proven TB deaths	14	28	52	63	59

⁽¹⁾ HIV/AIDS and TB data in 2015 and 2016 include De Beers operations in Botswana and Namibia for the first time. 2012–2014 data included Anglo American operations in South Africa and Zimbabwe only.

Environment					
	2016	2015	2014	2013	2012
GHG emissions (Mt CO₂e)					
Scope 1	8.9 ^(LA)	8.8	8.0	7.3	8.7
Scope 2	8.9 ^(LA)	9.5	9.3	9.8	9.7
Total CO ₂ e	17.8	18.3	17.3	17.1	18.5
Energy consumption (million GJ)					
Energy from electricity	46.9	46.6	44.2	46.0	47.7
Energy from fossil fuels	55.9	56.8	61.3	57.5	62.9
Energy from renewable fuels	2.6	2.8	2.4	2.2	2.3
Total energy	105.4 ^(LA)	106.2	108.0	105.7	112.9
Water (million m³)					
Total new water consumed	190.7 ⁽¹⁾	222.9	195.9	201.7	156.4
Water re-used/recycled in processes	364.3	392.0	424.0	417.2	368.9
Total water required	555.0	614.8	619.9	618.8	525.3
Percentage of total water required which is re-used/recycled	66	64	68	67	70
Land (hectares)					
Company-managed land ⁽²⁾	1,567,624	1,657,917	1,684,186	466,613	495,975
Land altered by mining activities and supporting infrastructure	109,411	124,754	113,097	84,214	97,679
Land rehabilitated	20,663	18,479	18,107	16,827	17,821
Environmental incidents					
Level 3	4 ^(LA)	6	14	30	21
Level 4	0 ^(LA)	0	1	0	1
Level 5	0 ^(LA)	0	0	0	–
Air emissions ('000 tonnes)					
Total SO ₂ emissions from diesel, marine, and intermediate fuel oil used and processes	35.8	43.0	34.0	36.0	41.5
Total NO ₂ emissions from diesel, marine, and intermediate fuel oil used and processes	35.2	42.3	43.5	40.4	36.6
Non-mineral waste⁽³⁾					
Hazardous waste to legal landfill (tonnes)	23,293	40,782	17,750	22,621	34,352
Hazardous waste to legal landfill (m ³)	5,003,011	–	–	–	–
Non-hazardous waste to legal landfill (tonnes)	38,290	239,747	51,163	87,986	161,023
Non-hazardous waste to legal landfill (m ³)	73,643	–	–	–	–
Production and throughput					
Diamonds (Mct)	27.3	28.7			
Platinum (produced ounces) (koz)	2,382	2,337			
Copper retained operations (t)	577,100	638,000			
Nickel (t)	44,500	30,300			
Iron Ore – Kumba (Mt)	41.5	44.9			
Iron Ore – Minas-Rio (Mt)	16.1	9.2			
Export metallurgical coal	20.9	21.2			
Export thermal coal	32.5	33.8			

⁽¹⁾ KPMG assured total volume of new water consumed, excluding sea water, which amounted to 166.1 million m³

⁽²⁾ Land data for De Beers has been included since 2014.

⁽³⁾ Hazardous waste and non-hazardous waste is either reported in mass (tonnes) or volume (m³) as is appropriate to each operation. Volumes in mass were introduced for reporting at relevant operations in 2015; however, the information is incomplete and can be reported from 2016 onwards.

^(LA) Limited assurance provided by independent assurance provider (refer to page 74).

Taxes paid directly to government by category and country (\$ million)

	South Africa	Chile	Australia	UK	Brazil	Peru	Zimbabwe	Namibia	Canada	Botswana	Other	Total
Profits	468	(302)	⁽¹⁾ 0	94	56	0	0	150	0	830	10	1,306
Transactions	6	0	0	4	49	0	2	42	0	2	1	106
Labour	23	28	53	25	31	1	1	0	7	0	4	173
Royalties and environmental	105	10	193	0	27	0	0	75	0	364	12	786
Capital gains	0	0	0	0	0	0	0	0	0	0	109	109
Other	14	8	15	6	13	0	2	11	15	31	(11)	104
Total borne	616	(256)	261	129	176	1	5	278	22	1,227	125	2,584
Total collected	417	42	115	80	64	2	8	126	38	46	16	954
Total	1,033	(214)	376	209	240	3	13	404	60	1,273	141	3,538

Human resources

	2016	2015	2014	2013	2012
Full-time employees (annual average)	82,869	96,630	99,908	101,074	85,763
Employees below 30 years of age	14	16	–	–	–
Employees between 30-50 years of age	67	65	–	–	–
Employees more than 50 years of age	18	19	–	–	–
Women as % of management population	25	25	23	23	22
Women as % of workforce	18	18	16	16	15
Contractors (annual average)	32,559	41,451	51,320	57,818	50,556
Resignations (%)	2.2	1.9	2.0	2.4	2.7
Redundancies (%)	7.1	3.5	4.1	0.6	1.4
Dismissals (%)	1.8	1.4	1.5	1.4	1.1
Other reasons for leaving (%)	3.5	4.2	2.7	2.4	0.3
'Historically disadvantaged South Africans' in management (% of South African management)	62	60	64	62	51

Socio-economic

	2016	2015	2014	2013	2012
CSI expenditure (\$ million)	84.1^(LA)	124.1	135.8	127.5	145.7
CSI expenditure (% of pre-tax profit)	0.42	6.0	3.0	2.2	2.8
Businesses supported through enterprise development initiatives	62,447	62,394	58,257	48,111	40,217
Jobs created/sustained through enterprise development initiatives	116,298	110,780	96,873	76,543	64,927
Total supplier expenditure (\$ billion)	8.8	11.4	12.3	16.1	13.9
Procurement: localised expenditure (\$ billion)	2.02	2.27	1.71	1.63	1.54
Procurement: localised expenditure (% of total)	23	20	14.7	12.3	11.3
Procurement: BEE expenditure in South Africa (\$ billion)	28.0	30.4	35.4	39.3	32.4

⁽¹⁾ During the year, refunds of \$224 million were received in Chile as a result of accelerated tax-depreciation claims.

^(LA) Limited assurance provided by independent assurance provider (refer to page 74).

STAKEHOLDER ENGAGEMENT

Responding to stakeholder interests

Stakeholder group	Engagement channels	Significant issues raised	More information
Employees	Ongoing dialogue between line managers and teams Global themed engagement events (e.g. Global Safety Day) Surveys and employee presentations Company social intranet	Wages and working conditions Proposed changes to our operations or practices Opportunities for personal development Safety, health and well-being Living conditions (in South Africa)	Pages 24-27
Trade unions	Ongoing dialogue through established industrial relations channels Tripartite Health and Safety Initiative in South Africa	Wages, working conditions and core labour rights Proposed changes to our operations or practices Shaft closures and rationale behind decisions Safety, health and well-being practices	Page 26
Governments	Face-to-face meetings with government representatives Open dialogue and ongoing advocacy work through industry bodies, and directly Tripartite Health and Safety Initiative in South Africa Participation in inter-governmental and multilateral processes	Compliance with mining licence and related requirements Contribution to national and international developmental priorities, such as job creation, skills development, public health and (in South Africa) transformation Taxation policy, including royalty and carbon taxes Engagement on restructuring involving job losses Wider sustainability and development agenda, including climate change	Throughout this report
Communities	Socio-Economic Assessment Toolbox (SEAT) and other community engagement sessions run at operations Group-wide complaints and grievance procedure, using a standardised, web-based approach for recording stakeholder feedback and classifying the nature of the stakeholder, their complaint and the severity of the issue	Access to jobs and supplier opportunities Access to skills development Quality and availability of public services, including housing Environmental and health concerns Transparency and engagement Distribution of social investment Tensions within and between community groups	Pages 38-52
Shareholders, investors and analysts	Annual General Meeting Individual meetings with investors Investor roadshows Annual sustainability presentation to investors	Labour unrest and potential further strikes Future growth in the platinum market and profitability of platinum operations Progress of Minas-Rio iron ore project Safety, health, environmental and social performance	Anglo American Annual Report
Suppliers and contractors	Supplier events focused on particular topics; for example, health and safety Supplier relationship management programme with strategic suppliers Local procurement and small business development initiatives Engagement via the sustainable and responsible supplier audit programme	Terms and conditions of contract Increasing procurement opportunities Ensuring the safety, health and well-being, and human rights of employees of contracting companies and suppliers	Pages 44; 48
NGOs, multinational organisations and civil-society bodies	One-on-one interactions Various multi-stakeholder initiatives and partnerships	Transparency and accountability on material sustainability issues Ensuring responsible governance practices and respect for human rights Minimising environmental and community impacts Investing in social and community development initiatives Economic contribution of mining	Throughout this report
Business peers	Engagement through business bodies and initiatives	Contributing constructively in business initiatives, with the aim of enhancing the collective business interest General knowledge sharing on our approach to managing material sustainability issues	Throughout this report

COMMITMENTS TO EXTERNAL INITIATIVES AND MEMBERSHIPS

COMMITMENTS TO EXTERNAL INITIATIVES/STANDARDS

- UN Guiding Principles on Business and Human Rights
- UN Resolution on human right to water and sanitation (64/292)
- UN Global Compact
- UN Women's Empowerment Principles
- Office for the Commissioner for Human Rights Guidelines
- Voluntary Principles on Security and Human Rights
- ISO Standards
 - ISO 14001 (Environmental)
 - ISO 14064 (GHGs)
 - ISO 14065 (GHGs)
 - ISO 26000 (Social Standards)
 - ISO 50001
- Occupational Health and Safety Advisory Services (OSHAS) Standards
 - OSHAS 18001
- World Health Organization (WHO) Standards
 - HIV/AIDS Standard
 - TB Standard
- International Finance Corporation
 - Environmental and Social Performance Standards
 - Edge Business certification standard
- International AIDS Transparency Initiative (IATI)
- Extractive Industries Transparency Initiative (EITI)
- Bettercoal Initiative
- Responsible Jewellery Council (RJC) and certification to the RJC's Code of Practice
- Kimberley Process (participation through the World Diamond Council)
- KIN Development Partner Framework
- ICMM Sustainable Development Principles

STRATEGIC PARTNERSHIPS

- Business Action for Africa
- CARE International UK
- Danish Institute for Business and Human Rights
- Fauna & Flora International
- International Alert
- TechnoServe
- Shift
- UNAIDS
- Women in Mining

GRI G4 INDEX

Strategy and analysis

Indicator	Aspect boundary	Reference
G4-1	–	6-16

Organisational profile

Indicator	Aspect boundary	Reference
G4-3	–	Cover
G4-4	–	4-5
G4-5	–	London
G4-6	–	4-5; 79-80
G4-7	–	Cover
G4-8	–	Annual Report (AR) 6-8; 46-64
G4-9	–	AR 6-8; 46-64
G4-10	–	25-26; 86
G4-11	–	26
G4-12	–	19
G4-13	–	3; 79-80
G4-14	–	55
G4-15	–	87
G4-16	–	87

Identified material aspects and boundaries

Indicator	Aspect boundary	Reference
G4-17	–	79-80; AR 37
G4-18	–	3; 22-23
G4-19	–	22-23; 88-91
G4-20	–	88-91
G4-21	–	22-23
G4-22	–	None
G4-23	–	None

Stakeholder engagement

Indicator	Aspect boundary	Reference
G4-24	–	86
G4-25	–	21
G4-26	–	26; 86
G4-27	–	86

Report profile

Indicator	Aspect boundary	Reference
G4-28	–	77
G4-29	–	2015
G4-30	–	77
G4-31	–	Back cover
G4-32	–	Core; 88-91
G4-33	–	3; 18; 74-76

Governance

Indicator	Aspect boundary	Reference
G4-34	–	18; AR 65-86

Ethics and integrity

Indicator	Aspect boundary	Reference
G4-56	–	17

Economic

Material GRI aspect	Indicator	Aspect boundary			Reference
		Internal	External	Exclusions	
Economic performance	G4-EC1 DMA	✓	⊗	–	AR 37-39 AR – throughout
Indirect economic impacts	G4-EC7 DMA	✓	✓	–	37; 52 48
Procurement practices	G4-EC9 DMA	✓	⊗	–	50 50

Environmental

Material GRI aspect	Indicator	Aspect boundary			Reference
		Internal	External	Exclusions	
Materials	G4-EN1 DMA	✓	✗	Anglo American's most material resource consumed is water. A selection of other resources material at a business unit level are disclosed on page 59	62 59
Energy	G4-EN3 DMA	✓	✗	–	67; 84 66
Water	G4-EN8 DMA	✓	✗	–	62 61-64
	G4-EN10	✓	✗	–	62
Biodiversity	G4-EN11 DMA	✓	✗	–	56-57 55
	G4-MM1	✓	✗	–	55
	G4-MM2	✓	✗	–	55
Emissions	G4-EN15 DMA	✓	✗	–	77-78; 84 66
Effluents and waste	G4-EN24 DMA	✓	✗	–	54 54
	G4-MM3 DMA			Mineral waste volumes are not currently reported centrally	58 58
Compliance	G4-EN29 DMA	✓	✗	Reporting on fines and penalties is limited to Level 3-5 incidents that occurred in the reporting year	54

Labour practices and decent work

Material GRI aspect	Indicator	Aspect boundary			Reference
		Internal	External	Exclusions	
Employment	G4-LA1 DMA	✓	✗	These figures are not disaggregated by gender	26, 85 25
Labour/management relations	G4-LA4 DMA	✓	✗	Not applicable; notice periods vary by country and are aligned with local legal requirements	–
	G4-MM4 DMA	✓	✗	–	26 25
Occupational health and safety	G4-LA6 DMA	✓	✗	Lost days are not reported separately but included in the absenteeism rate. Data is not reported by gender	29; 34-35; 77-78 30-35
	G4-LA7 DMA	✓	✗	–	33; 83 33
Training and education	G4-LA11 DMA	✓	✗	These figures are not collected for contract employees	27 25
Diversity and equal opportunity	G4-LA12 DMA	✓	✗	–	26; AR 65-86 26
Supplier assessment for labour practices	G4-LA14 DMA	✓	✓	This indicator is reported under G4-HR10	44 44
Labour practices grievance mechanisms	G4-LA16 DMA	✓	✗	–	17; 41-42 17

Human rights

Material GRI aspect	Indicator	Aspect boundary			Reference
		Internal	External	Exclusions	
Investment	G4-HR1 DMA	✓	✗	–	43 42-43
Non-discrimination	G4-HR3 DMA	✓	✗	Incidents of unfair labour practices and discrimination are reported in the general category of 'human resources' owing to the confidential nature of Speak Up alerts	17 17
Freedom of association and collective bargaining	G4-HR4 DMA	✓	✗	–	26 26
Security practices	G4-HR7 DMA	✓	✗	–	43 42-43
Indigenous rights	G4-HR8 DMA	✓	✗	–	44 44
	G4-MM5	✓	✗	–	44
Assessment	G4-HR9 DMA	✓	✗	–	43 43
Supplier human rights assessment	G4-HR10 DMA	✓	✗	–	44 19; 44
Human rights grievance mechanisms	G4-HR12 DMA	✓	✗	The number of complaints, grievances and incidents is reported, but not progress in relation to addressing those. This information will be reported in the 2017 Report	42-43 41-43

Society

Material GRI aspect	Indicator	Aspect boundary			Reference
		Internal	External	Exclusions	
Local communities	G4-SO1 DMA	✓	✗	–	39-41 39-41
	G4-MM6 DMA	✓	✗	The number of complaints, grievances and incidents is reported, but not progress in relation to addressing those. This information will be reported in the 2017 Report	41-43 41-43
Anti-corruption	G4-SO5 DMA	✓	✗	–	17 17
Public policy	G4-SO6 DMA	✓	✗	–	21 21
Compliance	G4-SO8 DMA	✓	✗	–	41 41
Supplier assessments for impacts on society	G4-SO9 DMA	✓	✓	This indicator is reported under G4-HR10	44 44
Grievance mechanisms for impacts on society	G4-SO11 DMA	✓	✓	The number of complaints, grievances and incidents is reported, but not progress in relation to addressing those. This information will be reported in the 2017 Report	42-43 41-43
Resettlement	MM9 DMA	✓	✗	–	43 43
Closure planning	MM10 DMA	✓	✗	–	70-71 70-71

ICMM AND GLOBAL COMPACT PRINCIPLES

INTERNATIONAL COUNCIL ON MINING AND METALS

As a member of the International Council on Mining and Metals (ICMM), Anglo American adheres to the 10 ICMM Principles, which serve as a best-practice framework for sustainable development in the mining and metals industry. We are also signatories to ICMM Position Statements on various issues that are critical to the mining industry.

Anglo American complies with the ICMM Sustainable Development Framework, Principles, Position Statements and reporting requirements^(LA)

Our compliance with ICMM requirements is addressed throughout this report and a comprehensive account of our approach is available on www.angloamerican.com. This account includes the following elements of the ICMM Assurance Procedure:

- The alignment of our sustainability policies against the 10 Principles and mandatory requirements of the Position Statements
- Our process for identifying specific sustainable development risks and opportunities
- The existence and implementation of systems and approaches for managing sustainable development risk and opportunities
- Our performance across a selection of identified material sustainable development risks and opportunities
- Our disclosure in accordance with the GRI G4 core option and related Mining and Metals Supplement.

10 Principles

Principle 1: Apply ethical business practices and sound systems of corporate governance and transparency to support sustainable development.

Principle 2: Integrate sustainable development in corporate strategy and decision-making processes.

Principle 3: Respect human rights and the interests, cultures, customs and values of employees and communities affected by our activities.

Principle 4: Implement effective risk-management strategies and systems based on sound science and which account for stakeholder perceptions of risks.

Principle 5: Pursue continual improvement in health and safety performance with the ultimate goal of zero harm.

Principle 6: Pursue continual improvement in environmental performance issues, such as water stewardship, energy use and climate change.

Principle 7: Contribute to the conservation of biodiversity and integrated approaches to land-use planning.

Principle 8: Facilitate and support the knowledge-base and systems for responsible design, use, re-use, recycling and disposal of products containing metals and minerals.

Principle 9: Pursue continual improvement in social performance and contribute to the social, economic and institutional development of host countries and communities.

Principle 10: Proactively engage key stakeholders on sustainable development challenges and opportunities in an open and transparent manner. Effectively report and independently verify progress and performance.

Position statements

- Water stewardship
- Tailings governance
- Indigenous Peoples and mining
- Principles for climate change policy design
- Mining partnerships for development
- Transparency of mineral revenues
- Mining and protected areas.

UNITED NATIONS GLOBAL COMPACT

Anglo American is a signatory to the United Nations (UN) Global Compact Principles, through which we commit to:

- Supporting and respecting the protection of internationally proclaimed human rights
- Ensuring that we are not complicit in human rights abuses
- Upholding the freedom of association and the effective recognition of the right to collective bargaining
- Eliminating all forms of forced and compulsory labour
- Ensuring the effective abolition of child labour
- Eliminating discrimination in respect of employment and occupation
- Supporting a precautionary approach to environmental challenges
- Undertaking initiatives to promote greater environmental responsibility
- Encouraging the development diffusion of environmentally friendly technologies
- Work against corruption in all its forms, including extortion and bribery.

Our approach to complying with the UN Global Compact Principles is integrated throughout this report.

^(LA) Limited assurance provided by independent assurance provider (refer to page 74)

CONTACTS AND OTHER INFORMATION

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OTHER SUSTAINABILITY REPORTS PUBLISHED BY ANGLO AMERICAN GROUP BUSINESSES

De Beers

Report to Society

Platinum

Sustainable Development Report

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