



**DELIVERING CHANGE
BUILDING RESILIENCE**
CONTRIBUTING THROUGH THE CYCLE



ABOUT THIS REPORT

Anglo American has for many years disclosed details of its tax and broader economic contributions in our Annual Report and Sustainability Report. The objective of this report is to provide our stakeholders with additional detailed information in this area in an accessible single source.

Contents

02	Chief Executive's statement
03	Total tax and economic contribution at a glance
05	Our business model
07	Tax
10	Tax contribution through the life cycle of a mine
11	Transfer pricing
13	Socio-economic development
17	Country highlights
29	Assurance report
31	Basis of report preparation
32	Glossary of key terms

We published our first dedicated Tax and Economic Contribution Report in 2015, which covered the year to 31 December 2014. This is our third dedicated report, which covers the year to 31 December 2016, and presents the total tax and economic contribution that we made in each of our major operating jurisdictions.

This approach continues to recognise the calls for greater transparency and is designed to complement the various statutory disclosures and regulations which we are required to comply with as a Group.

In addition to this report, we have published on our website a summary of our tax contribution on a project-by-project basis.⁽²⁾

The report continues to set out our approach to tax and governance, with specific reference to matters of current interest and debate. This year, as well as disclosing the tax contribution we make throughout the life of a mine, we have also included an illustrative example of our transfer pricing throughout the value chain.

The tax data included in this report is based on cash tax payments made to governments by companies in which the Group has an ownership interest, rather than the accrued taxes charged to the Group's consolidated income statement for accounting purposes or included in our taxes borne and collected in the Group's Sustainability Report.

Payments are included on a 100% basis regardless of the exact percentage of ownership by Anglo American.

In the area of socio-economic development, our strategy recognises the importance of implementing programmes that build on existing successful initiatives and strengthen the capacity of local and regional institutions, as opposed to isolated projects, to ensure a lasting positive legacy.

We are committed to being a leader in transparency and are pleased that we were recognised for the second consecutive year in 2016 by PwC in its Building Public Trust Awards for our tax reporting.

Other sources of information

More information about Anglo American and our historical reports can be found online at: www.angloamerican.com



Anglo American newsfeeds

/AngloAmerican

@AngloAmerican

/AngloAmerican

/AngloAmerican

/AngloAmerican

/company/Anglo-American

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$20,638 m

TOTAL TAX AND ECONOMIC CONTRIBUTION IN 2016

\$20,825 m

TOTAL TAXES AND OTHER PAYMENTS TO GOVERNMENTS IN 2016

\$4,119 m

PERCENTAGE OF TOTAL TAXES AND OTHER PAYMENTS TO GOVERNMENT IN 2016 RELATING TO DEVELOPING COUNTRIES

73%

TOTAL PROCUREMENT IN 2016

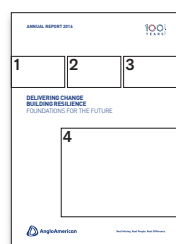
\$10,344 m

WAGES AND BENEFITS PAID IN 2016

\$3,884 m

CORPORATE SOCIAL INVESTMENT IN 2016

\$89 m



Cover images

1. De Beers' Gahcho Kué mine was officially opened in September 2016 and is providing a source of direct and indirect employment in Canada's remote Northwest Territories (see page 20).

2. Our Quellaveco copper project in the Moquegua region of Peru works with the community to support local entrepreneurs and businesses, particularly in the area of agriculture (see page 24).

3. In 2016, the Government of the Republic of Namibia and De Beers signed a new 10-year sales agreement for the sorting, valuing and sales of Namdeb Holdings' diamonds (see page 23).

4. In the Limpopo Province of South Africa, where our Mogalakwena platinum mine is located, we are taking a collaborative, regional development approach to our socio-economic activities (see page 26).

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports. The Sustainability Reports are based on numbers disclosed within the Group's income statement and exclude the impact of certain associates and joint ventures.

⁽²⁾ See <http://www.angloamerican.com/investors/annual-reporting/reports-library/report-2017>

DELIVERING CHANGE BUILDING RESILIENCE CONTRIBUTING THROUGH THE CYCLE



Mark Cutifani

In 2016, Anglo American's business activities resulted in a total tax and economic contribution of \$21 billion to the countries in which we operate. Of this, tax payments to governments by the Group's consolidated operations and joint ventures amounted to more than \$4 billion. This represents our direct fiscal contribution to the communities and local and national governments.

Last year we set out our ambition to sustainably improve cash flows and materially strengthen our balance sheet, in order to deliver the significantly improved financial position required to create the foundations for Anglo American's future.

By delivering a wide range of operational, cost, capital and portfolio improvement objectives, we were able to reduce net debt by 34% to \$8.5 billion by the end of 2016, significantly ahead of our \$10 billion target.

While the prices for many of our products recovered during the second half of 2016, the average price for our basket of products for the year as a whole remained marginally below that for the prior year, reminding us of the scale of the price decreases that the industry incurred during late 2015.

Against that backdrop, and with 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 underlying EBITDA margin by five percentage points to 26%.

As a result of this work, we are continuing to build a more resilient business capable of creating sustainable value for all our stakeholders and contributing through the cycle.

In this, our third dedicated annual Tax and Economic Contribution Report, we demonstrate how our economic contribution to society endures despite the challenges, changes and uncertainties our business and industry face. Particularly, it is important to recognise that the taxes paid in developing countries continue to make a significant contribution. It is often in these jurisdictions where we can offer the greatest long term sustainable benefits, by ensuring that our socio-economic initiatives meet the needs of our host communities now and beyond the life of mine.

In 2016, and for the second year in succession, we were awarded the PwC Building Public Trust Award for tax reporting and we are committed to continuing to be a leader in this area. I am confident that this year's report builds upon the standards we have set to deliver increased transparency, and provides further information and insight that goes beyond the requirements of the transparency initiatives to which we adhere.

This year, in addition to our second filing of the mandatory Payments to Government regulations, we will also be complying with our obligations as recommended by the OECD as part of its Base Erosion Profit Shifting project. We will be filing this submission during 2017.

Ultimately, our aim is to provide greater clarity for all our stakeholders regarding the Group's total economic footprint and contribution to society.

Mark Cutifani
Chief Executive

TOTAL TAX AND ECONOMIC CONTRIBUTION AT A GLANCE

Anglo American's economic contribution is significant in our major operating jurisdictions. Although tax remains an important factor, our actual contribution is far broader; it also includes employee wages, supplier expenditure, capital investment (including in public infrastructure) and social investment. For Anglo American, our total contribution amounted to \$21 billion in 2016 – almost five times our tax contribution. Our contribution endures throughout the life cycle of a mine, although the quantum and proportion that is represented by tax will vary across that time period.



TOTAL TAX AND ECONOMIC CONTRIBUTION AT A GLANCE

BRAZIL ⁽¹⁾	
Iron Ore and Manganese	1 mine
Nickel	2 mines
Employees ⁽³⁾	5,000

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

OTHER SOUTH AMERICA ⁽¹⁾	
Coal	1 mine
Employees ⁽³⁾	200

CANADA ⁽¹⁾	
De Beers	2 mines
Employees ⁽³⁾	1,000

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

OTHER AFRICA ⁽¹⁾	
De Beers	4 mines
Platinum	1 mine
Employees ⁽³⁾	4,000

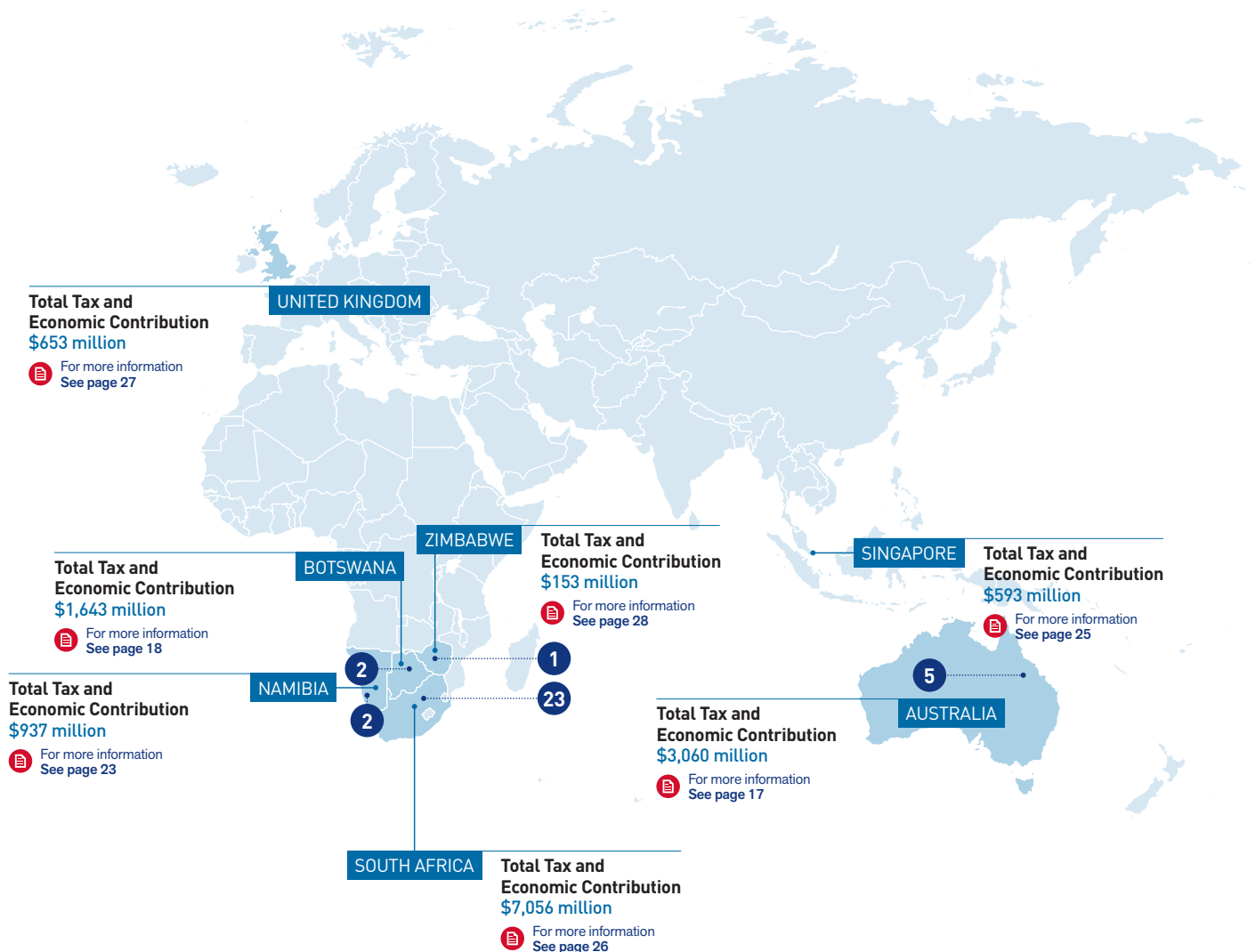
AUSTRALIA/ASIA ⁽¹⁾	
Coal	5 mines
Employees ⁽³⁾	3,000

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

⁽³⁾ Average number of employees, excluding contractors and associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

1 Indicates total number of mines



OUR BUSINESS MODEL

Our Business Model demonstrates how we create sustainable value for a range of stakeholders, across our value chain. 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.

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.

KEY INPUTS

- People
- Financial
- Know-how
- Other natural resources
- Relationships with our stakeholders
- Ore Reserves and Mineral Resources
- Plant and equipment

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.

GROUP INPUTS

People

Our people are the business. We aim to resource the organisation with a capable, engaged and productive workforce and are committed to ensuring no harm comes to any of our people.

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.

OPERATING BUSINESS INPUTS

People

Our simplified organisation model allows our businesses to design structures and roles that provide clear accountability and appropriate authority to get our work done.

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.

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

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

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.



OUR CORE PROCESSES

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

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, 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.

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 MtCO₂e

OUTCOMES

Group 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	474.8	348.4	14.5	253.8	1,091.5	905.6	1,997.1
Payments to government – non-controlled operations	905.7	671.9	4.5	84.5	1,666.6	455.4	2,122.0
Total payments to government	1,380.5	1,020.3	19.0	338.3	2,758.1	1,361.0	4,119.1
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	2,389.0	10,344.1	20%	3,883.9	88.8	16,705.8	20,824.9

Full country highlights from page 17

TAX

A key contributor to creating value to our host countries and stakeholders is the paying of taxes.

Mining is a long life, high risk business with very significant initial capital investment required before any return on investment is realised (see illustration on page 10). We therefore support the design of fiscal regimes that consider the relative long term contribution from the mining

industry and which are not focused narrowly on short term outcomes.

The amount of tax we generate and pay to governments, and our general approach to tax and tax disclosure, are of considerable interest to many of our stakeholders. Being able to demonstrate the contribution we make to host countries and communities through the payment of taxes is critical for building trust and in supporting our social licence to operate. It is equally important to show this contribution in more challenging economic times, as well as when commodity prices are high.

APPROACH OF THE GROUP TO RISK MANAGEMENT AND GOVERNANCE ARRANGEMENTS

Our approach to tax is aligned with our Code of Conduct, our long term business strategy and our vision to be 'Partners in the Future'. As such, we support the principles of transparency and active and constructive engagement with our stakeholders. We see a benefit through this broader engagement in our approach to tax, both for our business and for our stakeholders. At the same time, increased transparency can empower communities by helping them to understand how much income is generated from the mining activity in their regions.

Tax governance

We have a global team of tax professionals who are charged with managing the Group's tax affairs in line with the Group's tax strategy.

This team is committed to acting in accordance with our Code of Conduct and tax strategy; internal tax policies ensure that the strategy is embedded in the way we do business. Our tax professionals also strive to maintain a long term, open and constructive relationship with tax authorities, governments and other relevant stakeholders.

We actively engage with a variety of stakeholders on a wide range of issues relating to tax, including industry bodies which helps to bring commercial understanding and experience into debates about tax policy and governance.

Tax matters are regularly presented to our Board and Audit Committee who take a particular interest in the extent to which our approach to tax meets our commitments to stakeholders, including host governments and local communities and our policy of good tax governance.

In addition, our tax affairs are regularly scrutinised by our external auditors and by tax authorities as part of the normal course of local compliance and reporting procedures.

Overall, we consider that our tax governance framework is consistent with the tax authorities' objective of improving tax compliance and to encourage businesses to adopt best-practice tax risk management processes. We will continue to monitor and adopt future developments to ensure we are a leading organisation in this area.

Approach of the group to tax management

Our approach to tax is set out in the Group's tax strategy which we use as a means of explaining our way of working to external stakeholders, employees and our in-house team of tax professionals.

This strategy includes a number of key points:

- We respect the law in each of the jurisdictions in which the Group operates. This means that we comply with our legal obligations for tax, that we file our tax returns on time with full and adequate disclosure of all relevant matters, and pay our taxes on time.
- We do not take an aggressive approach to tax management. This means that we will not undertake transactions that we are not prepared to fully disclose, and that we will only undertake transactions that are based on strong underlying commercial motivation, and which are not (or appear to be) artificial or contrived.
- We conduct intragroup transactions on an arm's length basis and comply with our obligations under transfer pricing rules in the jurisdictions where we operate and global principles.
- All of our entities are tax resident in countries where we have business operations. For company law and regulatory residency purposes a number of companies are domiciled in Jersey and, for our Group Insurance Companies, Bermuda. These companies are either tax resident in the UK or subject to the UK Controlled Foreign Company rules.

We do still have a small number of companies in our group which are registered in tax haven jurisdictions. These are the result of legacy structures and the jurisdiction of the companies is overridden by our policy of having them be resident in the UK for tax purposes. The use of tax havens plays no part in the management of our taxes, and we are well advanced in liquidating these legacy entities.

Approach toward dealing with tax authorities

We seek to maintain a long term, open, constructive relationship with tax authorities and governments in relation to taxation. We seek to proactively engage with those tax authorities and governments directly or indirectly (i.e. through relevant representative bodies) to shape future tax policy and legislation in ways that share our experience, international best practice and promote and protect Anglo American's interests, principles and strategy.

THE CURRENT TAX ENVIRONMENT AND OUR COMMITMENT TO TAX TRANSPARENCY

The subject of taxation continues to be of great interest in the public domain. This is matched by ongoing significant scrutiny of tax affairs by tax authorities, and is resulting in a number of high profile and increasingly public tax investigations.

As a result of this continued interest, the number of mandatory transparency requirements (of approaches, strategies as well as of financial data) and the resulting compliance burden continues to increase. There are a number of specific tax disclosure obligations in many of the jurisdictions in which Anglo American operates, at various stages of implementation.

During the course of 2017, we are complying with our obligations under the Country-by-Country Reporting measures as recommended by the OECD BEPS project, as well as continuing to disclose our payments to governments on a project-by-project basis as required under UK law, and fulfilling other disclosure requirements including those in Canada and Australia.

For a number of years, Anglo American has voluntarily provided information about our tax payments on a country-by-country basis. In preparing our third dedicated Tax and Economic Contribution Report for the year to 31 December 2016, we continue to review our disclosures to ensure that they provide information that is meaningful for all stakeholders, and which complements the various mandatory tax transparency disclosures that are applicable to Anglo American.

We believe that tax disclosure requirements should support the reporting of information that is accessible and easy for a range of stakeholders to understand. Currently, each mandatory requirement is inconsistent in terms of the information that we are required to disclose. It is important to ensure that when reporting regimes are developed and made law, sufficient, clear guidelines and support are provided by relevant governments and their agencies to ensure that the resulting compliance burden is manageable and that the underlying intent of such rules is clear both for those charged with complying as well as those who ultimately utilise disclosures made. We hope that eventually consensus is reached between the various transparency initiatives of governments and regulatory authorities.

Until such consensus is reached, we strive to ensure that all data is reported on a clear and understandable basis, and that consistency is maintained where possible.

OECD BASE EROSION AND PROFIT SHIFTING

Anglo American is supportive of the aims of the OECD BEPS project. A large part of its focus has been to ensure that tax outcomes are aligned with the reality of how multinational businesses actually operate, rather than being distorted by artificial structures. This is consistent with Anglo American's existing tax strategy which states that the Group will not implement transactions or adopt structures which are not supported by a clear underlying commercial rationale.

However, we do expect that the implementation of the OECD BEPS recommendations is likely to significantly increase our tax compliance obligations and therefore costs of doing business, even if there is no material change in tax payable by us in individual countries.

Many of the countries we operate in are not OECD members but a number (including but not limited to Brazil, Namibia, Singapore and South Africa) have either chosen to, or shown an intention to, adopt a number of the OECD BEPS recommendations.

We would encourage all countries to carefully consider any changes they make to domestic legislation in response to the BEPS project to avoid creating additional tax complexity and potential risks of double taxation.

DESIGN OF AN EFFECTIVE FISCAL REGIME FOR THE MINING INDUSTRY

Anglo American operates in a variety of jurisdictions which have different fiscal regimes applicable to the mining industry. The nature of any fiscal regime, and its stability of application, is a significant factor in attracting investment as well as ensuring the long term viable operation of existing projects and operations.

In our experience, there are a number of important factors which should be taken into account in the design of an effective fiscal regime for the mining industry:

Tax policy and administration

- Tax should be imposed under generally applicable laws passed by parliament.
- Tax policy and legislation should be stable, competitive and predictable.
- Any law changes should be prospective, not retrospective, taking into account the integrity and coherence of the entire tax system.

- Tax administration should be consistent and transparent, aligned with government policy.
- Governments should be open to constructive dialogue between tax administrators, policymakers and taxpayers.

Basis of taxation

- Tax should be levied on a fair and equitable basis, enabling risk and reward to be shared between the investor and government, supporting long term investment and job and wealth creation.
- Tax should generally be levied on profits so that appropriate tax revenues can be raised at the appropriate time.
- Detailed tax rules should take account of the specific characteristics of the mining industry including relief for exploration, infrastructure expenditure and appropriate reliefs for capital expenditure.
- Any mining specific taxation should typically be in the form of a mining royalty or mining tax based on profit rather than revenues.



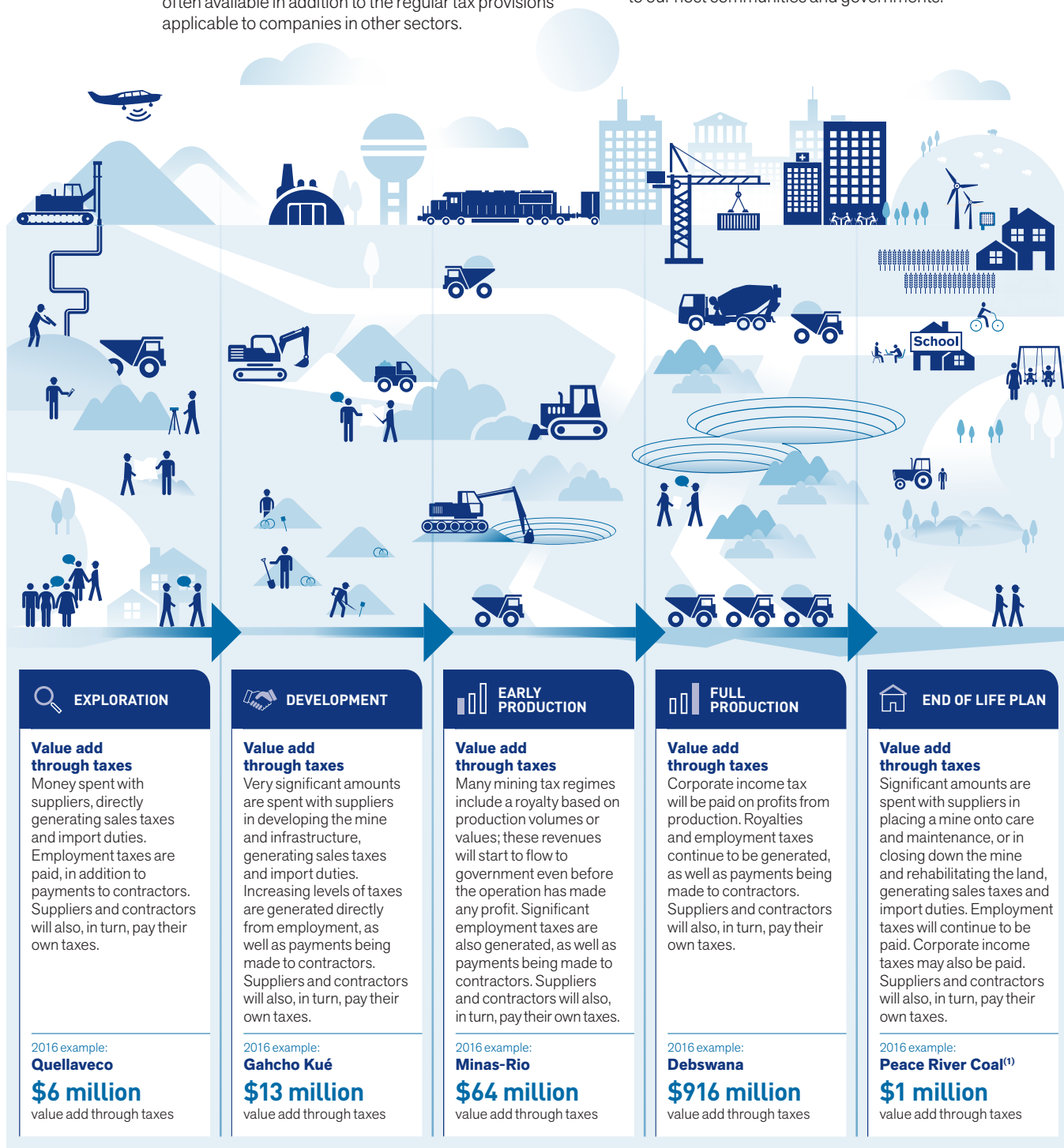
It is equally important to show our tax contribution in more challenging economic times, as well as when commodity prices are high. At our Minas-Rio operation in Brazil, we contributed \$64 million through taxes in 2016.

TAX CONTRIBUTION THROUGH THE LIFE CYCLE OF A MINE

We contribute value add through taxes across our full value chain.

Many tax regimes in resource rich countries offer tax relief for the exploration, development and construction of mines, often available in addition to the regular tax provisions applicable to companies in other sectors.

This means that our total tax contribution will fluctuate depending on economic conditions. However, even when profit-based tax payments reduce, a significant portion of our contribution endures due to mining royalties and taxes associated with, for example, employment and procurement. This feature is one indicator of the long term nature of our investments and our business' contribution to our host communities and governments.



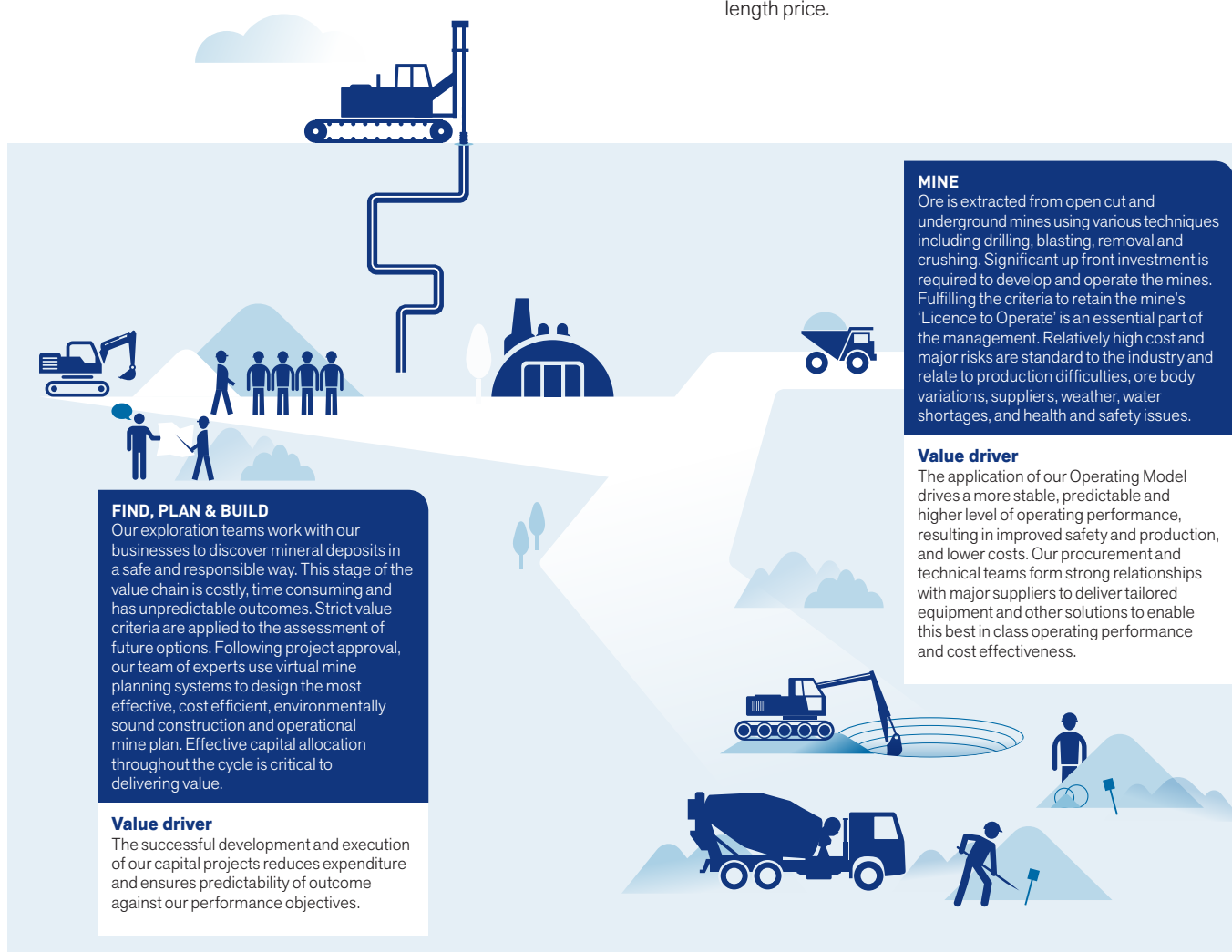
⁽¹⁾ Peace River Coal is on care and maintenance

TRANSFER PRICING

As a multinational group, Anglo American undertakes a significant number of intragroup transactions relating to the processing, logistics and marketing of our products or intragroup services and financing.

These activities are a necessity of managing a global multinational business and we give careful consideration to the transfer pricing approach that we take.

The OECD and World Bank recommend that where transactions take place between two related parties, arm's length pricing should be used. This is the price that would have been charged by an unrelated party for carrying out the same transaction. As cross border transactions have the ability to potentially distort taxable income, tax authorities in many countries can adjust the transfer price between two related parties if they believe they do not reflect the arm's length price.



OTHER RELATED PARTY TRANSACTIONS

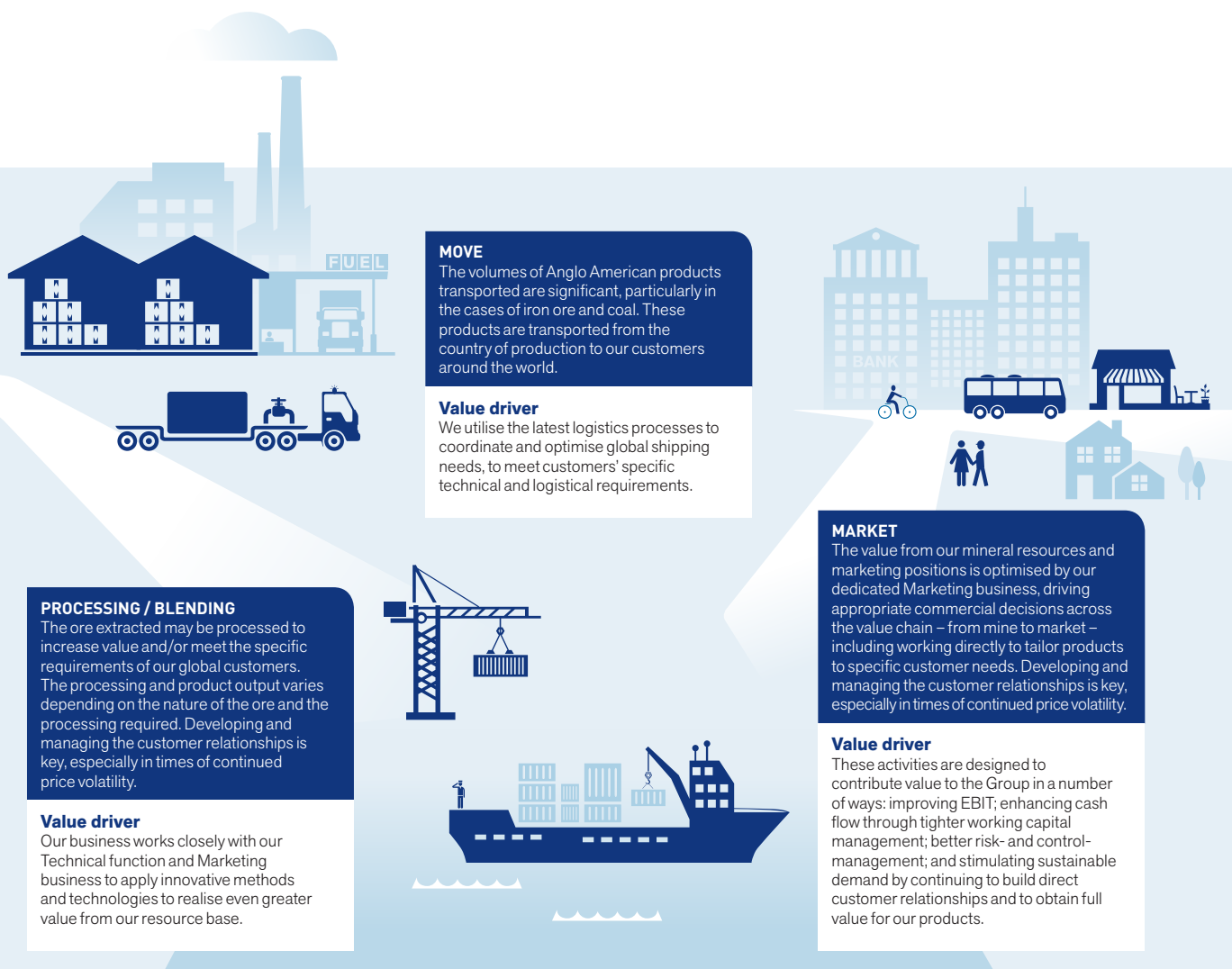
Throughout our value chain activities, we conduct other material transactions between companies in the Anglo American Group. These transactions are disclosed to tax authorities through the submission of our tax returns and are performed at an arm's length price.

SERVICES

Certain centralised functions (such as legal, tax, accounting, human resources and information technology) are provided from specialist hubs in the Group to ensure the efficient and effective management of the Group. Ultimately, the purpose of the intragroup services is to increase efficiency in our operations and thereby increase Group earnings, either through increased turnover, lower costs or both.

At Anglo American, transfer pricing reflects the commercial and economic substance of any related-party transactions, using a consistent approach within the Group. We ensure that taxable profits arise in the jurisdictions where the operations create value, and is compliant with local law and international best practice. Where possible, we enter into real time discussions with tax authorities through advance pricing agreement discussions to try and agree this approach upfront and reduce the risk of any possible disputes later.

With respect to the Anglo American value chain, below is an illustrative example of how value can be created, from finding deposits to the marketing of our products.



INSURANCE

Anglo American's insurance companies provide essential commercial insurance coverage to Group entities (as well as some joint venture entities) for low frequency/high severity events such as property damage and business interruption which would otherwise cause significant local financial and operating implications.

These captive arrangements allow the Anglo American Group to benefit from its natural geographic and product diversification and therefore enable a pooling of risk and which provide access to an established reinsurance market.

FINANCING

Funding for the Group comes from a range of external sources and instruments. Anglo American plc, the parent company of the Group, manages the overall funding and investment strategy, while the internal allocation of funding comes from UK Group finance company Anglo American Capital plc.

SOCIO-ECONOMIC DEVELOPMENT

Over the past three years, Anglo American has been implementing an innovative approach to socio-economic development that focuses on a more integrated approach to value creation for stakeholders. This strategy aims to support sustainable job creation, social service delivery and ensure a lasting positive legacy through our business activities and strategic partnerships.

LEADING AND FACILITATING CHANGE

Our strategic focus is on improving the productivity of local and regional 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 and regional institutions, as opposed to isolated projects.

Strategic partnerships are a central element of this new strategy. In 2012 we co-funded and participated, along with the broader mining industry, in consultations with a wide range of stakeholders, including most notably faith groups, on the role of the mining sector in society. This culminated in the development of the Development Partner Framework, a new way of thinking and an approach on how the industry can more effectively catalyse development and consequently nurture and progressively revitalise companies' social licence to operate.

OUR APPROACH

Our core business activities have great potential to support local development. However, if we deliver socio-economic development only via our underlying business activities – for example, local procurement and local employment – mining-related stakeholders could potentially be the only group benefiting from our presence. This would still inject a significant amount of economic activity but could also raise the risk of creating increased inequality and social tension, and could also undermine the long term sustainability of our contribution.

It is important to keep the balance between the value delivered through our own business activities and areas beyond our value chains. In many areas where we operate,

mining is the predominant industry, which is often problematic when the mining economy is impacted or when mines close.

Therefore, with our partners we are not only looking at our value chains more broadly to ensure we optimise local benefit opportunities through them, but also placing an increasing focus on economic activities that can also input into the supply chains of other sectors.

Our more localised socio-economic development strategy still focuses around seven core programmes that enable our business to deliver significant value and still benefit the most vulnerable community members.

SUPPORT PRODUCTIVITY OF LOCAL MARKETS

Promoting local procurement

Optimising opportunities to integrate local businesses into our supply chain and advise them on how to compete successfully for new business.

Enterprise development

Fostering the potential of local entrepreneurs to build local capacity, support job creation and ensure that the local economy is able to deliver opportunities even after mine closure.

Workforce development

Aimed at addressing the skills needs of our operations as well as the employment needs of the community.

SUPPORT PRODUCTIVITY OF PUBLIC SERVICES

External capacity development

Strengthening the skills, competencies and abilities of local institutions, with a strong focus on municipal staff.

Synergies from mine infrastructure

Developing infrastructure associated with our mines – such as roads, health facilities and water treatment plants – so that it can also benefit the local communities.

Social investment

Social investment is focused on supporting projects that benefit vulnerable groups and which cannot be supported through our value chains, for example health and education initiatives.

SKILLS SHARING/EMPLOYEE VOLUNTEERING

The skills of our employees can be used to support any of the other six programmes, and can help host countries and communities to address key challenges.

At the heart of this framework is the notion that mining needs to be placed within the context of a shared vision of development based primarily on the long term aspirations of host communities. It sets a vision and path for the mining industry to address past and current negative impacts; maximise the positive impacts that the industry can have as a catalyst for development, and plans and then implements actions that build for sustainable communities, regions and countries beyond the life of mine.

In South Africa our business units are beginning to re-contextualise their socio-economic development strategies on the basis of this framework and the existing development plans of their host province, municipalities and local areas. We have undertaken a spatial analysis of the opportunities in Limpopo Province while remaining cognisant of the need to support existing government development plans. This approach, in combination with the more targeted local focus on improving productivity in both local markets and public institutions, provides the greatest opportunity to effectively bring about sustainable socio-economic development.

Partnership for a better future

We work together with stakeholders to understand their concerns and believe this will greatly increase our contribution to the provision of benefits and opportunities that will support our host communities in achieving their goals.

Central to the expanded scope and scale of socio-economic development activities is partnership. Our ambition is that we, along with government, development agencies, NGOs, community members, and corporations in other sectors, for example, finance and agriculture, can subscribe to a shared purpose. On this basis, we can then undertake collaborative and mutually reinforcing actions to more effectively maintain our social licence to operate, deliver business value and achieve our vision of becoming partners in the future.



In South Africa, we continue to sponsor the Enterprise and Supplier Development Conference at the Gordon Institute of Business Science, Johannesburg.

PERFORMANCE IN 2016

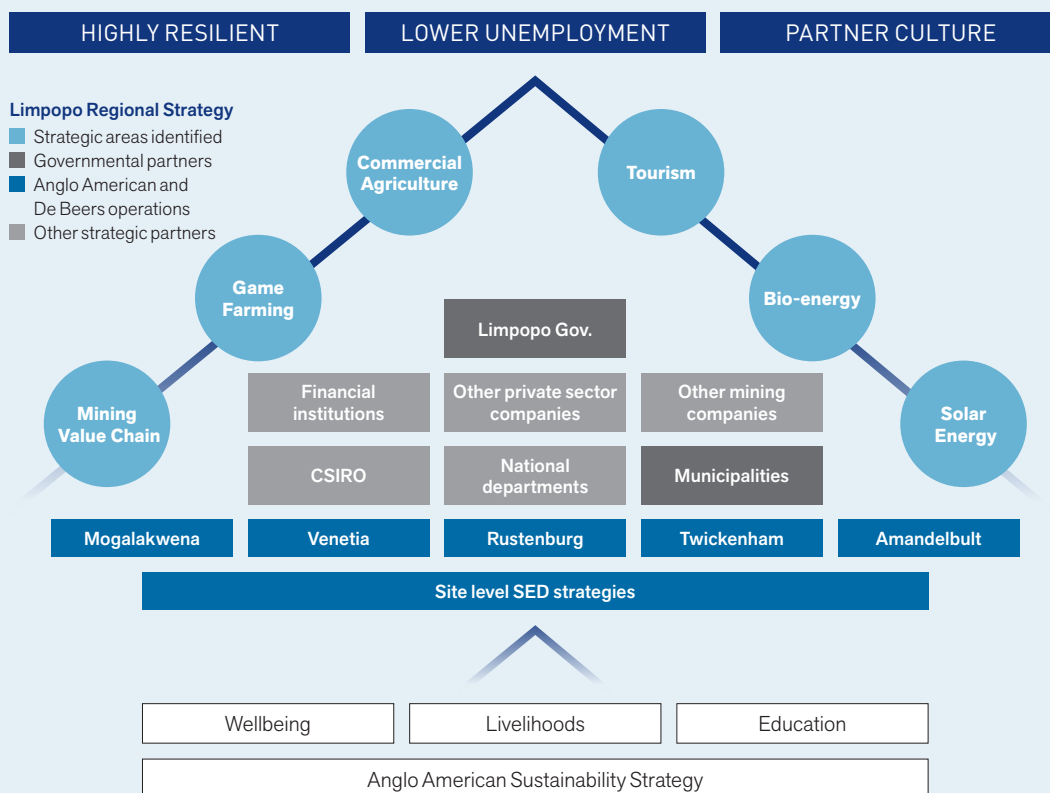
Our approach to regional development partnerships is being piloted in Limpopo Province in South Africa. In 2016, we completed the development of the spatially referenced datasets required, and undertook the modelling required to identify the economic development opportunities of greatest potential in Limpopo. On the basis of the analysis, the most immediate opportunities were identified and pre-feasibility assessments undertaken. In addition to scoping the initial opportunities, we have worked with partners to design and establish the platform through which the initiatives would be delivered. This collaborative platform involves representatives from provincial government, research, mining, NGOs, UN agencies, and international financial institutions. It developed a common agenda and established backbone support to help drive and facilitate the initiative (see case study on page 26). In 2017, feasibility assessments will be undertaken and, providing the findings continue to be positive, the opportunities implemented.

Supporting productivity of local markets

To stimulate local markets, we promote local and preferential procurement, enterprise development and workforce development.

In 2016, we spent approximately \$10.3 billion with suppliers⁽¹⁾, while expenditure on suppliers based in the communities close to our operations was \$2 billion. We continue to promote and optimise local procurement opportunities with the guidance of our Group-wide Local Procurement Policy, and our operations' efforts are supported by a comprehensive local procurement toolkit and summary guide. An optimised system for registering suppliers through our global website was launched in 2016. This will improve efficiencies in our supply chain by 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 locally owned businesses that are 'high potential' suppliers, or could benefit through our supplier development initiatives.

REGIONAL APPROACH TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



⁽¹⁾ Including Cerrejón and corporate offices.

In tandem with our supplier development initiatives, our enterprise development programmes continue to foster the potential of local entrepreneurs to build local capacity. All Anglo American's enterprise development schemes 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 enterprise development 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.

The number of jobs supported across all our enterprise development initiatives between 2008-2016 is in excess of 116,000.

Supporting the productivity of public services

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.

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, while projects in Chile and Peru are progressing well.

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 work in Peru, Chile and Brazil.

Looking forward

In 2017, the Limpopo regional development platform will be fully established, along with the first economic and social initiatives. We will also look to begin the roll-out of the approach in other countries and regions where we operate.

We believe the development work that Anglo American has helped to generate during its involvement with these communities will continue to benefit local stakeholders and demonstrate our ability to deliver a positive and lasting legacy.

AUSTRALIA

Our metallurgical coal assets in Australia make us the world's third largest exporter of metallurgical coal. In 2016, our Grosvenor mine in Queensland produced its first longwall coal – seven months ahead of schedule and more than \$100 million under its total capital budget.

Australia 2016 – US\$ millions							
	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	–	180.2	0.5	96.3	277.0	150.6	427.6
Payments to government – non-controlled operations	61.4	75.9	1.6	11.4	150.3	37.5	187.8
Total payments to government	61.4	256.1	2.1	107.7	427.3	188.1	615.4
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	524.0	1,517.7	4%	403.0	0.2	2,444.9	3,060.3

Operations (* non-controlled)
Moronbah North, Grosvenor, Capcoal, Drayton, Dawson, Gemco*

NUMBER OF EMPLOYEES

2,443

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE AUSTRALIA ECONOMY IN 2016

\$3,060m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$2,308m

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

COMMUNITY PULLS TOGETHER

Through 2016 and continuing into 2017 there have been a number of divestments within Anglo American's Australian coal portfolio. Despite these changes, our position in Australia remains significant and, with the opening of our Grosvenor metallurgical coal mine in Queensland last year, we continue to play an important social and economic role within our host communities. Sometimes, however, it is by pulling together as a community that we can make the most meaningful difference.

When Cyclone Debbie wreaked havoc along the Queensland coast in early 2017, families were left homeless and entire towns were devastated. During the unprecedented floods that followed, farmers and graziers across the region lost livestock, their horses and breeding stock, and suffered extensive farm infrastructure damage. At a time of unimaginable distress and hardship, a sense of community spirit was vital in helping families and individuals get back on their feet.

BlazeAid is a voluntary organisation that works with farming families to restore boundary and critical internal fencing to enable restocking and recovery to begin. By coordinating and managing volunteers from across Australia to work alongside the farmers and their families, the organisation helps to rebuild their livelihoods.

Following Cyclone Debbie and the damage to farmland across Queensland, BlazeAid set up a volunteer camp at Clarke Creek – approximately

40 minutes from Middlemount and Anglo American's Capcoal operations. As dozens of volunteers arrived to provide help and get the re-fencing work underway, Anglo American took the opportunity to make a donation to provide catering and support to the camp to ensure volunteers were well looked after.

The loss of life and property caused by Cyclone Debbie means the lives of many people will never return to what they were, but with the support of organisations like BlazeAid and the hard work of the volunteers, it does mean many families and individuals will be able to start rebuilding their lives and livelihoods.



Cyclone Debbie caused flooding across Queensland.

A summary of our tax contribution on a project-by-project basis can be found at: angloamerican.com/project-by-project-2016

BOTSWANA

De Beers has partnered with the Government of the Republic of Botswana for almost half a century. Debswana, the public-private partnership, continues to support the country's remarkable growth and development through its world class diamond reserves.

Botswana 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	–	–	–	–	–	–	–
Payments to government – non-controlled operations	472.9	362.2	0.2	39.6	874.9	113.5	988.4
Total payments to government	472.9	362.2	0.2	39.6	874.9	113.5	988.4
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	91.0	485.0	81%	78.0	1.0	655.0	1,643.4

Operations (* non-controlled)
Jwaneng*, Orapa*

NUMBER OF EMPLOYEES

1,557

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE BOTSWANA ECONOMY IN 2016

\$1,643m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2014–2016⁽¹⁾

\$2,968m

JOBS SUPPORTED THROUGH ENTERPRISE DEVELOPMENT FOR THE PERIOD 2008–2016

2,041

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

TAKING TOKAFALA FORWARD

Tokafala was launched in January 2014, a partnership between the Government of the Republic of Botswana, Anglo American, De Beers and Debswana. The programme aims to promote economic development by catalysing the growth of existing small and medium-sized companies in Botswana, through:

- Business mentoring and advisory support tailored to the specific needs of the enterprise.
- Helping clients evaluate their financing needs, building financial models and preparing applications.
- Market access support, helping enterprises establish linkages to potential buyers.

Since inception, the programme has supported over 260 businesses, growing revenues by an average of 39%⁽²⁾ and creating total revenue of 49.1 million Pula (US\$4.5 million). Overall, there continues to be a high success rate, with 36% of clients accessing new finance, with 11.8 million Pula (US\$1.1 million) accessed from commercial sources. These clients come from a diverse range of sectors, including, professional services, consumer goods, and industrial goods and services, to name just a few.

More broadly, the partnership between Botswana and De Beers to develop the country's diamond resources continues to play an important role in the country's transformation, and last year we celebrated the unique role diamonds have played in Botswana's development in its 50 years since independence.

⁽²⁾ Percentage revenue growth for 2016 based on 2014 and 2015 average revenue growth.



Nkata Seleka, founder of Sleek Foods, is supported by the Tokafala Programme. The company produces a range of self-developed condiments made from local produce.

BRAZIL

We have had a presence in Brazil for more than 40 years. Following the sale of our Niobium and Phosphates business in 2016, our Iron Ore Brazil and Nickel businesses continue to support development in our host communities.

Brazil 2016 – US\$ millions							
	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	28.6	22.9	2.6	63.1	117.2	186.3	303.5
Payments to government – non-controlled operations	–	–	–	–	–	–	–
Total payments to government	28.6	22.9	2.6	63.1	117.2	186.3	303.5
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	198.0	926.2	8%	129.0	9.9	1,263.1	1,566.6

Operations (* non-controlled)
Minas-Rio, Barro Alto, Codemin

NUMBER OF EMPLOYEES

3,486

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE BRAZIL ECONOMY IN 2016

\$1,567m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$1,873m

JOBS SUPPORTED THROUGH ENTERPRISE DEVELOPMENT FOR THE PERIOD 2008–2016

1,922

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

A summary of our tax contribution on a project-by-project basis can be found at: angloamerican.com/project-by-project-2016

HELPING FARMERS GROW

In Brazil, a number of socio-economic development initiatives are helping to maximise the benefits of our mining operations. Through our supplier development programme, Promova, we analyse supply chain demand dynamics and aim to build local capacity based on gaps in the market; while our two enterprise development programmes, Crescer and Avançar, support this work by focusing on farming and other strategic sectors. Together, they are helping local businesses grow sustainably, making a valuable contribution to their communities and beyond.

At Conceição do Mato Dentro, near our Minas-Rio iron ore operation, cheese producer Irenice de Fátima Mariano Bicalho (Nicina), has experienced the real benefit our activities can bring. Like many farmers in Brazil, Nicinha lives in a rural area with limited access to infrastructure or technology, and no mobile phone signal. When increased demand for her cheese came with the population growth resulting from Minas-Rio, she simply did not have the resources to meet it.

Through Crescer, however, Nicinha has learned how she can develop her business by incorporating new technologies, finance and innovation, and how to improve and expand her product offering without compromising quality. This support has helped increase production and she is now further investing in her business to meet even greater demand.

“To cope with the high demand, I’ve had to hire someone to help me with the production and I’ve also increased my cattle. I also bought a packaging

machine to vacuum pack the cheese and a machine specially to pack trays. The packaging maintains the quality and improves the shelf-life of the cheese meaning that I can sell it outside of my local area too,” says Nicinha.

“I want to continue increasing even more. I’m studying so that I can sell my cheese outside of Brazil. I’m already doing all that’s necessary to organise my production for exportation. As part of this I have to get a certification called Sisbi, and Anglo American through the Crescer initiative is helping me with that. I’m already in touch with other producers that export their cheese so we can swap experiences. And with the help that Anglo American is giving me, my cheese will hopefully soon be known outside Brazil,” she says.



With the support of the Crescer initiative, Nicinha is hoping that her cheese products will become known outside Brazil.

CANADA

Although De Beers' Snap Lake diamond mine was placed on extended care and maintenance in 2016, the opening of Gahcho Kué – the world's largest new diamond mine in the last 13 years – in September, builds on our strong presence in Canada.

Canada 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	–	15.8	6.7	14.2	36.7	36.3	73.0
Payments to government – non-controlled operations	–	–	–	–	–	–	–
Total payments to government	–	15.8	6.7	14.2	36.7	36.3	73.0
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	182.0	421.0	22%	70.0	4.9	677.9	750.9

Operations (* non-controlled)
Victor, Gahcho Kué

NUMBER OF EMPLOYEES

1,012

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE CANADA ECONOMY IN 2016

\$751 m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$317 m

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

CONTRIBUTING IN NEW COMMUNITIES

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 local First Nation communities 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.

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 is generating significant employment opportunities in one of Canada's most remote territories.

A summary of our tax contribution on a project-by-project basis can be found at: angloamerican.com/project-by-project-2016

CHILE

In Chile, our interests in two of the world's largest copper mines – Los Bronces and Collahuasi – are helping us create a global leadership position in this increasingly precious and versatile commodity.

Chile 2016 – US\$ millions							
	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	11.3	5.4	2.7	5.0	24.4	46.0	70.4
Payments to government – non-controlled operations	42.7	23.5	2.7	0.9	69.8	127.6	197.4
Total payments to government	54.0	28.9	5.4	5.9	94.2	173.6	267.8
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	453.0	1,307.9	3%	361.0	10.3	2,132.2	2,400.0

Operations (* non-controlled)
Los Bronces, Collahuasi*, El Soldado

The cash tax data above represents payments made to government in 2016 and excludes refunds received. During 2016, Anglo American made claims for accelerated tax depreciation in respect of the significant capital investment made over many years in Anglo American Sur assets, resulting in a tax refund due of \$424m. This claim has been audited and agreed by the Chilean Internal Revenue Service, with approximately 40% of the refund received during 2016 and the balance due in 2017.

NUMBER OF EMPLOYEES

4,354

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE CHILE ECONOMY IN 2016

\$2,400m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$3,321m

JOBS SUPPORTED THROUGH ENTERPRISE DEVELOPMENT FOR THE PERIOD 2008–2016

60,618

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

A DECADE OF DEVELOPMENT

In 2004, we conducted a socio-economic assessment of the communities near our operations in Chile. The results revealed high levels of poverty, often associated with a low level of local business development. In many cases, entrepreneurs simply did not meet the requirements to access the state or private funding available for such purposes. The assessment led Anglo American to include entrepreneurship as part of its long term, social development strategy.

The result was Emerge, an enterprise development programme – launched in 2006 – designed to guide and support entrepreneurs, with the aim of strengthening their businesses, improving their standard of living and at the same time creating a multiplier effect through the generation of long term employment in the region.

Emerge 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.

Level 1, or businesses with monthly sales of between Ch\$300,000 and Ch\$1 million (approx. US\$500 – US\$1,500), focuses on the development of a growth plan that is simple to execute to achieve a significant increase in sales. Level 2, those with sales of between Ch\$1 million and Ch\$5 million (approx. US\$1,500 – US\$7,500), aims to implement a structured five-year

growth plan that will generate gradual, sustainable growth. And Level 3, with sales of between Ch\$5 million and Ch\$30 million (approx. US\$7,500 – US\$45,000), is aimed at developing a plan to enable entrepreneurs seeking to become suppliers of large companies to close gaps that exist between their standards and those desired by potential clients. On average, the entrepreneurs who graduate from Emerge increase their sales by at least 50%.

A decade since its launch, Emerge has supported more than 59,000 SMEs and more than 60,500 jobs.



The three-tier approach of Emerge helps entrepreneurs to develop and achieve their maximum potential.

A summary of our tax contribution on a project-by-project basis can be found at: angloamerican.com/project-by-project-2016

COLOMBIA

Our joint venture coal mine, Cerrejón, represents our sole mining interest in Colombia. An integrated mining and transport complex, it includes an open-pit thermal coal mine, a 150 kilometre railway and a port.

Colombia 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	–	–	–	–	–	1.2	1.2
Payments to government – non-controlled operations	167.2	127.3	–	36.6	331.1	13.8	344.9
Total payments to government	167.2	127.3	–	36.6	331.1	15.0	346.1
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	–	713.5	2%	255.9	4.7	974.1	1,320.2

Operations (* non-controlled)
Cerrejón*

NUMBER OF EMPLOYEES

11,814

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE COLOMBIA ECONOMY IN 2016

\$1,320m

COLLABORATION IN CERREJÓN

Through our 33.3% interest in the Cerrejón coal operation we have the opportunity to support the economic and social development of our host communities in the La Guajira region, Colombia.

Cerrejón is independently operated, but is owned in equal parts by Anglo American, BHP, and Glencore. To improve the effectiveness of its programmes to support the sustainable development of the region Cerrejón created the Foundations System. Through this, the company promotes and supports projects that align with regional development objectives aimed at increasing alternative economic means in a region that is heavily dependent on the mining sector.

One project supported through the Foundations System in 2016 was an integrated basin management model, developed to preserve the water resources of the El Pasito, Majagüita, Bruno, Pupurema, and Paladines creeks. Broadly, the model fosters community participation in the conservation of natural resources and sustainable agricultural-livestock production, with the goal of preserving and recovering the micro-basins of La Guajira, thereby generating environmental, social, and economic benefits from these water resources.

The model has protected 2,442 hectares of riparian buffer zones and wooded areas under preliminary conservation agreements with families from communities in these basins, and has created eight community plant nurseries that grow native plants.

The project has raised the awareness of participating families in the importance of the stewardship and preservation of natural resources around water resources, community organisation, strengthening production systems, and water storage for domestic use. It has so far benefited more than 3,000 people from 17 communities.



The integrated basin management model in Cerrejón has benefited more than 3,000 people.

NAMIBIA

The relationship between the Government of the Republic of Namibia and De Beers continued to grow in 2016, with a new 10-year sales agreement and the launch of Debmarine Namibia's new diamond exploration and sampling vessel, the mv SS Nujoma.

Namibia 2016 – US\$ millions							
	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	–	–	–	–	–	–	–
Payments to government – non-controlled operations	109.5	74.1	–	32.8	216.4	111.8	328.2
Total payments to government	109.5	74.1	–	32.8	216.4	111.8	328.2
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	66.0	490.1	39%	50.0	3.0	609.1	937.3

Operations (* non-controlled)
Namdeb*, Debmarine*

NUMBER OF EMPLOYEES

1,308

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE NAMIBIA ECONOMY IN 2016

\$937m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$1,530m

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

A LONG TERM COMMITMENT

In 2016, the Government of the Republic of Namibia and De Beers signed a new 10-year sales agreement for the sorting, valuing and sales of Namdeb Holdings⁽²⁾ diamonds. The sales agreement is the longest ever signed between the two partners.

As a result of the agreement, Namibia will see a significant increase in rough diamonds made available for beneficiation, with US\$430 million⁽³⁾ of rough diamonds being offered annually to Namibia Diamond Trading Company (NDTC)⁽⁴⁾ customers. As part of the agreement, all Namdeb Holdings' Special Stones – typically, very large or unusual stones – will be made available for sale in Namibia.

In addition, the agreement provides for 15% of Namdeb Holdings' run-of-mine production per annum to be made available to a Government-owned independent sales company called Namib Desert Diamonds Pty Ltd.

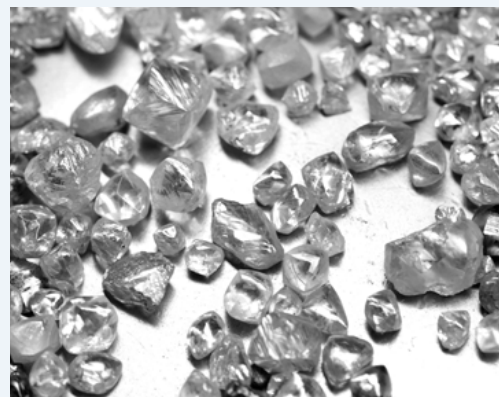
The agreement builds on the socio-economic contribution the partnership has made to Namibia since it was formally established in 1994. Namdeb Holdings is one of Namibia's largest taxpayers and the country's biggest foreign exchange generator, contributing more than one in every five Namibian dollars of foreign earnings.

This sales agreement not only secures long-term supply for De Beers, but also ensures that Namibia's diamonds will continue to play a key role in national socio-economic development long into the future.

⁽²⁾ Namdeb Holdings is a 50:50 joint venture between the Government of the Republic of Namibia and De Beers, and is the parent company for Namdeb (land) and Debmarine Namibia (marine) production

⁽³⁾ This figure is index-linked to price so that volumes do not decrease relative to any price increases

⁽⁴⁾ NDTC is a 50:50 joint venture between the Government of the Republic of Namibia and De Beers to sort and value production from Namdeb Holdings



The agreement will see a significant increase in rough diamonds made available for beneficiation.

PERU

Our 81.9% interest in the Quellaveco project continues to build our world class position in copper. During the development of the project we have successfully engaged with community members to ensure all stakeholders benefit throughout the life cycle of the proposed mine.

Peru 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	0.1	–	0.2	2.3	2.6	3.6	6.2
Payments to government – non-controlled operations	–	–	–	–	–	–	–
Total payments to government	0.1	–	0.2	2.3	2.6	3.6	6.2
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	111.0	139.5	16%	2.0	13.6	266.1	272.3

Operations (* non-controlled)
Quellaveco

NUMBER OF EMPLOYEES

151

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE PERU ECONOMY IN 2016

\$272m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$24m

JOBS SUPPORTED THROUGH ENTERPRISE DEVELOPMENT FOR THE PERIOD 2008–2016

1,066

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

A FUND FOR THE FUTURE

In Peru, our Quellaveco greenfield copper project has the potential to substantially increase Anglo American's production profile. The project has received political and community support following intensive work over the past few years, largely secured through sustained engagement and the Dialogue Table process – an 18-month-long series of discussions with 36 local and national institutions.

As a leading initiative to support the community in Moquegua, in 2011 Anglo American created the Quellaveco Fund to finance social projects that promote sustainable development and improve the quality of life of the local population.

The \$10 million trust fund is progressively disbursed through an annual bidding process involving a number of local, regional and even national non-profit organisations. In six years, the Fund has financed 22 projects, benefiting more than 25,000 people, including farmers, cattle farmers, textile artisans, students, and rural and urban families.

Through the strategic support and funding of these projects, approximately 1,000 agricultural farmers and cattle farmers have improved their incomes thanks to an increase in the sales of their products, and in many cases producers now supply the local, national and even international markets. This is the case for avocado producers from Moquegua valley, who since 2015 – with the support of the Fund – have started to export their product through intermediaries.

Approximately 50 tonnes of avocados have since been distributed to Chile, Europe and Asia.

Similar success has been achieved by grape producers from Omate, who were able to sell 5 tonnes of dried leaves to Germany to be used in the medical industry. This was previously a by-product which was discarded but is now a valuable means of generating additional income for the farmers.

This long term, sustainable approach to socio-economic development is set to continue as we further progress the Quellaveco project.



The Quellaveco fund has helped avocado farmers increase their sales reach by exporting to Chile, Europe and Asia.

A summary of our tax contribution on a project-by-project basis can be found at: angloamerican.com/project-by-project-2016

SINGAPORE

Our Marketing unit's dedicated sales and marketing hub in Singapore aims to optimise the value from our mineral resources and market positions, driving appropriate commercial decisions across the value chain, from mine to market.

Singapore 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	–	–	–	3.0	3.0	2.1	5.1
Payments to government – non-controlled operations	–	–	–	–	–	–	–
Total payments to government	–	–	–	3.0	3.0	2.1	5.1
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	–	547.5	2%	40.5	–	588.0	593.1

NUMBER OF EMPLOYEES

123

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE SINGAPORE ECONOMY IN 2016

\$593m

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

OUR PEOPLE MAKING A DIFFERENCE

In 2012, Anglo American opened its Singapore office to manage our export sales and marketing activities for the Asia Pacific region. The creation of this new team and working environment brought with it a number of challenges and opportunities and, five years on, the office is home not only to an integral part of our business but also a growing workforce that has embraced our approach to employee volunteering and skills sharing.

In 2014, the Singapore team set up the Corporate Social Responsibility Committee, with the ambition of promoting CSR within the office and to make a valuable contribution to the community in which they work. The Committee developed a clear structure around the work they wanted to do, initially aligned to Anglo American's Business Principles and our Social Way policy.

The scope of activities of the Committee include, office wide community days, ongoing giving programmes, integration of CSR into business operations and decision making, sharing of business skills with not for profit organisations and capacity development.

Each year a charitable partner to be supported is voted for by the Committee. In 2016 the organisation SPD (Serving People with Disabilities) was the recipient, and in 2017 it is Red Cross Home for the Disabled – a residential home for those with multiple disabilities. Along with these annual beneficiaries, the Singapore office supports a number of other initiatives that align with our broader socio-economic development objectives. Some of the more

memorable events have included dining in the dark with the visually impaired, soup kitchen volunteering, and food donation drives around the local festive periods of Diwali (Hindu Festival of Lights) and Chinese Lunar New Year.

Employees are encouraged to identify new opportunities as they continue to strive to make a real difference in the community.



Employee volunteering has been an important part of building the right culture in our Singapore office.

 A summary of our tax contribution on a project-by-project basis can be found at: angloamerican.com/project-by-project-2016

SOUTH AFRICA

This year, Anglo American celebrates its centenary. 100 years since the company was established in South Africa, the country still represents the most significant proportion of our asset portfolio. We are proud of the role we have played in the country's economy and continue to explore new ways to support development and deliver sustainable value.

South Africa 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	345.8	124.1	0.9	92.5	563.3	375.8	939.1
Payments to government – non-controlled operations	13.1	8.9	–	2.1	24.1	51.2	75.3
Total payments to government	358.9	133.0	0.9	94.6	587.4	427.0	1,014.4
	Capital investment	Total addressable procurement spend	Localised procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	705.0	3,404.1	33%	1,892.0	40.1	6,041.2	7,055.6

Operations (* non-controlled)

Voorspoed, Venetia, Amandelbult, Bokoni*, BRPM*, Kroondal*, Modikwa*, Mogalakwena, Mototolo*, Union, Sishen, Kolomela, Samancor Manganese*, Goedehoop, Greenside, Isibonelo, Kleinkopje, Kriel, Landau, Mafube*, New Denmark, New Vaal, Zibulo

NUMBER OF EMPLOYEES

61,196

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE SOUTH AFRICA ECONOMY IN 2016

\$7,056m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$6,762m

JOBS SUPPORTED THROUGH ENTERPRISE DEVELOPMENT FOR THE PERIOD 2008–2016

50,651

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

A summary of our tax contribution on a project-by-project basis can be found at: angloamerican.com/project-by-project-2016

A REGIONAL RESPONSE

In South Africa, we are taking a collaborative, regional development approach to our socio-economic development activities as we strive to deliver maximum benefit to our host communities.

In the Limpopo Province – where Anglo American has both diamond and platinum assets – the magnitude of the socio-economic issues requires action on a scale greater than any one mine can meaningfully begin to tackle. Faced with enormous challenges, including a large population with generally low literacy and skills levels, high rates of unemployment, shortage of quality housing and limited infrastructure, including sanitation and potable water, it became clear that if we were to really make a significant and sustainable difference in the province we needed to move from being a single actor to a regional partner.

As a result, we have embarked on work to catalyse collaboration and partnership on systemic, cross-sector, transformational sustainable development in the region.

The work began by developing 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.

With this data to draw from we are now continuing to build on the partnership platform approach, working with a number of constituencies to coordinate efforts around a clearly defined goal. 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.



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

UNITED KINGDOM

The UK is home to our global headquarters and our Marketing business unit's dedicated European sales and marketing hub.

United Kingdom 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	–	–	–	42.7	42.7	73.0	115.7
Payments to government – non-controlled operations	–	–	–	–	–	–	–
Total payments to government	–	–	–	42.7	42.7	73.0	115.7
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	–	308.1	–	229.0	–	537.1	652.8

NUMBER OF EMPLOYEES

603

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE UNITED KINGDOM ECONOMY IN 2016

\$653m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$1,158m

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

PROMOTING PGMs

Our dedicated global Marketing business, with sales and marketing hubs in London and Singapore, works across the value chain to create maximum value – from mine to customer. These activities are designed to contribute value to the Group in a number of ways and in addition stimulate sustainable demand for products through a structured market development programme.

In the case of our Platinum business we undertake a number of activities to promote existing markets and actively develop new and sustainable markets for Platinum Group Metals (PGMs). At the heart of this work sits the PGM Investment Programme. Together with various partners, we invest in a portfolio of activities ranging from research, product development and demonstration through to investments in early-stage businesses that use or enable the use of PGMs in the longer term.

This development work also includes investments in the Platinum Guild International (PGI) and the World Platinum Investment Council (WPIC).

New technologies and uses for PGMs exist and are often developed but not always commercialised. The PGM Investment Programme helps to ensure that the businesses and individuals attempting to commercialise these products are adequately supported through the allocation of capital, security of metal supply and a long term, value-adding partnership with the Platinum business. While the Programme's activities are delivered from London, its global remit helps to ensure the most attractive opportunities are identified.

The PGM Investment Programme offers early stage and/or growth capital to businesses that can demonstrate the commercial viability of their products and/or growth capital for the further expansion of their businesses.

The Programme aims to facilitate additional benefits in the form of reliability of PGM supply and long term pricing benefits as well as the opportunity to explore broader support from the Anglo American Group.

Anglo American Platinum seeks to partner with innovators in early stage commercialisation or growth across geographies and to invest directly in opportunities that are mutually beneficial. Example industries and target innovations include, but are not limited to, water treatment, electronics, recycling, electrochemical systems (e.g. fuel cell, value chain, flow batteries, electrolyzers etc.) and medical devices.



We are working with partners around the world to promote platinum fuel cell technology in a number of applications, including hydrogen fuelled vehicles.

ZIMBABWE

Unki platinum mine is located in the southern half of Zimbabwe's Great Dyke geological formation– widely recognised as the second largest resource of Platinum Group Metals in the world. We continue to work together with the Zimbabwean government on compliance with the Indigenisation and Economic Empowerment Act.

Zimbabwe 2016 – US\$ millions	Corporate income tax	Royalties and mining taxes	Other extractive payments	Other non-extractive payments borne	Total taxes borne	Total taxes collected	Total taxes
Payments to government – controlled operations	–	–	0.5	2.9	3.4	8.1	11.5
Payments to government – non-controlled operations	–	–	–	–	–	–	–
Total payments to government	–	–	0.5	2.9	3.4	8.1	11.5
	Capital investment	Total addressable procurement spend	Percentage of procurement from host communities	Wages and related	Corporate social investment	Total economic contribution	Total tax and economic contribution
Economic contribution	17.0	86.0	13%	38.0	0.1	141.1	152.6

Operations (* non-controlled)
Unki

NUMBER OF EMPLOYEES

1,089

TOTAL TAX & ECONOMIC CONTRIBUTION TO THE ZIMBABWE ECONOMY IN 2016

\$153m

TOTAL TAXES BORNE AND COLLECTED FOR THE PERIOD 2012–2016⁽¹⁾

\$79m

⁽¹⁾ As disclosed in the Anglo American Sustainability Reports.

HEALTH AT THE HEART OF OUR INVESTMENT

Our commitment to social development in Zimbabwe parallels our commitment in South Africa. The majority of our activity is centred around our sole operation in the country, Unki platinum mine.

In 2016, we spent US\$0.1 million on social investment initiatives, including sports, arts and culture, health and food security, and supporting vulnerable groups. This support reflects the work that has been carried out over a number of years, and the ongoing engagement with government and communities to identify the areas where Anglo American Platinum can offer the most valuable support.

In recent years, we have witnessed a strong focus on improving health facilities in the region, including the investment of more than \$1 million in the Gweru

Provincial Hospital, which saw the development of a new casualty department, a cervical cancer screening unit, and a modern laundry. The hospital caters for a population of more than 1.6 million in the Midlands Province. A number of smaller clinics within the Gweru area were also renovated, and there is currently ongoing work on the construction of another clinic in the region which is due for completion in 2017.

At a time when we face uncertainty on indigenisation in Zimbabwe, it is vital that we continue to maintain regular contact with government officials, ensure full legal and regulatory compliance in a changing environment, and invest in social development initiatives that will have a positive and lasting impact for our communities.



The renovated casualty department at the Gweru Provincial Hospital is capable of accommodating 40 patients at a time.

A summary of our tax contribution on a project-by-project basis can be found at: angloamerican.com/project-by-project-2016



Independent assurance statement by Deloitte LLP to Anglo American plc ("Anglo American") on the Payments to Governments submission in accordance with Chapter 10 of the EU Accounting Directive and on other taxes borne and collected.

What we looked at: scope of our work

Anglo American has engaged us to perform limited assurance procedures on the company's Group level compilation of Payments to Governments submission for the year ended 31 December 2016. The assured data appears in the Tax and Economic Contribution Report ("the Report") for the submission to the Companies House. Anglo American has prepared its submission as set out on page 31 of this Report.

For the year ended 31 December 2016 the assured indicators comprise of:

- Total Amount of Payments to Governments for the amount of \$748.2m
- Total Other taxes borne and collected for the amount of \$3,370.9m

What standards we used: basis of our work, criteria used and level of assurance

We carried out limited assurance on the selected key performance indicators in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). To achieve limited assurance ISAE 3000 (Revised) requires that we review the processes, systems and competencies used to compile the areas on which we provide assurance. This is designed to give a similar level of assurance to that obtained in the review of interim financial information. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls.

What we did: key assurance procedures

To form our conclusions, we undertook the following procedures:

- Interviewing management at Anglo American, and those with operational responsibility for performance of the assured indicators listed above;
- Reading and analysing public information relating to Anglo American and industry practices and performance during 2016;
- Understanding and analysing the key structures, systems, processes, procedures and controls relating to the collation, aggregation, validation and reporting of performance data being assured;
- Performing limited amount of testing to source data (such as tax returns and bank payments) to check accuracy, cut-off and occurrence of transactions; and
- Reviewing the content of the Payments to Governments and other taxes borne and collected report against the findings of our work and making recommendations for improvement where necessary.

What we found: our assurance conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the selected Payments to Governments indicators have not been prepared, in all material respects, in accordance with the applicable criteria for the year ended 31 December 2016.

Limitations

The process an organisation adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature can be subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organisations and from year to year within an organisation as methodologies develop. To support clarity in this process, Anglo American publish a Basis of Reporting, which defines the scope of each assured metric and the method of calculation. It should be read together with this report, which is available on page 31 of the report.

Our independence and competence in providing assurance to Anglo American

- We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* in their role as independent auditors, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the report.
- We have confirmed to Anglo American that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity.
- We have applied the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Roles and responsibilities

Anglo American:

- The Directors are responsible for the preparation of the Payments to Governments submission, and other taxes borne and collected statements within it. They are responsible for determining Anglo American's objectives in respect of Payments to Governments and other taxes borne and collected and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.
- Provisions of such explanations that we consider necessary to carry out our work, which may include written representations from Anglo American's senior executives.

Deloitte:

- Our responsibility is to express a conclusion on the assured indicators based on our procedures. We conducted our engagement in accordance with ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB), in order to state whether anything had come to our attention that causes us to believe that the assured indicators have not been prepared, in all material respects, in accordance with the applicable criteria.
- Our report will be made solely to Anglo American for the purpose of the Directors' governance and stewardship. Our work has been undertaken so that we might state to Anglo American those matters we are required to state to them in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Anglo American for our work, for this report, or for the conclusions we have formed.

Deloitte LLP

London

14 July 2017

BASIS OF REPORT PREPARATION

The purpose of this report is to provide an overview of the tax and economic contribution made by the Anglo American Group as well as further transparency on how tax is managed as part of the Group's overall commercial activities.

Unless otherwise stated, the tax data and economic contribution included in this report is based on the cash payments made by entities included in the consolidated accounts of Anglo American as at 31 December 2016. We have included 100% of the taxes and other payments to governments by these entities. The socio-economic contribution is based on the attributable proportion to Anglo American.

In general, tax data has been disclosed in US dollars in line with the Group's functional currency for consolidated accounting purposes. Where relevant, any tax payments have been translated from the applicable local currency to US dollars at the average exchange rate for the applicable period.

As the tax data has been prepared on a cash tax basis, the relevant figures differ to those included in the Group's financial statements prepared on an accruals basis. In general, the tax provision accrued for financial statements purposes represents the best estimate of taxes payable in respect of a period, as well as any adjustments to prior provisions. The cash tax data represents payments made to governments (refunds are excluded) in a specific calendar year, which may also be in respect of a different fiscal year for tax purposes.

Payments to governments – UK Reports on Payments to Governments Regulations/EU Accounting Directive

The total payments made to government in 2016 of \$4,119.1 million (of which \$748.2 million relate to EU Accounting Directive payments) are made up of the following items:

- Corporation tax in relation to extractive activity \$1,252.6 million (of which \$385.3 million relate to EU Accounting Directive payments);
- Royalties and mining taxes in relation to extractive activity \$1,020.3 million (of which \$348.4 million relate to EU Accounting Directive payments);
- Other extractive payments \$19.0 million (of which \$14.5 million relate to EU Accounting Directive payments);
- Other non-extractive payments borne \$466.2 million; and
- Taxes collected \$1,361 million

Details of the types of taxes included in the above can be found in the glossary.

Since 1 January 2015, Anglo American has been subject to the project-by-project reporting requirements of the UK Reports on Payments to Government Regulations

(SI 2014/3209) and Chapter 10 of the EU Accounting Directive (2013/34/EU). These rules require that the Group prepares and submits to Companies House, the UK registrar of companies, a full analysis of tax and certain other payments made to governments in respect of extractive projects on a project-by-project basis.

Anglo American's second report under this regime was made in a specified format to Companies House on 30 June 2017 in respect of the year ended 31 December 2016. Further disclosures will be included on the Group website which complement our disclosure to Companies House.

There are limitations in the scope of the Payments to Governments Regulations (for example, it focuses just on the Group's extractive activities, excludes consumption and certain other taxes, and it is limited in application to jointly owned entities etc). In order to provide a better explanation of the Group's economic contribution, we have voluntarily extended these principles in our report.

Specific differences are as follows:

- Not all categories of taxes borne by Anglo American are included within the EU Accounting Directive data, in particular indirect taxes, employer payroll taxes and transaction taxes. These taxes are included as other non-extractive taxes borne in the country highlights pages.
- The EU Accounting Directive data does not include broader taxes collected by Anglo American arising from our economic activity including employee payroll taxes. These taxes are included with tax collected in the country highlights pages.
- Only taxes paid by our upstream extractive operations are included within the EU Accounting Directive data and therefore any additional taxes arising from other business activities are not included. The payments are included as either other non-extractive payments borne or taxes collected in the country highlights pages depending on the type of payment.
- The UK/EU regime applies only to entities that are controlled by Anglo American. We have included data in respect of the Group's most significant joint ventures, including those where no single shareholder exercises control (such as Cerrejón in Colombia). The total payments made by non-controlled joint ventures are shown separately on the country highlights pages.

GLOSSARY OF KEY TERMS

Term	Definition
Capital investment	Capital investment is defined as cash expenditure on property, plant and equipment including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.
Cash tax	The amount of tax actually paid or received by an entity in the relevant period as opposed to an accrual for accounting purposes.
Controlled	For the purpose of this report, control is achieved where Anglo American's effective holding is greater than 50 percent.
Corporate income tax	Payments in respect of tax determined by reference to the taxable profits of an entity or group of entities.
Corporate social investment	Refers to all social investment spend that is not related to impact management, either from allocated budgets or established Foundations.
Employment tax	Payments to government arising from payment of remuneration to employees including wages, salaries and bonuses.
Enterprise Development	Enterprise development provides small and medium size enterprises, both within and outside Anglo American supply chains, with business advisory, mentoring support and access to finance and to markets. For the purposes of this report we have shown only those jobs supported that are part of official and comparable Anglo American programmes.
Other extractive payments	Taxes or other payments to government relating to environmental policy and licensing requirements, including carbon taxes, landfill taxes, aggregate taxes, permits and other entry fees and considerations, etc.
Indirect tax	Payments to government arising from the sale of products or services including Sales Taxes, Valued Added Tax (VAT) and Goods and Services Tax (GST).
Local procurement	Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the Business Unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A- Profiling the Local Area.

GLOSSARY OF KEY TERMS continued

Term	Definition
Payments for infrastructure improvements	Payments for the construction of infrastructure other than in circumstances where the infrastructure is expected to be primarily dedicated to operational activities throughout its useful life.
Key operating jurisdiction	A jurisdiction in which Anglo American has extractive operations.
Other non-extractive taxes borne	Payments made that are not in relation to extractive activity. These include, but are not limited to corporation tax and payroll taxes borne.
Project	Consistent with the EU Accounting Directive, a project is defined as the operational activities that are governed by a single contract, licence, lease, concession or similar legal agreements and form the basis for payment liabilities with a government. If multiple such agreements are 'substantially interconnected' they may be considered a project. For these purposes 'substantially interconnected' means forming a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities.
Royalties & mining taxes	Payments to governments in relation to revenue, production or profit generated under licence agreements. These payments can be presented as expenses, or income tax, in the Consolidated Income Statement in the Anglo American Annual Report.
Taxes borne	Payments in respect of taxes directly incurred by Anglo American as a result of its economic activity.
Taxes collected	Payments in respect of taxes by Anglo American which are incurred by other parties (e.g. customers or employees) which directly arise from the economic activity of the Group. Where a company is accounted in the Group's Annual Report as an associate, taxes collected are included where available at the time of publication.
Taxes paid	Payments in respect of taxes by Anglo American including both taxes borne and taxes collected.
Total addressable procurement	Refers to addressable spend only (excludes public sector spend) and includes all Supply Chain related spend from third party suppliers. It includes Opex- and Capex- related transactions and inter-business unit procurement.
Wages and related	Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

Anglo American plc

20 Carlton House Terrace
London
SW1Y 5AN
England

Tel +44 (0)20 7968 8888

Fax +44 (0)20 7968 8500

Registered number 3564138

www.angloamerican.com

Find us on Facebook

Follow us on Twitter