



**UNLOCKING
OUR FULL
POTENTIAL
DISCIPLINED
GROWTH FOR
A SUSTAINABLE
FUTURE**

This report demonstrates the enduring nature of our economic contribution to society and our commitment to the countries in which we operate.

We hope that in making this information available every year, we enhance the understanding of our contribution and continue to reinforce the trust that we seek to build between our business and our community and other stakeholders.

Our approach to tax is based on the three key pillars of:

- Responsibility;
- Compliance; and
- Transparency.

Our tax strategy is aligned with Anglo American's Code of Conduct, long-term business strategy, and Purpose to re-imagine mining to improve people's lives.

Details of our tax strategy, and how we implement it, are published on our website: www.angloamerican.com/tax-strategy

Building trust through transparency

This is our fifth dedicated annual Tax and Economic Contribution report and we have twice won the PwC Building Public Trust Award for tax reporting.

Our aim is to be a trusted corporate leader and more specifically, a leader in transparency, reflected in our going beyond the requirements of mandatory transparency initiatives, by also actively:

- Complying with the voluntary Tax Transparency Code in Australia;
- Supporting the Extractive Industries Transparency Initiative, both directly and as part of the International Council on Mining and Metals; and
- Endorsing the Responsible Tax Principles set by the B Team (a not-for-profit initiative which aims to catalyse a better way of doing business, for the wellbeing of people and the planet).

On joining the B Team, I publicly acknowledged that:

“Having clear principles which all can look at to set expectations, helps everyone to make decisions about tax behaviour.”

Alan MacPherson, Global Head of Tax

Forward-looking statements

This document includes forward-looking statements. For information regarding forward-looking statements please refer to the inside back cover (IBC) of this document.

Other sources of information

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

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UNLOCKING OUR FULL POTENTIAL DISCIPLINED GROWTH FOR A SUSTAINABLE FUTURE



“As part of our Sustainable Mining Plan, we advocate for the highest standards of governance to drive transparency and trust in mining and mined products.”

Mark Cutifani, Chief Executive

In 2018, Anglo American's business activities resulted in a total tax and economic contribution of \$25.6 billion to the countries in which we operate. Of this, tax payments to governments by the Group's consolidated operations and joint operations amounted to \$6.9 billion. This represents our direct fiscal contribution to both local communities and local and national governments.

Anglo American is a resilient and highly competitive business with a clear asset-led strategy. What's more, our world class portfolio benefits from considerable organic growth options, particularly in those products that will supply a cleaner, more electrified world and that satisfy the consumer-led demands of a fast growing global middle class.

Our focus is on unlocking the very significant additional potential that we see within the business – from further productivity improvements, volume growth from existing and new operations, and the deployment of FutureSmart Mining™ technologies – and to do so safely and responsibly, maintaining strict capital discipline and creating a sustainable business in every sense.

In 2018, we continued to deliver improvements on a consistent basis, with a further 4% increase in underlying EBITDA to \$9.2 billion. Our commitment to disciplined capital allocation has helped strengthen our balance sheet by more than \$10 billion over three years, with net debt reduced to \$2.8 billion at the end of 2018.

This strong financial result derives from our continued productivity improvements in the underlying operations and better than expected prices for many of our products.

Our focus on efficiency and productivity, including through our Operating Model implementation, is continuing to deliver benefits – in terms of both safety and financial returns. In 2018, we produced 10% more product on a copper equivalent basis from half the number of assets we had in 2012. As a result, our productivity per employee has doubled, supporting a 12 percentage point increase in mining margin to 42% and placing us amongst the leaders in the industry. Over that six-year period, we have delivered \$4.6 billion of annual underlying EBITDA improvement in terms of costs and volumes, including \$0.4 billion in 2018.

FutureSmart Mining™ is our innovation-led pathway to sustainable mining and includes our far-reaching approach to sustainability, launched in 2018. Aligned to the UN's Sustainable Development Goals, we have set out a series of ambitious 2030 goals and interim targets that relate to three major areas of sustainability: trusted corporate leader, i.e. advocating for the highest standards of governance to drive transparency and trust in mining and mined products; healthy environment; and thriving communities.

Closely aligned with Anglo American's Purpose of re-imagining mining to improve people's lives, and our longstanding reputation as a leader in sustainable mining, our focus is to continue to enhance the quality and cash flow generation of our business through the disciplined allocation of capital, while staying attuned to the demands and expectations of our changing world, so that we grow our business safely, sustainably and responsibly, for the benefit of all.

It is in this context that we release our fifth dedicated annual Tax and Economic Contribution Report.

This report demonstrates the enduring nature of our economic contribution to society and our commitment to the countries in which we operate. It also supports our aim of being a trusted corporate leader and, more specifically, a leader in transparency – going beyond the requirements of the transparency initiatives to which we adhere.

We are proud of our open and transparent approach to tax reporting. In addition to our mandatory obligations, and further voluntary compliance in initiatives such as the Tax Transparency Code in Australia, we have joined the B Team, and been active participants in discussions on how best to continue the journey for clear, transparent tax reporting with meaningful information. We set out on pages 6-7 our Tax Strategy, and the three pillars on which we base our Approach to Tax give further details.

Mark Cutifani
Chief Executive

TOTAL TAX AND ECONOMIC CONTRIBUTION AT A GLANCE

Anglo American is a leading global mining company with a world class portfolio of mining and processing operations and undeveloped resources. We provide the metals and minerals to meet the growing consumer driven demands of the world's developed and maturing economies. And we do so in a way that not only generates sustainable returns for our shareholders, but that also strives to make a real and lasting positive contribution to society.

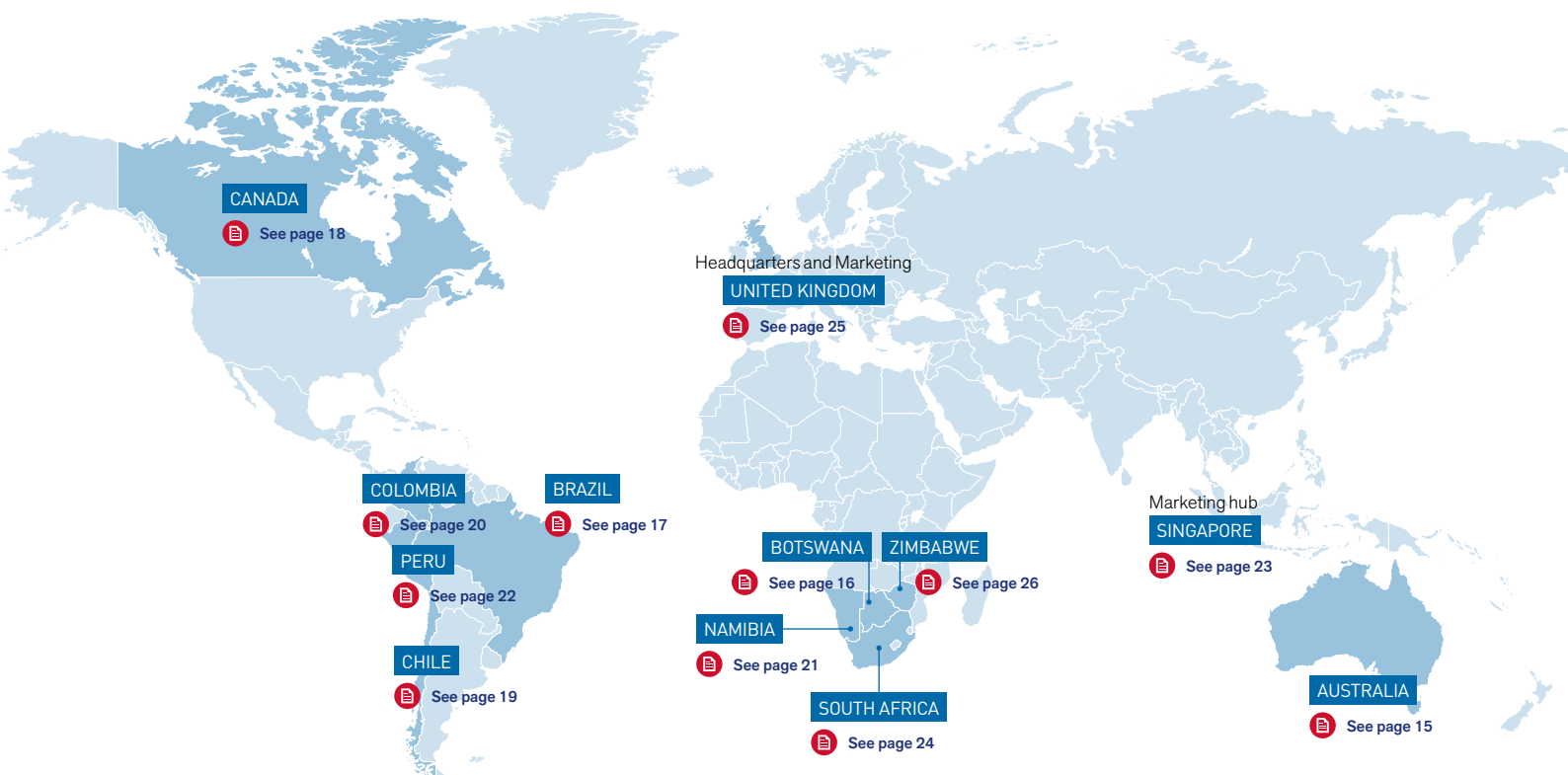
GEOGRAPHIC OVERVIEW



GLOBAL ASSETS⁽¹⁾

	Assets
Australia	5 1
Botswana	2
Brazil	2 1
Canada	2
Chile	3
Colombia	1
Namibia	2
Peru	1
South Africa	1 2 5 6 1
Zimbabwe	1

- Diamonds
- Copper
- Platinum
- Iron Ore
- Coal
- Nickel and Manganese



⁽¹⁾ Operating mining assets/major projects under development at 31 December 2018.

 NUMBER OF EMPLOYEES ⁽²⁾		 TOTAL TAX AND ECONOMIC CONTRIBUTION		 TAXES BORNE ⁽³⁾	
		\$m		\$m	
Australia	1,706	Australia	5,452.3	Australia	1,980.6
Botswana	1,524	Botswana	1,734.7	Botswana	781.1
Brazil	3,417	Brazil	1,352.9	Brazil	84.2
Canada	857	Canada	610.3	Canada	30.5
Chile	4,293	Chile	2,809.1	Chile	681.2
Colombia	6,173	Colombia	2,116.7	Colombia	740.2
Namibia	1,429	Namibia	754.9	Namibia	310.3
Peru	211	Peru	719.8	Peru	3.5
Singapore	197	Singapore	710.1	Singapore	9.2
South Africa	46,575	South Africa	8,460.1	South Africa	996.9
United Kingdom	1,099	United Kingdom	617.7	United Kingdom	61.5
Zimbabwe	1,128	Zimbabwe	104.7	Zimbabwe	8.0
Other	1,593	Other	199.1	Other	24.2
	70,202		25,642.4		5,711.4

BREAKDOWN OF GLOBAL TAXES BORNE AND COLLECTED

TOTAL TAXES BORNE AND COLLECTED	Payments by Anglo American in respect of taxes either directly incurred or paid on behalf of other parties as a result of the Group's economic activity.	\$6,899.5 million
CORPORATE INCOME TAX	Payments to governments based on taxable profits under legislated income tax rules. This also includes payments made to revenue authorities in respect of disputed claims and withholding taxes on dividends, interest and royalties.	\$3,325.0 million
ROYALTIES AND MINING TAXES	Payments to governments in relation to both revenue or production generated under licence agreements and royalty related income taxes. This also includes payments to revenue authorities in respect of disputed claims.	\$1,857.1 million
OTHER PAYMENTS BORNE	Taxes or other payments to governments relating to environmental policy and licensing requirements, including carbon taxes, landfill taxes, aggregate taxes, permits and other entry fees and considerations, as well as non-extractive taxes borne such as employer payroll taxes etc.	\$529.3 million
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 Integrated Annual Report as an associate, taxes collected are included where available at the time of publication.	\$1,188.1 million

⁽²⁾ Average number of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

⁽³⁾ Based on 100% of the tax payments of each operation regardless of the exact percentage of ownership by Anglo American.

OUR BUSINESS MODEL

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

GROUP INPUTS

Financial

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

Know-how

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

Other natural resources

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

Relationships with our stakeholders

Open and honest engagement with our stakeholders is critical in gaining and maintaining our social and regulatory 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 organic 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.

WORLD CLASS ASSET PORTFOLIO

Quality

The high quality and long life of our mineral assets from which we will deliver attractive and sustainable shareholder returns.

HOW WE CREATE SHARED VALUE

MATERIALITY AND RISK

Identifying and understanding our material matters and risks is critical in the development and delivery of our strategy.

 For our Material matters See pages 16-17 of the Anglo American plc Integrated Annual Report 2018

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.

GOVERNANCE

Our governance controls ensure we respond effectively to those matters that have the potential to cause financial, operational and reputational harm to our business, while acting ethically and with integrity for the benefit of all our stakeholders.

 For our Governance Report See pages 72-126 of the Anglo American plc Integrated Annual Report 2018

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.

OUR PEOPLE-CENTRIC VALUE CHAIN

We will invest in those points in the value chain that provide us with the best return on our investment.



OUR INNOVATIVE CORE PROCESSES

Discovery

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

Technology Model

Our strengthened in-house technology and digital capability provide 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

Our expertise and robust model for developing capital projects is designed to deliver projects safely, on time and on budget.

OPERATING BUSINESS INPUTS

Financial

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

Know-how

Our businesses work closely with our Technical function and Marketing business to apply innovative mining methods and technologies to realise even greater value from our resource base, and optimise

mine production plans to ensure we provide products to our customers around the world, meeting their specific technical and logistical requirements.

Other natural resources

It is critical that our businesses manage all the natural resources used in their processes responsibly, given the finite nature of 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 near-asset 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.

Value creation

Active portfolio management to continuously improve asset quality and competitive position.

Growth

A sequenced range of resource development options provides a number of high return, quick payback growth opportunities to further enhance the asset base.

Our Organisation Model ensures we have the right people in the right roles doing the right value-adding work. 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.



Across every aspect of our business, we are thinking innovatively about how we work to ensure the safety of our people, enhance our sustainability performance, and deliver industry-leading margins and returns.

Marketing

The value from our 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

The corporate centre drives the sustainability agenda and offers expert advice, and hands-on support, to operations facing complex sustainability challenges, while ensuring our sustainable mining approach is embedded in all business and operating practices.

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 and seabed, generation of mineral residue, use of fresh water and energy, as well as atmospheric emissions and water discharges. We strive to minimise our footprint through our innovative technologies that are designed to support our approach to sustainable mining.

GROUP PRODUCTION GROWTH⁽¹⁾**6%**

Increase over 2017

TOTAL WATER WITHDRAWALS**227 Mm³****ATTRIBUTABLE FREE CASH FLOW****\$3.2 billion****CO₂ EQUIVALENT EMISSIONS****16.0 Mt****STAKEHOLDER VALUE**

As we strive to deliver attractive and sustainable returns to our shareholders, we are acutely aware of the potential value creation we can offer to our diverse range of stakeholders. Through our business activities – employing people, paying taxes to governments and procuring from host communities – we make a significant and positive contribution to the countries where we operate. Beyond our direct mining activities, we create and sustain jobs, build infrastructure, support education and help improve healthcare for employees and local communities. By re-imagining mining, we are improving people's lives.

INVESTORS**\$1.3 billion**

Total dividends paid and proposed

SUPPLIERS**\$2.1 billion**

Local procurement expenditure

GOVERNMENT**\$6.9 billion**Taxes borne and collected⁽²⁾**LOCAL COMMUNITIES****125,095**

Jobs created and maintained through enterprise development programmes since 2008

EMPLOYEES**\$3.5 billion**Wages and benefits paid⁽³⁾**HOW WE MEASURE THE VALUE WE CREATE**

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



For our KPIs
See pages 48-49 of the Anglo American plc
Annual Report 2018

⁽¹⁾ Pro forma growth in copper equivalent production, excluding disposals and the impact of the stoppage at Minas-Rio.

⁽²⁾ Based on 100% of the tax payments of each operation regardless of the exact percentage of ownership by Anglo American.

⁽³⁾ Includes social security costs of \$163 million borne by the Group.

OUR APPROACH TO TAX

APPROACH TO TAX

We take a responsible approach to the management of taxes, supporting the principles of transparency, and active and constructive engagement with our stakeholders to deliver long-term sustainable value, actively pursuing the mitigation of tax risks through a system of proper and effective controls.

Being able to demonstrate our Commitment to sustainable tax principles, such as revenue transparency and responsible tax practices, is critical for building trust and in supporting our social licence to operate.

There are three key pillars to our approach to tax, namely: responsibility; compliance; and transparency.

OUR STRATEGY

1

Responsibility

Our publicly available tax strategy is aligned with Anglo American's Code of Conduct, long-term business strategy and our Purpose of re-imagining mining to improve people's lives.

Specifically, we act responsibly in relation to tax planning matters, do not take an aggressive approach and do not use 'tax haven' jurisdictions to manage taxes.

Consistent with this aspect of our approach, Anglo American has signed up to the B Team Responsible Tax Principles.

2

Compliance

We have a global team of professionals who manage the Group's tax affairs in line with the Group's tax strategy. We act responsibly in relation to all tax compliance matters, respecting the laws of each country in which we operate.

3

Transparency

We see the benefit of broad engagement and openness, both for our business and our stakeholders, including:

Communities: increased transparency can empower communities by helping them to understand how much income is generated from the mining activities in their regions. It is equally important to show our contribution in more challenging economic times, as well as when product prices are more buoyant.

Tax authorities: Our tax professionals strive to maintain a long-term, open and constructive relationship with tax authorities, as supported by the OECD's co-operative compliance principles and framework.

Others: 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. Accordingly, in 2018, the Anglo American Group Head of Tax chaired the tax working group of the ICMM.

OUR VALUES

We are committed to six values which guide how we conduct ourselves. We are creating an organisation where all people are treated in such a way that they bring the

best of who they are to work. Our values and the way in which we, as individuals, are expected to behave are the foundation of our Code of Conduct.

AS SET OUT IN OUR TAX STRATEGY

- We conduct intragroup transactions on an arm's length basis and comply with obligations under transfer pricing rules in the jurisdictions where we operate and global principles
- Our guiding principle is to allocate value by reference to where it is created and managed
- We only undertake transactions that we are prepared to fully disclose and are based on strong underlying commercial motivation, and which are not (or appear to be) artificial or contrived.

 Further detail can be found in our published Tax Strategy on our website www.angloamerican.com/tax-strategy

Anglo American Tax Control Framework

As we focus on continuous improvement and work towards the most effective control system, while seeking process stability and efficiency, Anglo American is formalising and documenting its Tax Control Framework ('TCF') and reviewing its features according to standards set by the OECD and best practice.

The TCF is instrumental to our goal of reducing tax risk through the implementation of stable, effective and documented control systems, and it enables the management of tax risk in the Group's broader risk governance systems. We believe the TCF will help facilitate transparent and co-operative relations with the tax authorities, at least in countries where co-operative compliance-like systems are enacted or in place.

Anglo American's TCF pillars are:

- Clarity over accountabilities for tax
- Identification of key risks across the end-to-end process
- Prescriptions of documented and effective controls to mitigate such risks
- Set-up of a solid governance and monitoring process.

We expect to complete the work on TCF by 2021 for the Group's main tax jurisdictions.

TAX FACTORS AFFECTING THE MINING INDUSTRY

Mining is a long-term business and therefore fiscal factors, as well as political and economic factors, impact investment decisions and long-term operational strategies.

Jurisdictions with the following tax characteristics assist in the development of strong longer-term relationships with tax payers:

Tax policy and administration

- Tax regimes which are stable and with predictable rules, introduced prospectively, with stakeholder consultation
- Tax legislation that follows internationally agreed principles and therefore fosters certainty
- Tax administration procedures which give reliability over acceptable reimbursements and timing of any due refunds.

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.



Safety



Care and respect



Accountability



Collaboration



Integrity



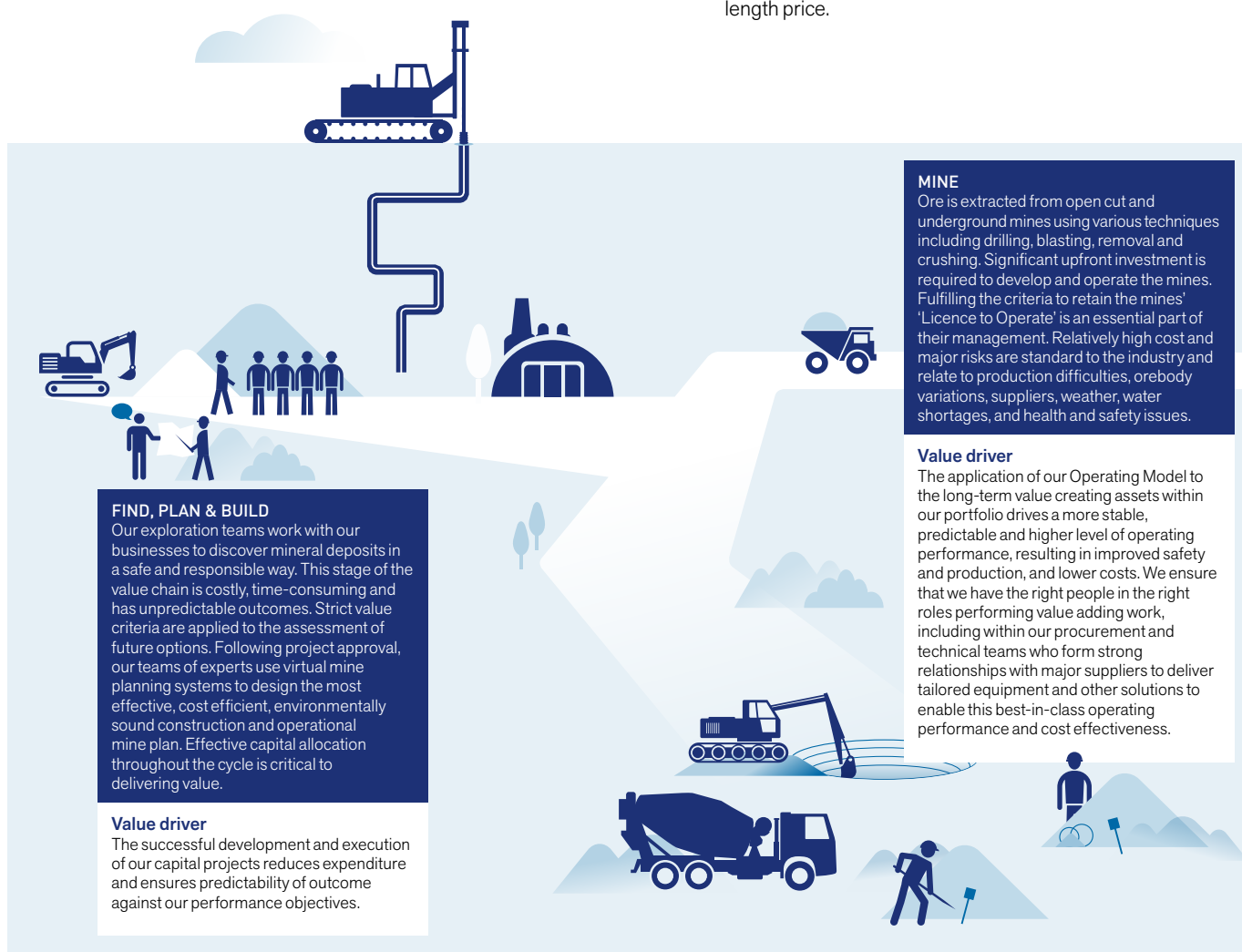
Innovation

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

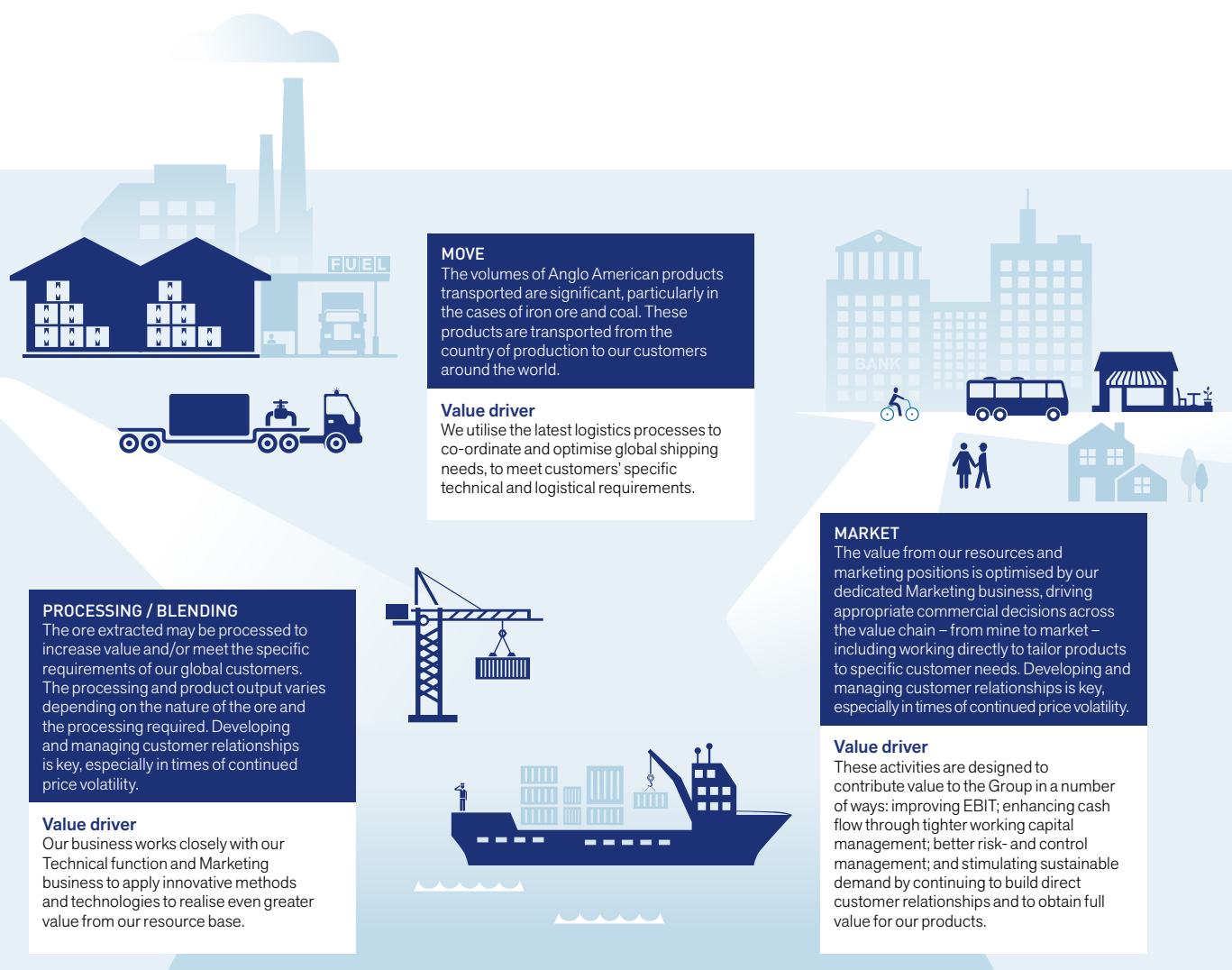
Throughout our value chain activities, we conduct other material transactions between companies in the Anglo American Group. These transactions are disclosed to tax authorities through the submission of our tax returns and are performed at an arm's length price.

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 also provide access to an established reinsurance market.

FINANCING

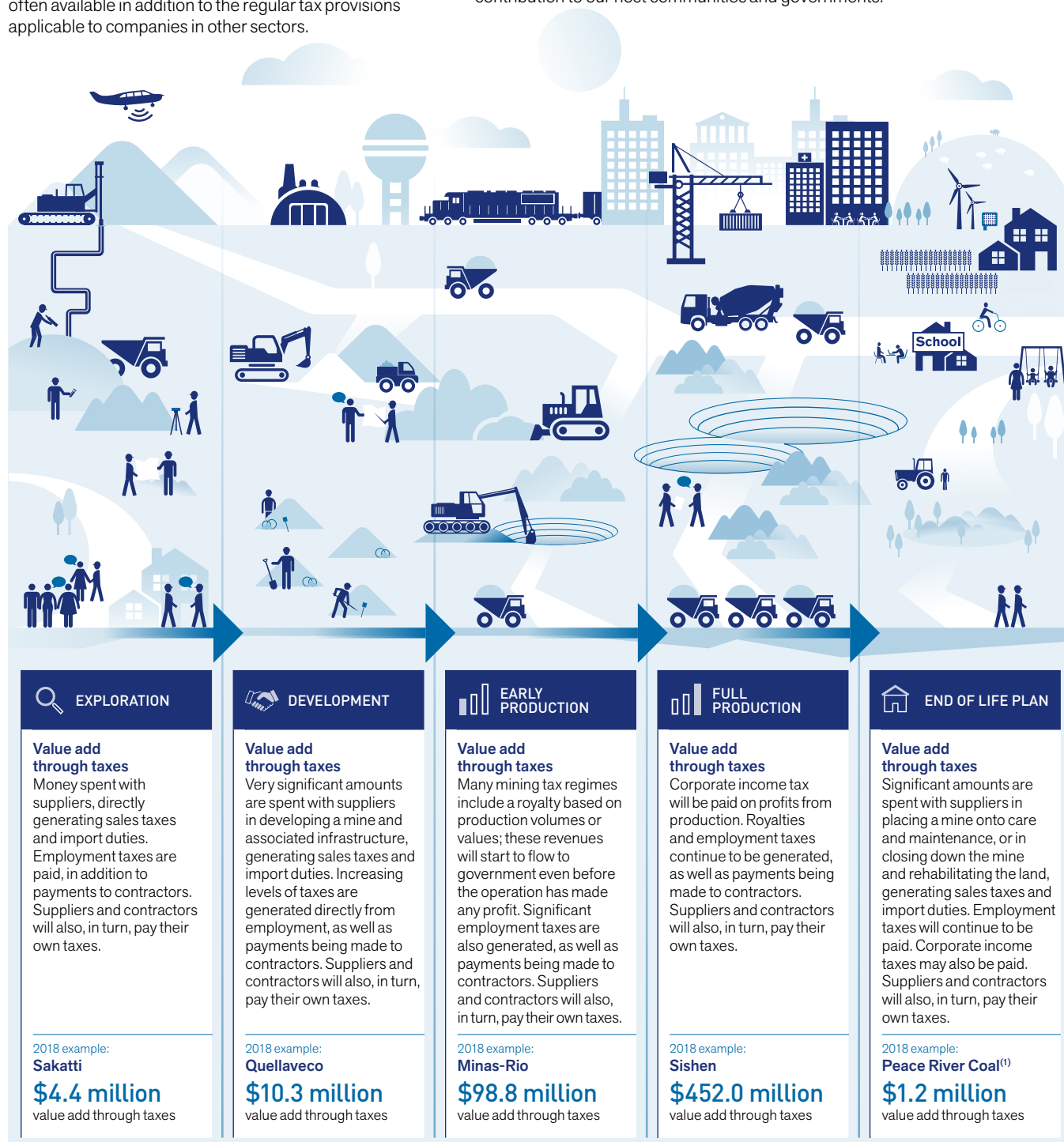
Funding for the Group comes from a range of external sources and instruments. Anglo American plc, the parent company of the Group, manages the overall funding and investment strategy, while the internal allocation of funding comes from UK Group finance company Anglo American Capital plc.

TAX CONTRIBUTION THROUGH THE LIFE CYCLE OF A MINE

We contribute, value add, through the collection and payment of 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 through the payment of 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

SOCIO-ECONOMIC DEVELOPMENT

FutureSmart Mining™ is Anglo American's innovation-led pathway to sustainable mining and is the blueprint for the future of our business. It is a new way of thinking that will transform the nature of mining – how we discover, mine, process, move and market our products – and how our stakeholders experience our business. It is about our environmental and societal footprint.

SUSTAINABLE MINING PLAN

Anglo American's Sustainable Mining Plan sets out a transformational challenge to our business.

Our sustainability approach is the result of rigorous and far-reaching consultation. Developed through extensive internal and external engagement and analysis of critical opportunities and risks, we are aligned with the UN's Sustainable Development Goals (SDGs).

By using spatial planning and analysis and working with partners and stakeholders in each region, we will identify and deliver long-term development projects that benefit the communities where we operate and leave a positive legacy long after mine closure. We want to transform the way our stakeholders – from communities to customers and employees – experience our business.

HOLISTIC, INTEGRATED AND FLEXIBLE APPROACH TO SUSTAINABILITY

The combination of complex challenges to solve with a wide variance of contexts for our operations mandates a regionally-appropriate approach. Site by site, we will tackle the areas where we can most contribute, build on the critical foundations and incorporate *Collaborative Regional Development* (CRD) plans that make our contribution regionally relevant. Meeting the targets we have set ourselves will require a step change in the way we do business: the adoption of new technology; more efficient and integrated processes and a revised social contract with our stakeholders. We are mobilising our people and resources to deliver them by 2030.

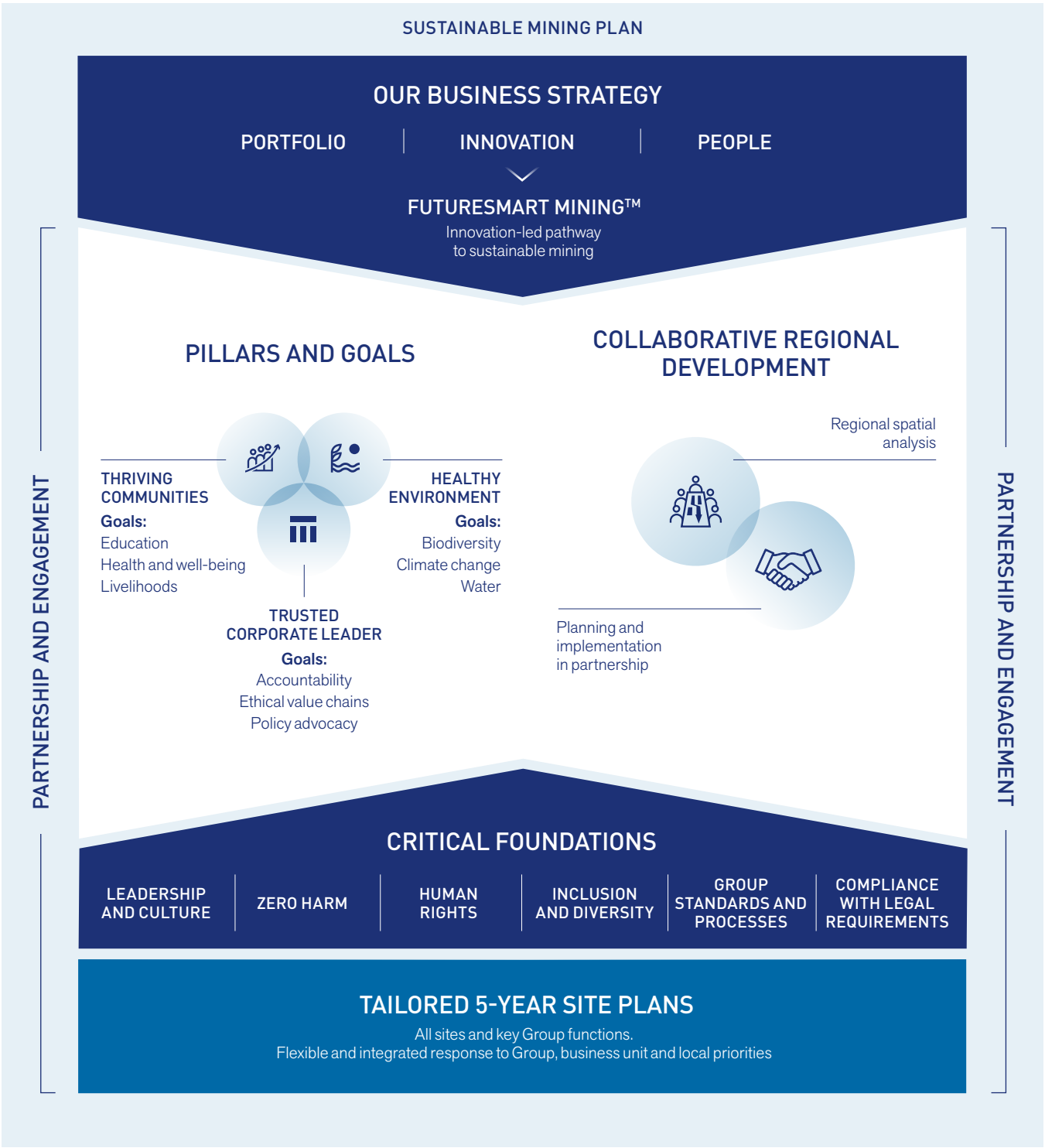
2018 – A FOUNDATION YEAR

In 2018, we established a Sustainability Integration Team to support the implementation of our Sustainable Mining Plan across the Group. To kick-start their work, they brought together leaders from across the business in our first Sustainability Sprint, a multi-disciplinary workshop to ensure that we understood and mapped how the different aspects of the strategy are interlinked.

Although still in its first year, we have made progress in each of our key sustainability areas. Our annual results can be found in the material matters section the Anglo American Sustainability Report 2018.



For more information visit
www.angloamerican.com/sustainable-mining



COLLABORATIVE REGIONAL DEVELOPMENT

At the core of our plans to bring long-term and sustainable development opportunities to the areas around our operations is what we call *Collaborative Regional Development* (CRD). This approach recognises the limitations of companies acting in isolation to promote development in host communities, and the potential for collaboration to achieve more on a much larger scale.

The establishment of inclusive cross-sectoral partnerships provides the backbone to facilitate the process. Our approach starts by identifying, through spatial analysis and planning, socio-economic development opportunities with the greatest potential in a region. This provides a vision of what the future can bring and creates the catalyst for forging partnerships with a broad range of stakeholders – including host-community representatives, faith-based groups, businesses and entrepreneurs, government, academics and NGOs – to plan, finance and deliver those opportunities. It is about developing and realising a shared vision that supports national, regional and local planning processes and is aligned with the UN Sustainable Development Goals (SDGs).

SOCIO-ECONOMIC DEVELOPMENT AROUND OUR OPERATIONS

At a local level, our socio-economic development (SED) approach focuses on leveraging core business activities, improving the productivity of local economies and public institutions, and delivering benefits through partnerships. The aim is to support sustainable job creation, existing jobs and effective public-service delivery so that economies can grow, diversify and deliver opportunities even after mine closure. Our strategy recognises the importance of implementing programmes that build on existing successful initiatives and strengthen the capacity of local institutions, as opposed to isolated projects.

By adhering to our Social Way requirements on SED, our sites are guided in identifying priorities and target interventions that have the greatest impact.

We implement a robust assessment methodology tool to measure our SED performance and inform the design of effective site-level strategies. All sites receive training on the SED diagnostic tool and input into their SED strategies.

Our progress and associated SED activities in South America and southern Africa, the principal areas for our development work, are reviewed on pages 69-73 of the Anglo American Sustainability Report 2018.

SUSTAINABILITY COMMITMENTS

By 2020, we will have completed all necessary baseline studies and will have strategies in place at every site to guide our progress towards achieving our milestones and targets. In our livelihoods stretch goal, targets include creating three jobs off-site for every job on-site by 2025, and five jobs off-site for every on-site job by 2030.

In our education stretch goal, we aim to have schools performing among the top 30% of state schools by 2025 and in the top 20% by 2030. All operations will implement measures to support education. Operations in large urban areas or in countries whose school systems score very highly in the Programme for International Student Assessment (PISA) rankings may propose alternative meaningful measures.

Further information on the health and well-being goals can be found on pages 28-32 of the Anglo American Sustainability Report 2018.

LOCAL AND INCLUSIVE PROCUREMENT

Our Group-wide Local Procurement Policy, supported by region-specific policies, provides a framework for operations to design and implement purchasing plans, which integrate marginalised and local supplier groups into the formal value chain. Examples of these regional initiatives include First Nation Impact and Benefit Agreements (Canada), promotion of Aboriginal procurement (Australia) and black economic empowerment (BEE) (South Africa).

This approach to local procurement has resulted in approximately 21% (2017: 23%) of our annual expenditure being directed towards these supplier groups, thereby providing a significant stimulation to the regional economies.

Local procurement⁽¹⁾

% of total addressable procurement expenditure by country

	\$'000	%	
Australia/Asia	116	5%	
Botswana	552	82%	
Brazil	101	12%	
Canada	80	24%	
Chile	34	3%	
Namibia	164	84%	
Peru	35	7%	
South Africa	1,047	25%	
Anglo American Total	2,129		

⁽¹⁾ Computational discrepancies may occur due to rounding.

Through the active promotion of local and inclusive procurement, we are driven to:

- Direct our expenditure, and that of large suppliers, towards boosting local economic development
- Procure from marginalised groups – including emerging suppliers, in the countries in which we operate
- Integrate host-community-based suppliers into our supply chains.

In 2018, operations spent approximately \$10.2 billion (2017: \$9 billion) with suppliers, which accounted for nearly 47% (2017: 48%) of our total economic value distribution. Our inclusive procurement expenditure was \$2.8 billion (2017: \$2.1 billion), representing 27% of total supplier expenditure (2017: 23%). The proportion spent with host-community-based suppliers in 2018 was approximately \$2.1 billion.

Supplier development

Our supplier development programmes aim to improve the efficiency, capability and productivity of small businesses, as well as develop a more robust and competitive supply chain for Anglo American through a demand-based approach. We work with our existing supplier base to unlock opportunities for host-community employment and skills development, and nurture supplier partnerships and joint ventures between our existing large suppliers and entrepreneurs.

We currently have programmes at our operations in Brazil, Chile, Peru and South Africa. When implementing them, the focus is on strengthening existing supplier capacity in our host communities and supporting industrial growth. This approach integrates supplier development more effectively with our enterprise development agenda.

At Minas-Rio, our leading supplier development programme, Promova, continues to strengthen its impact. Since its inception in 2012, Promova has worked with more than 140 companies to unlock \$87 million in local expenditure that accounted for a 16% increase in local GDP. Promova's approach involves a thorough analysis of supply chain demand dynamics and then builds local capacity based on gaps in the market.

Enterprise development

In parallel, with our supplier development initiatives, our enterprise development programmes (see table below) are designed to foster the potential of host-community-based entrepreneurs, providing business mentorship support, coupled with access to capital and markets. By focusing on developing capacity, we help to establish resilient host-community businesses outside the mining value chain that will not be dependent on support from Anglo American over the long-term. We work in partnership with local banks and other development institutions to deliver a co-funding model.

Anglo American enterprise development programmes				
Country	Name of the programme	SMEs supported (2008-2017)	Jobs supported (2008-2017)	Partners
South Africa	Zimele	3,610	56,828	National Treasury–Sebenza Fund, SEFA Mining Fund, TechnoServe
Chile	Emerge Chile	59,697	61,900	Aramak, Centro el Emprendedor de Colina, Cerámicas Santiago, Enaex, Finning, Fondo Esperanza, Inter-American Development Bank, Komatsu, Lo Barnechea Emprande, Polpaico, Pro Til Til, Report, TechnoServe
Brazil	Crescer and Avançar	610	2,246	Circuito Serra do Cipó, Coma Bem, Emater, IMA, Inter-American Development Bank, TechnoServe, Federal University of Jequitinhonha and Mucuri Valleys (UFVJM)
Botswana	Tokafala	497	1,634	De Beers, Debswana, Government of Botswana, TechnoServe
Peru	Emerge Peru	416	2,487	Chambers of Commerce of Moquegua and Ilo, Cite Agro Industrial, Inter-American Development Bank, Municipalities of Mariscal Nieto and Ilo, Regional Government of Moquegua, José Carlos Mariátegui University (UJCM), University of Moquegua (UNAM), TechnoServe
Total		64,830	125,095	

EDUCATION

We have made a substantial investment in education and skills development over many years. Education is an important feature of our sustainability approach as we seek to empower our communities, and support sustainable job creation and public-service delivery to ensure mine communities are able to thrive, even after mine closure. To further support building local economies, our education and youth workforce development programmes help provide young people with the skills they need to become economically successful.

Changing lives through education

In South Africa, our South Africa Education Programme is our most significant commitment to education. In partnership with the Department of Basic Education, the programme is aimed at students in 100 early-childhood-development sites and 100 primary and secondary schools local to our mining operations in South Africa.

The programme is being implemented over a five-year period from 2018 to 2022 and is specifically designed to help us meet our sustainability education stretch goal in South Africa.

In Chile, through our innovative technical education programme, Soy Técnico, we seek to improve teaching methodologies at technical secondary schools. We currently support 12 schools, training 421 students.

Youth work-readiness and local-workforce development

To help meet host-community requests for employment, we work with partners to provide diversified workforce development opportunities and to develop non-mining jobs in our host communities through enterprise development and local employment programmes.

In Peru, in parallel with the Emerge enterprise development scheme, we launched Adelante, our three-year programme to build a talent pipeline in southern Peru.

In Chile, we made good progress with EmpleaT!, an employment-readiness scheme delivered through public and private partnerships that is designed to develop selected vulnerable individuals over a number of months for either entrepreneurial- or employee-based progression. In 2018, the scheme supported 399 participants, with 254 graduates, 70% of whom increased their income.

We are partnering to implement capacity-building support programmes in six identified pilot municipal sites located in three provinces of South Africa.

The programmes do this by supporting CoGTA at national and provincial levels with the implementation of the Back to Basics programme and by supporting the selected municipalities with capacity development in specific areas of planning, establishment, implementation and monitoring and evaluation.

BUILDING LOCAL CAPACITY

Limited institutional capacity, including inadequate skills and knowledge, continues to hinder the prospects of many municipalities to provide effective and efficient basic services for their constituents, and restricts the development of social stability and cohesion.

Anglo American is a constituent in those regions that host its operations and, therefore, in addition to its effort to improve the livelihoods of its local communities, recognises it has to play its part in supporting efforts to the building of capacity by local authorities.

In South Africa, our Municipality Capacity Development Programme is aligned to the National Development Plan's focus on developing partnerships with government. The national department of Cooperative Governance and Traditional Affairs (CoGTA) is our partner

EMPLOYEE VOLUNTEERING

In 2018, we launched an employee volunteering programme in the United Kingdom and South Africa called Ambassadors for Good. The programme, which builds on a successful programme developed by our Copper business in Chile, invites employees to form teams within the workplace and partner with organisations in our host communities. They can then bid for small grants from the Anglo American Foundation. Ambassadors for Good generated very strong employee interest and more than 90 projects were selected and funded by an oversight committee, which ensured that potential projects support and progress our sustainability goals. The plan is to make the Ambassadors programme global, and expansion into at least two more countries of operation is planned for 2019.

In 2018, our Minas-Rio operation in Brazil organised volunteering activities for its employees to support host communities while the operation was suspended following two pipeline leaks in March.

SOCIAL INVESTMENT

Our corporate social investment (CSI) expenditure predominantly supports vulnerable and marginalised stakeholders who are unable to participate in our value chains. In making investments, we strive to optimise our impact through partnerships and co-funding. In 2018, Anglo American's CSI expenditure in host communities, including from the Anglo American Chairman's Fund, the Anglo American Group Foundation and our enterprise development programmes, totalled \$82 million (2017: \$88 million). This figure represents 2% of underlying earnings before interest and taxes (EBIT), less underlying EBIT of associates and joint ventures.

We monitor our CSI through a standardised reporting process aimed at maximising the value that Anglo American and its host communities derive from these investments. Health and education are strategic focus areas, in line with our approach to sustainability. In 2018, Anglo American spent \$19.3 million on education and training, and \$5.8 million on health and welfare projects.

Global CSI expenditure by type⁽¹⁾

	\$'000	%	
Community development	41,314	50	
Education and training	19,257	23	
Water and sanitation	5,964	7	
Health and welfare	5,810	7	
Sports, art, culture and heritage	3,715	5	
Other	2,511	3	
Environment	1,481	2	
Institutional capacity development	1,097	1	
Energy and climate change	530	1	
Disaster and emergency relief	371	0.5	
Total	82,050		

Global CSI expenditure by region⁽¹⁾

	\$'000	%	
Africa	50,635	62	
Americas	29,547	36	
Australia	462	1	
United Kingdom	950	1	
Rest of World	456	1	
Total	82,050		

⁽¹⁾ Computational discrepancies may occur due to rounding.

ECONOMIC VALUE-ADD

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

The value distributed directly by Anglo American in 2018 amounted to \$21.5 billion. This figure includes:

- \$10.2 billion paid to suppliers
- \$3.5 billion to our employees through wages and related expenditure
- \$1.3 billion paid to Anglo American plc shareholders
- \$0.3 billion to providers of capital
- \$2.8 billion that was reinvested in the Group
- \$82 million in corporate social investment.

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

Economic value distribution 2018⁽¹⁾

	\$ billion	%	
Suppliers	10.2	47%	
Employees	3.5	16%	
Reinvested in the Group	2.8	13%	
Company taxes	3.4	16%	
Dividends	1.3	6%	
Providers of capital	0.3	1%	
Corporate social investment	0.08	0%	
Total	21.6		

⁽¹⁾ Computational discrepancies may occur due to rounding.

PAYMENTS TO GOVERNMENTS

Anglo American has voluntarily provided information about our tax payments on a country-by-country basis for the past 13 years, and we remain a supporter of the Extractive Industries Transparency Initiative (EITI).

We currently support 2,000 graduates, bursars, apprentices and trainees. Our graduate recruitment programmes include placing tertiary-level graduates on our professionals in training programmes for technical skills development in line with Anglo American standards and objectives.

In 2018, we spent more than \$94 million on training, across our range of external and internal development programmes.

Our Responsible Sourcing Standard stipulates that all suppliers shall respect all labour and human rights through their value chain. This includes commitments to: not use child labour; combat all forms of Modern Slavery; oppose unfair or inhumane treatment of the workforce, including all forms of bullying and harassment; allow freedom of association; maintain fair and legal terms of employment; eliminate illegal and unfair discrimination; and promote an inclusive workplace.

OUR ECONOMIC CONTRIBUTION IN AUSTRALIA IN 2018

As the world's third largest exporter of metallurgical coal, our Metallurgical Coal operations in Australia serve customers throughout Asia and the Indian sub-continent, Europe and South America.

CAPITAL INVESTMENT

\$574.0m

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.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$5,452.3m

TOTAL PROCUREMENT

\$2,439.5m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$116.0m

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.

WAGES AND RELATED PAYMENTS

\$316.0m

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.

TOTAL TAXES BORNE AND COLLECTED

\$2,122.3m

\$1,039.8m

CORPORATE INCOME TAX
Calculated based on profits and includes withholding taxes.

\$834.9m

ROYALTIES AND MINING TAXES
Revenue, production and profit based royalties.

\$105.9m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

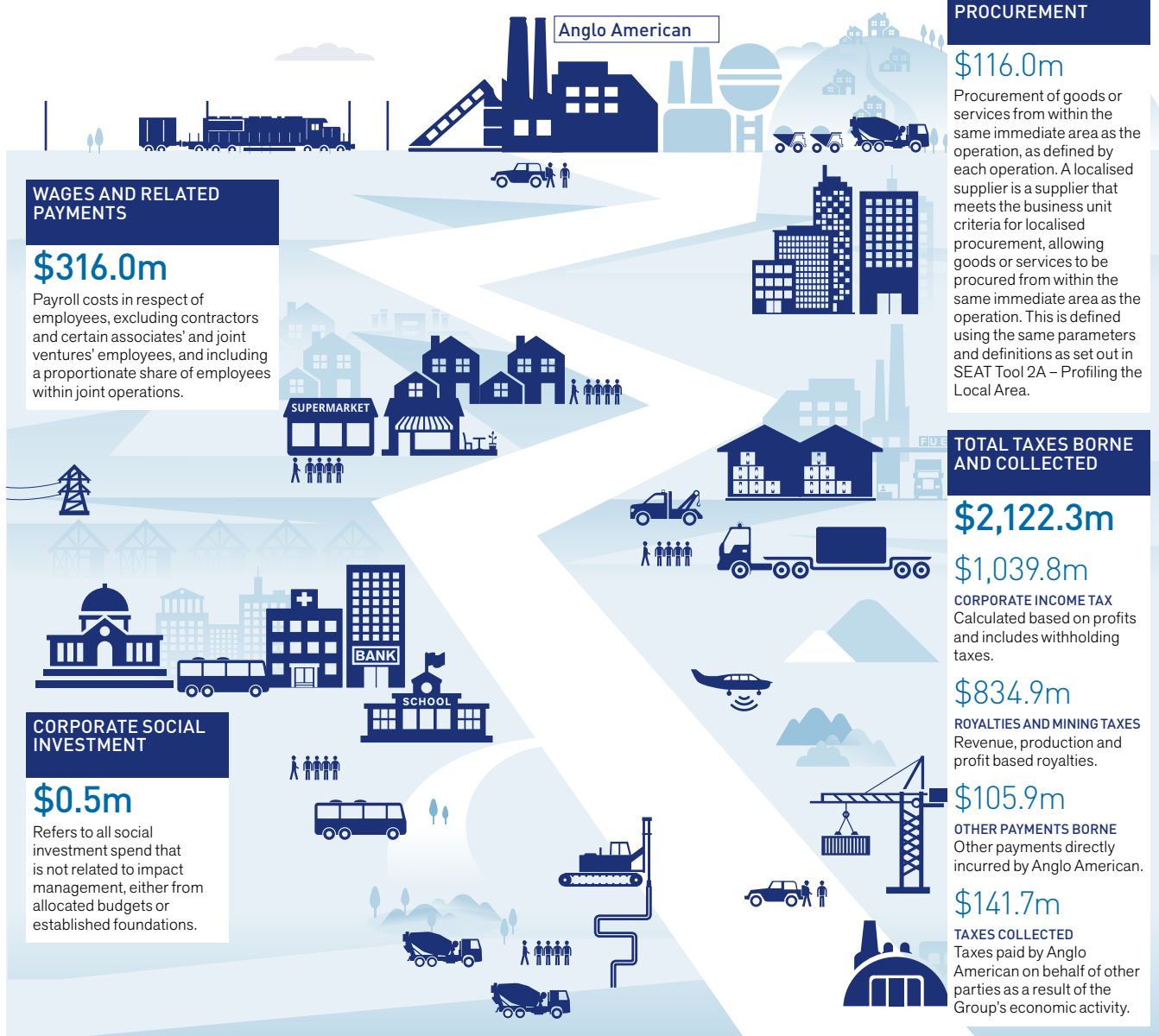
\$141.7m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

CORPORATE SOCIAL INVESTMENT

\$0.5m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.



OUR ECONOMIC CONTRIBUTION IN BOTSWANA IN 2018

In a 50:50 partnership with the Government of the Republic of Botswana (GRB), De Beers has one of the richest diamond mines, by value, in the world at Jwaneng and one of the largest diamond resources, by volume, at Orapa.

CAPITAL INVESTMENT

\$98.6m

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.

WAGES AND RELATED PAYMENTS

\$86.0m

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.

CORPORATE SOCIAL INVESTMENT

\$2.5m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$1,734.7m

TOTAL PROCUREMENT

\$672.8m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$551.8m

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.

TOTAL TAXES BORNE AND COLLECTED

\$874.8m

\$448.8m

CORPORATE INCOME TAX
Calculated based on profits and includes withholding taxes.

\$326.6m

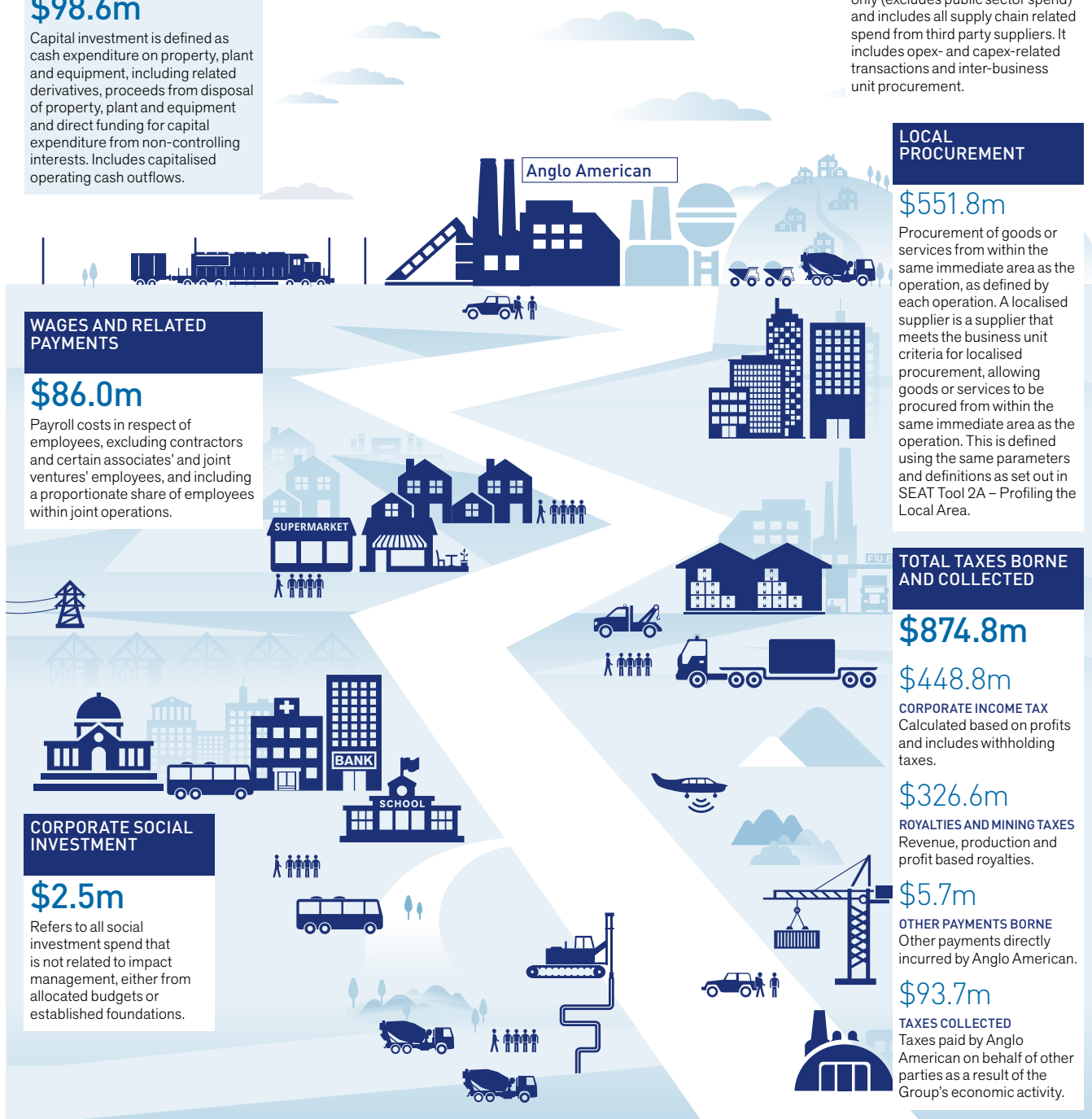
ROYALTIES AND MINING TAXES
Revenue, production and profit based royalties.

\$5.7m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

\$93.7m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.



OUR ECONOMIC CONTRIBUTION IN BRAZIL IN 2018

In Brazil, we produce iron ore at Minas-Rio, located in the states of Minas Gerais and Rio de Janeiro, and nickel from operations in the municipalities of Barro Alto and Niquelândia, in Goiás.

CAPITAL INVESTMENT

\$144.0m

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.

WAGES AND RELATED PAYMENTS

\$165.6m

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.

CORPORATE SOCIAL INVESTMENT

\$5.8m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$1,352.9m

TOTAL PROCUREMENT

\$877.6m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$101.2m

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.

TOTAL TAXES BORNE AND COLLECTED

\$159.9m

\$10.7m

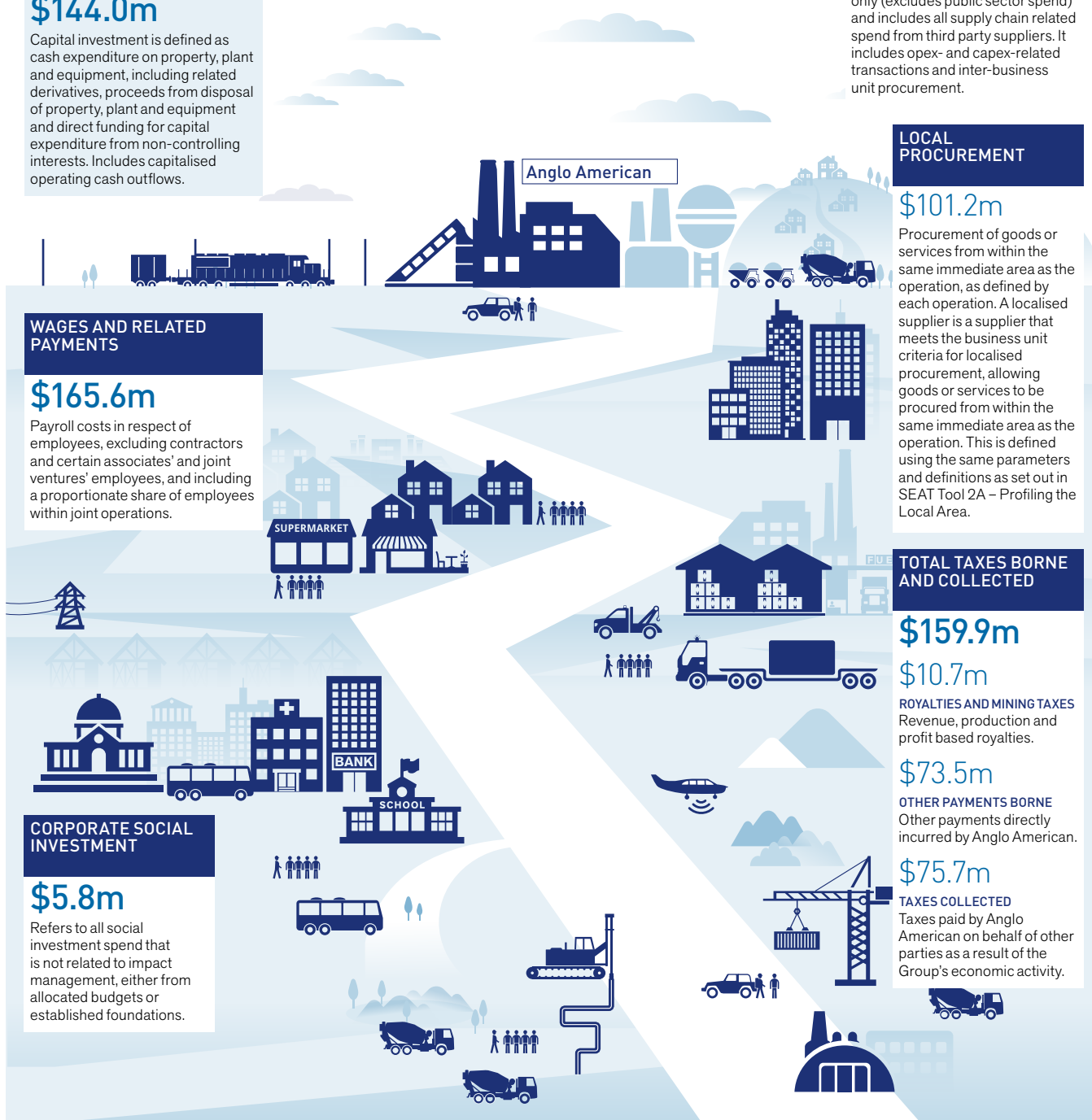
ROYALTIES AND MINING TAXES
Revenue, production and profit based royalties.

\$73.5m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

\$75.7m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.



OUR ECONOMIC CONTRIBUTION IN CANADA IN 2018

The Gahcho Kué mine (51% De Beers owned), in Canada's Northwest Territories, entered commercial production in March 2017. Having exceeded its original diamond production forecast over its expected lifespan, De Beers' Victor mine is due to close in 2019, when the open pit is expected to have been depleted.

CAPITAL INVESTMENT

\$127.0m

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.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$610.3m

TOTAL PROCUREMENT

\$329.1m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$79.7m

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.

WAGES AND RELATED PAYMENTS

\$88.7m

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.

TOTAL TAXES BORNE AND COLLECTED

\$61.2m

\$15.7m

ROYALTIES AND MINING TAXES
Revenue, production and profit based royalties.

\$14.8m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

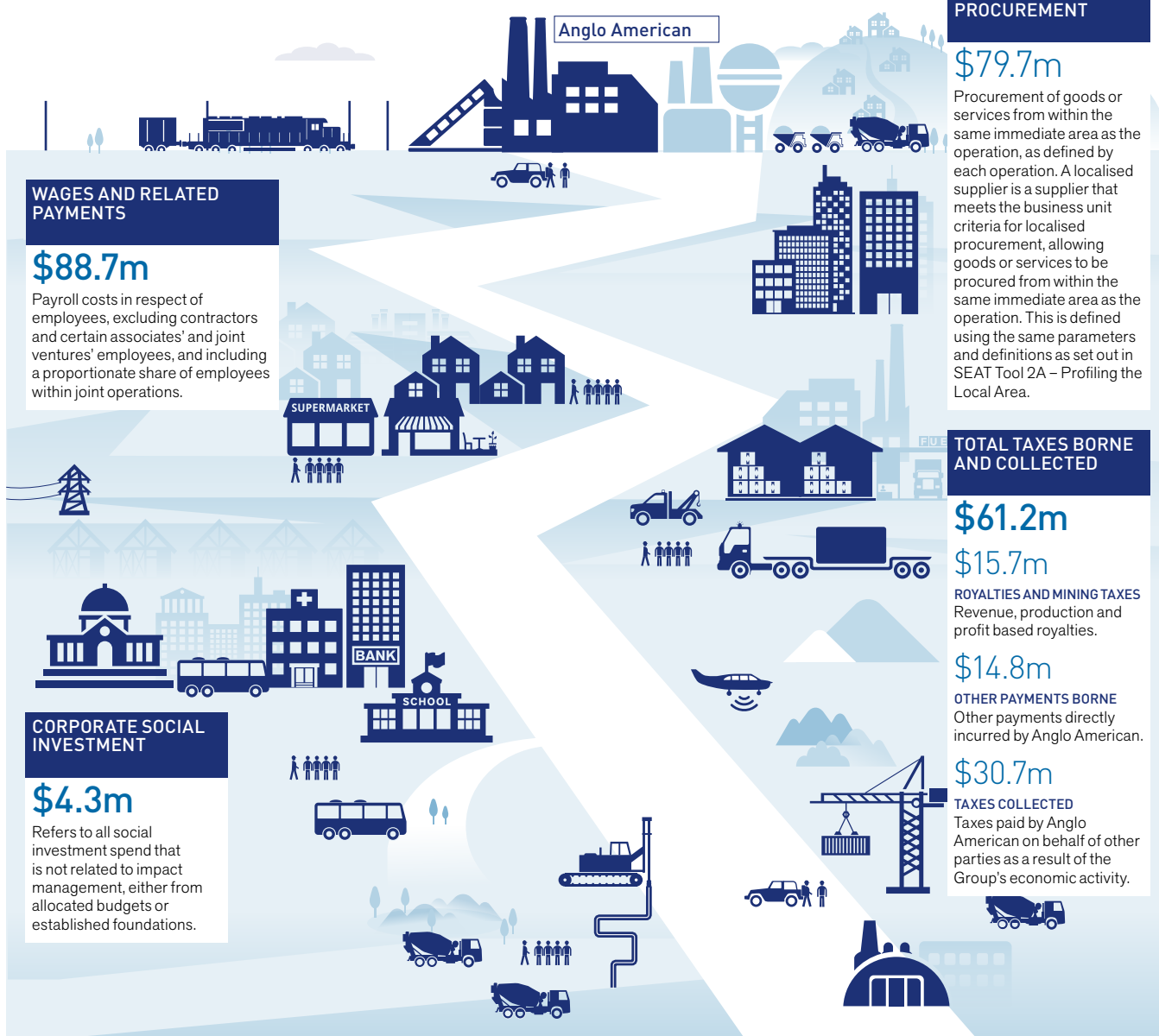
\$30.7m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

CORPORATE SOCIAL INVESTMENT

\$4.3m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.



OUR ECONOMIC CONTRIBUTION IN CHILE IN 2018

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

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$2,809.1m

CAPITAL INVESTMENT

\$562.0m

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.

TOTAL PROCUREMENT

\$1,014.7m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$33.9m

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.

WAGES AND RELATED PAYMENTS

\$390.8m

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.

TOTAL TAXES BORNE AND COLLECTED

\$828.2m

\$516.6m

CORPORATE INCOME TAX
Calculated based on profits and includes withholding taxes.

\$92.3m

ROYALTIES AND MINING TAXES
Revenue, production and profit based royalties.

\$72.4m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

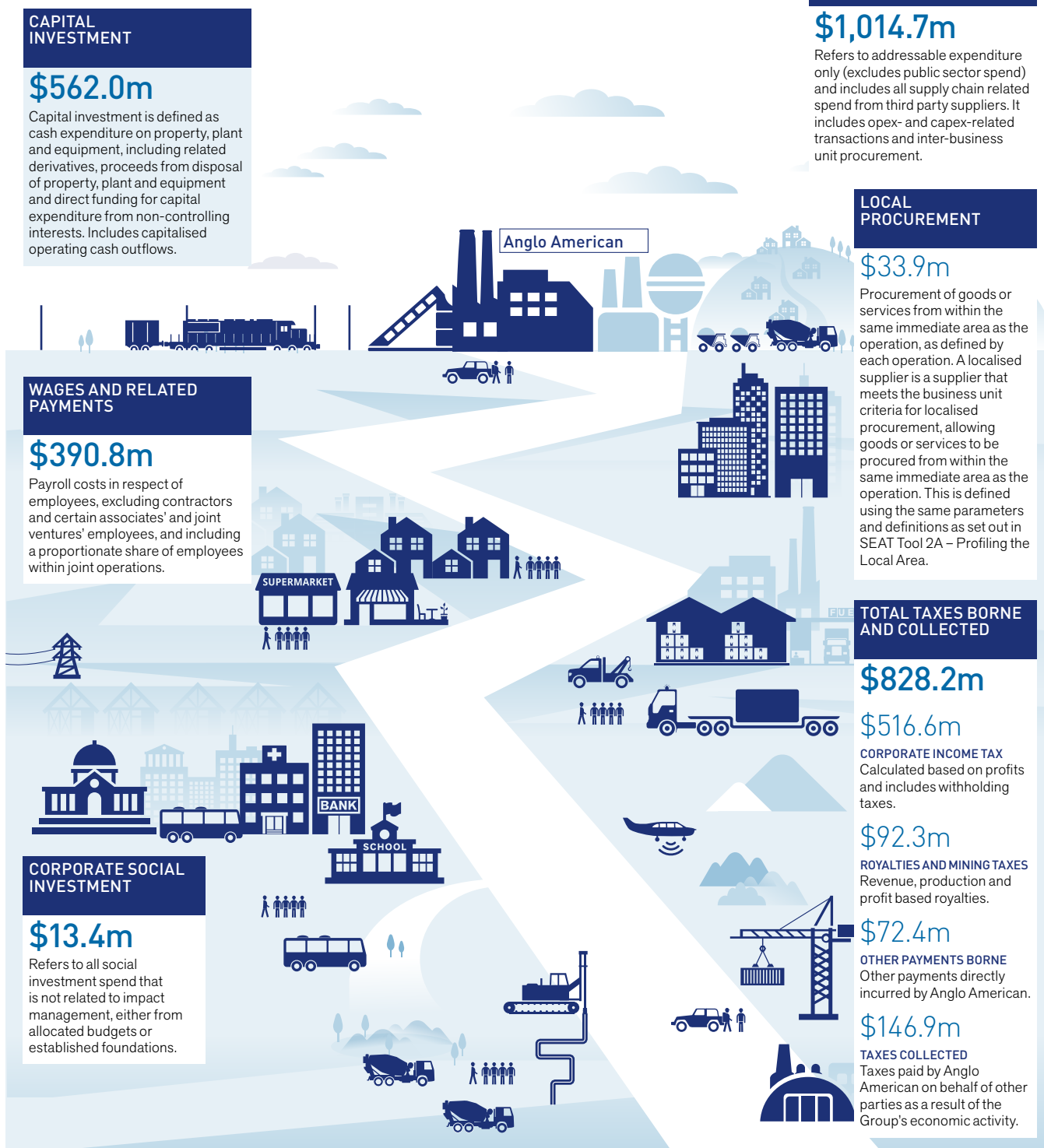
\$146.9m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

CORPORATE SOCIAL INVESTMENT

\$13.4m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.



OUR ECONOMIC CONTRIBUTION IN COLOMBIA IN 2018

The export thermal coal mine, Cerrejón, in which we have a 33.3% shareholding, 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.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$2,116.7m

TOTAL PROCUREMENT

\$1,073.4m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$25.7m

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.

TOTAL TAXES BORNE AND COLLECTED

\$740.2m

\$448.6m

CORPORATE INCOME TAX
Calculated based on profits and includes withholding taxes.

\$240.7m

ROYALTIES AND MINING TAXES
Revenue, production and profit based royalties.

\$50.9m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

WAGES AND RELATED PAYMENTS

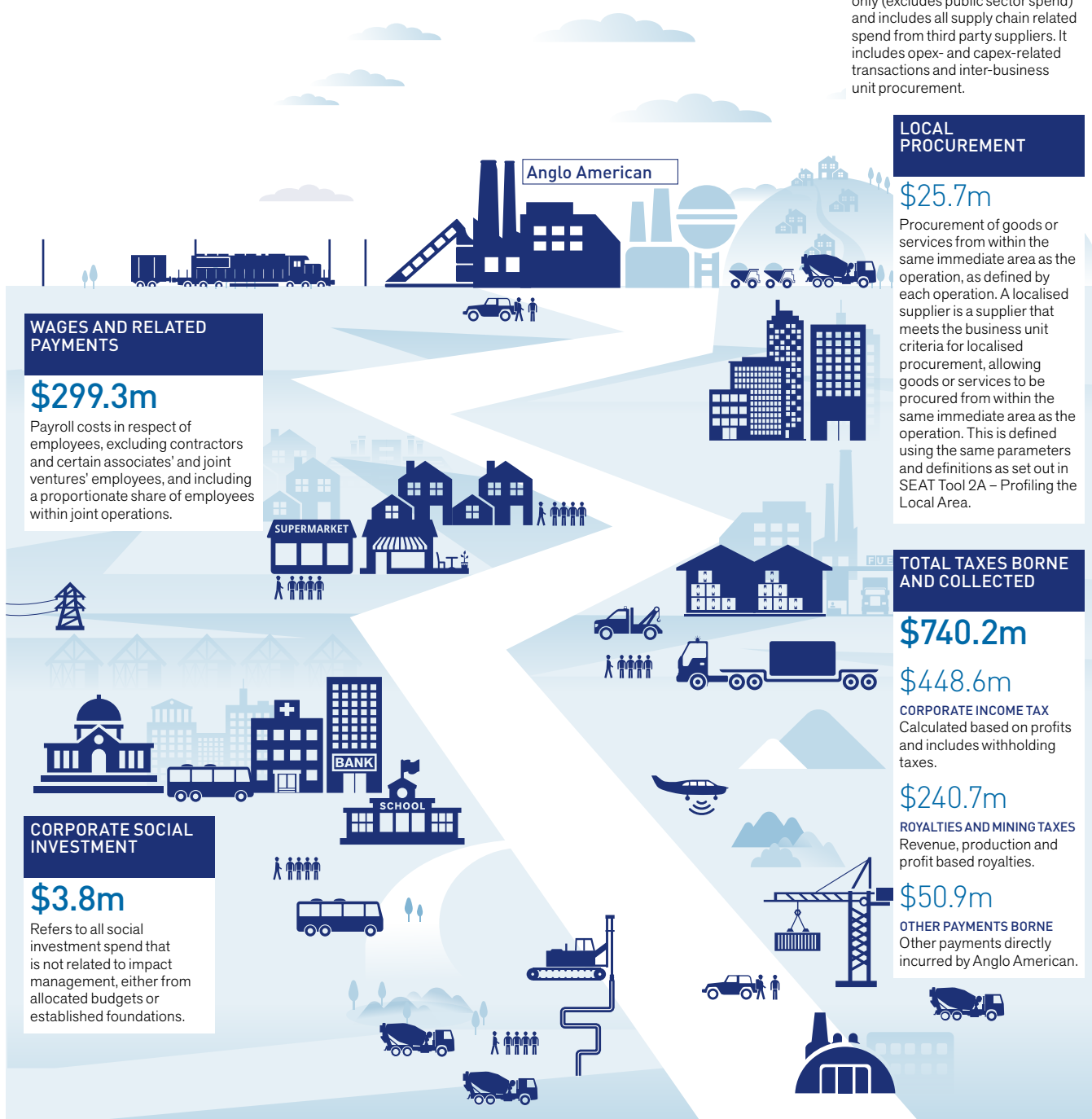
\$299.3m

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.

CORPORATE SOCIAL INVESTMENT

\$3.8m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.



OUR ECONOMIC CONTRIBUTION IN NAMIBIA IN 2018

Debmarine Namibia – a 50/50 joint operation between the Government of the Republic of Namibia and De Beers – is the world's largest marine diamond mining company. In 2017, the company marked the inauguration of the MV SS Nujoma, the world's largest and most advanced diamond exploration and sampling vessel, which will help secure diamond supplies in the country well into the future.

CAPITAL INVESTMENT

\$37.5m

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.

WAGES AND RELATED PAYMENTS

\$82.0m

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.

CORPORATE SOCIAL INVESTMENT

\$4.5m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$754.9m

TOTAL PROCUREMENT

\$195.1m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$163.5m

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.

TOTAL TAXES BORNE AND COLLECTED

\$435.8m

\$123.4m

CORPORATE INCOME TAX
Calculated based on profits and includes withholding taxes.

\$100.1m

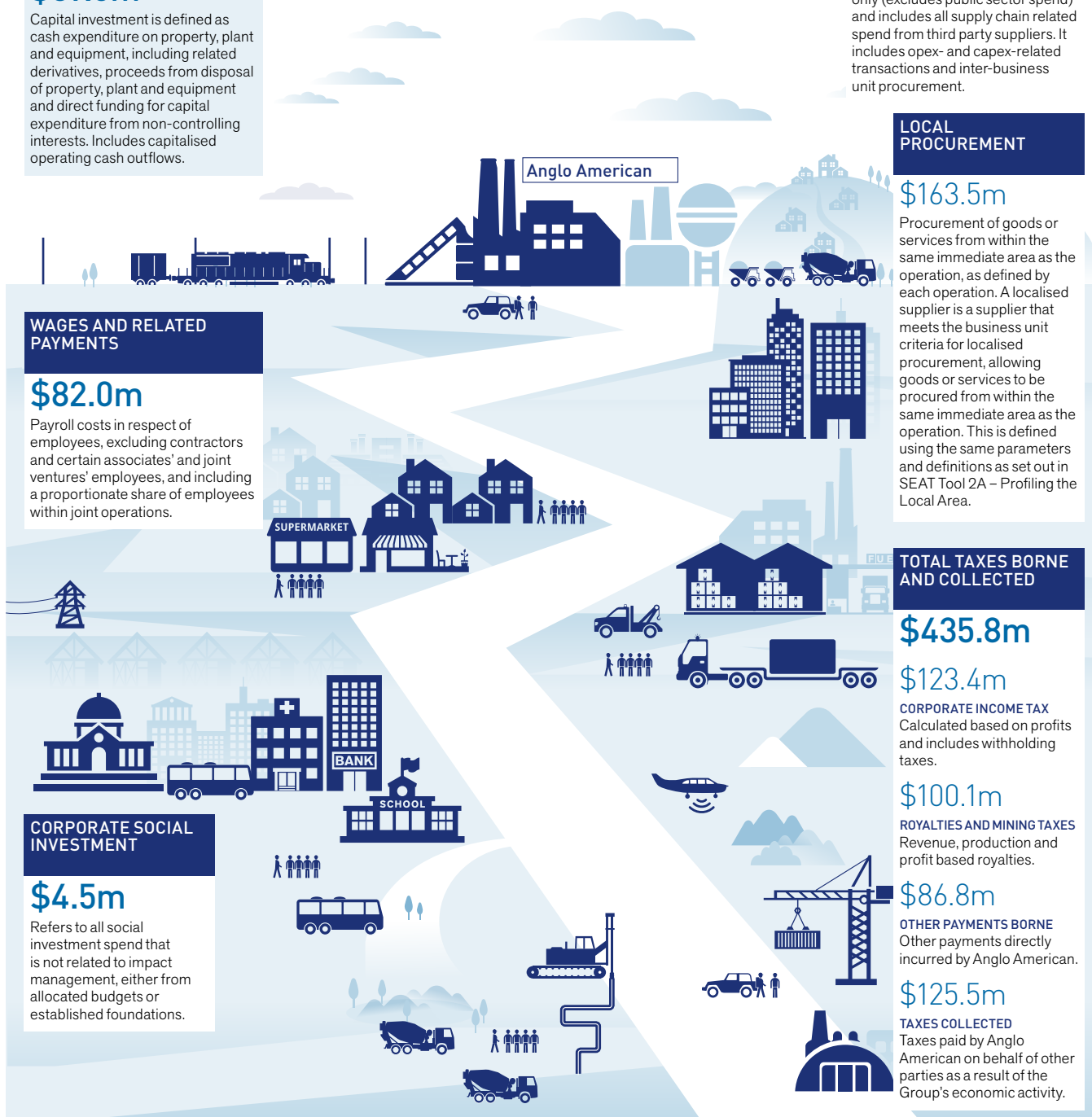
ROYALTIES AND MINING TAXES
Revenue, production and profit based royalties.

\$86.8m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

\$125.5m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.



In July 2018, Anglo American approved the development of the Quellaveco copper project in Peru. With Ore Reserves estimated at 1.3 billion tonnes containing approximately 7.5 million tonnes of copper, Quellaveco offers a rare and attractive opportunity for us to add another world class, cost-efficient mining operation to our diversified portfolio.

25

OUR ECONOMIC CONTRIBUTION IN SINGAPORE IN 2018

Our Marketing business'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.

CAPITAL INVESTMENT

\$0.2m

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.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$710.1m

TOTAL PROCUREMENT

\$615.8m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$178.6m

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.

WAGES AND RELATED PAYMENTS

\$84.3m

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.

TOTAL TAXES BORNE AND COLLECTED

\$9.8m

\$9.0m

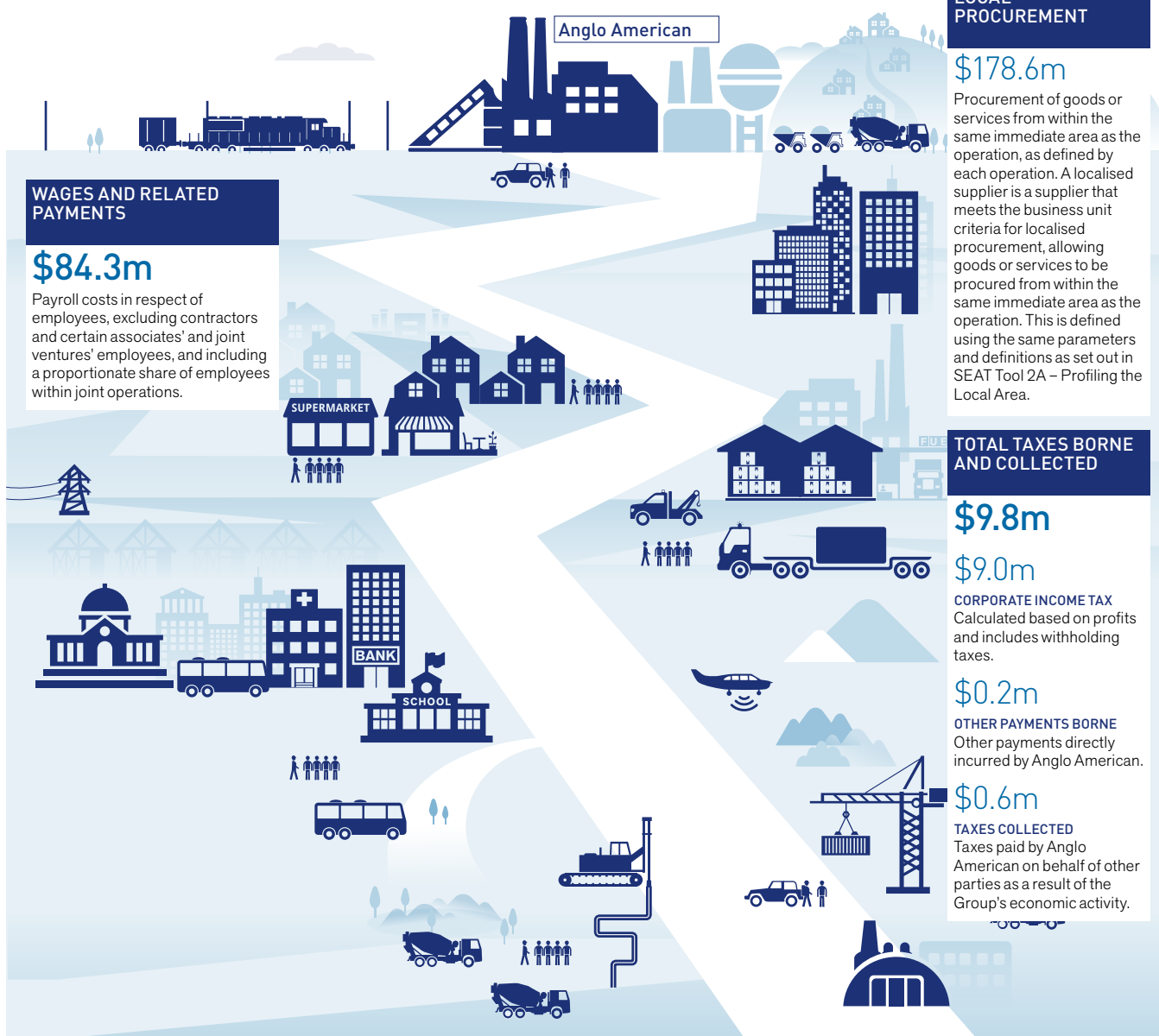
CORPORATE INCOME TAX
Calculated based on profits and includes withholding taxes.

\$0.2m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

\$0.6m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.



OUR ECONOMIC CONTRIBUTION IN SOUTH AFRICA IN 2018

South Africa is home to a number of our assets, with operations across diamonds, platinum group metals, iron ore, thermal coal and manganese. We are proud of our longstanding transformation progress and continue to work with all stakeholders to ensure all South Africans benefit from the value created by mining.

CAPITAL INVESTMENT

\$1,096.0m

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.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$8,460.1m

TOTAL PROCUREMENT

\$4,116.7m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$1,047.3m

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.

WAGES AND RELATED PAYMENTS

\$1,786.5m

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.

TOTAL TAXES BORNE AND COLLECTED

\$1,418.2m

\$712.1m

CORPORATE INCOME TAX
Calculated based on profits and includes withholding taxes.

\$234.4m

ROYALTIES AND MINING TAXES
Revenue, production and profit based royalties.

\$50.4m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

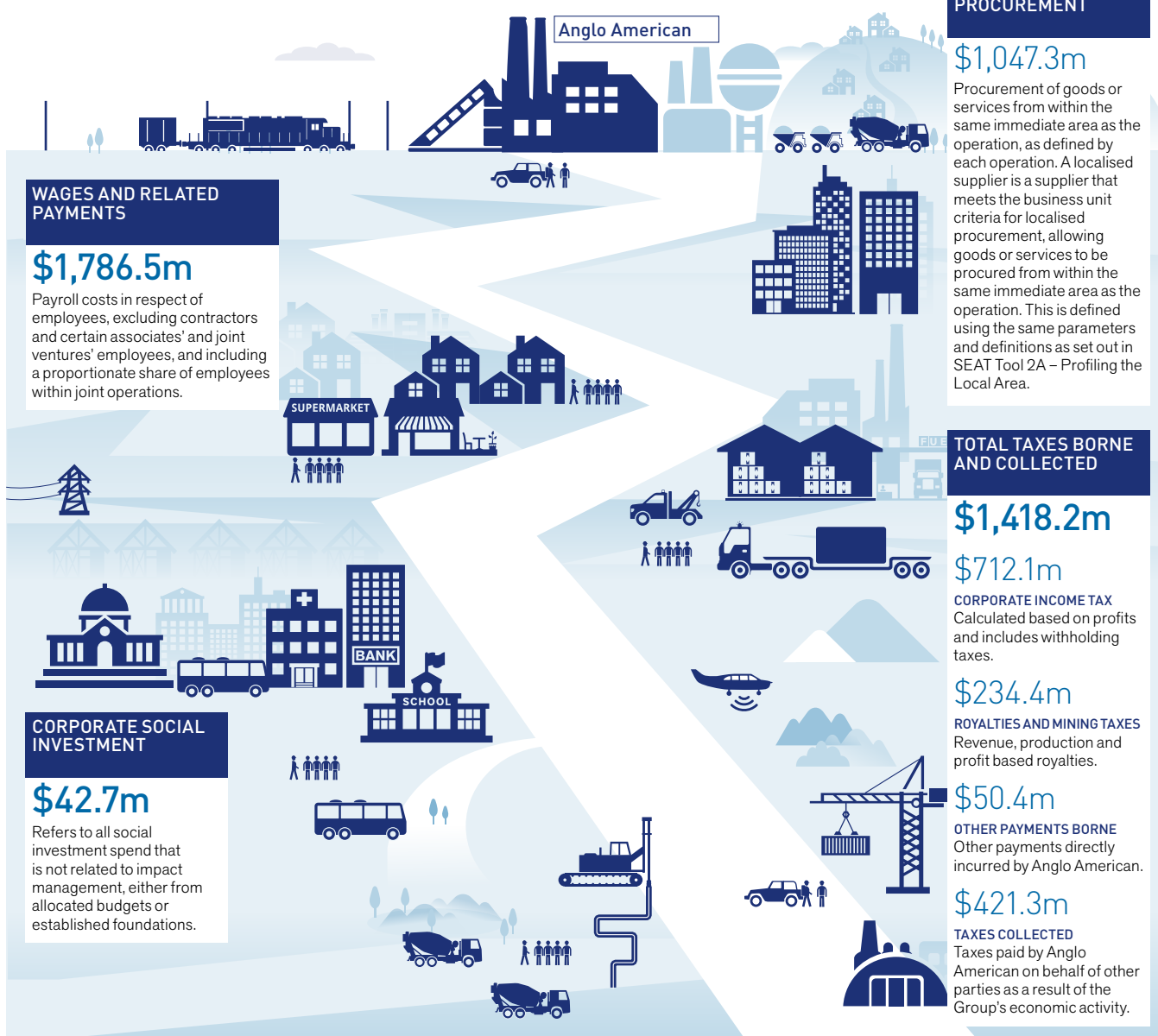
\$421.3m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

CORPORATE SOCIAL INVESTMENT

\$42.7m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.



OUR ECONOMIC CONTRIBUTION IN UNITED KINGDOM IN 2018

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

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$617.7m

CAPITAL INVESTMENT

\$(23.5)m

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.

TOTAL PROCUREMENT

\$174.9m

Refers to addressable expenditure 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 PAYMENTS

\$305.2m

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.

TOTAL TAXES BORNE AND COLLECTED

\$160.2m

\$19.7m

CORPORATE INCOME TAX
Calculated based on profits and includes withholding taxes.

\$41.8m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

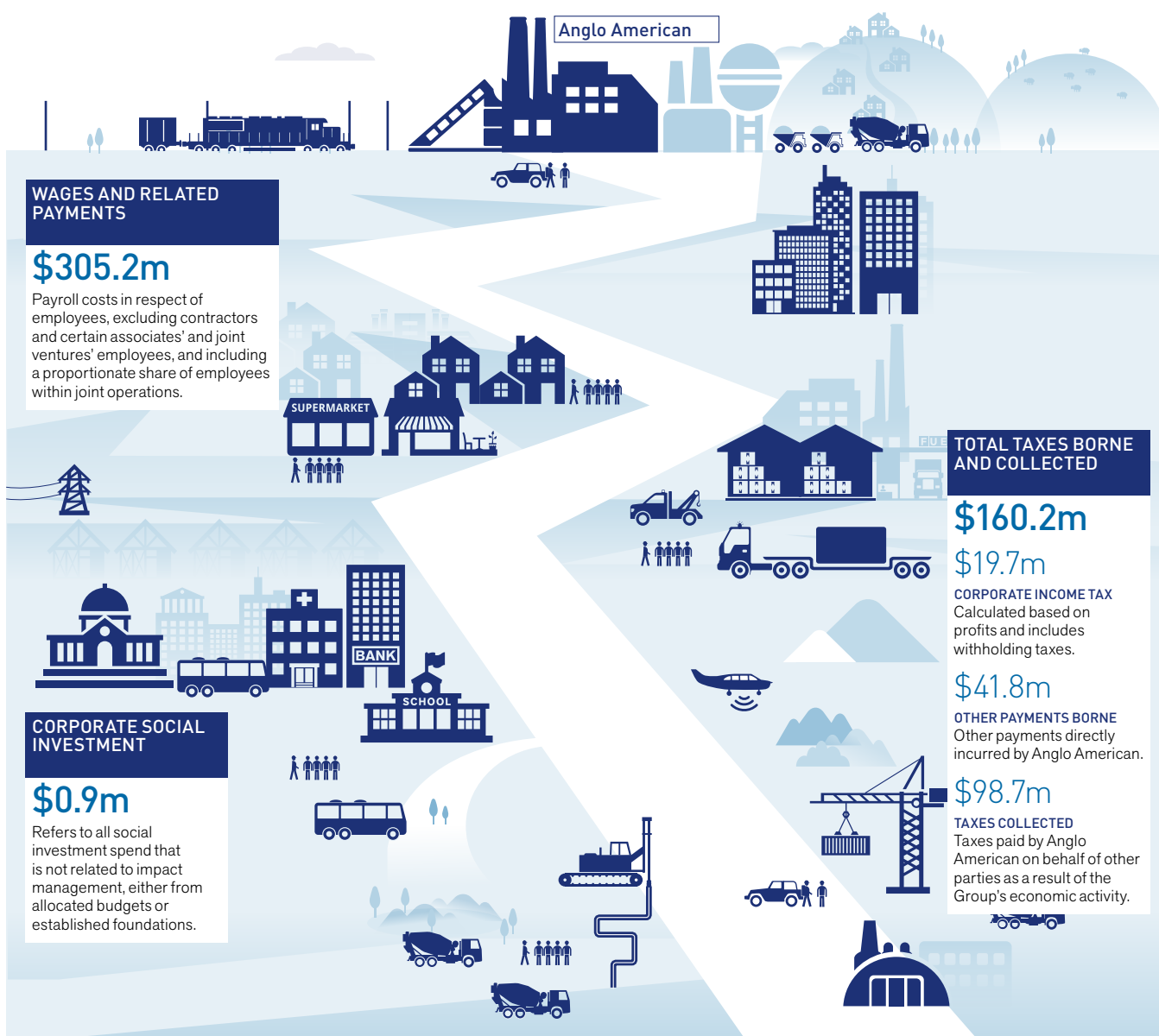
\$98.7m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

CORPORATE SOCIAL INVESTMENT

\$0.9m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.



OUR ECONOMIC CONTRIBUTION IN ZIMBABWE IN 2018

Unki 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. Anglo American is a long-term investor in Zimbabwe and has invested in excess of \$500 million in the country since 2008, which included the construction of a \$62 million smelter in 2018.

CAPITAL INVESTMENT

\$45.0m

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.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$104.7m

TOTAL PROCUREMENT

\$0.1m

Refers to addressable expenditure 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.

LOCAL PROCUREMENT

\$0.1m

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.

WAGES AND RELATED PAYMENTS

\$40.7m

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.

TOTAL TAXES BORNE AND COLLECTED

\$18.2m

\$8.0m

OTHER PAYMENTS BORNE
Other payments directly incurred by Anglo American.

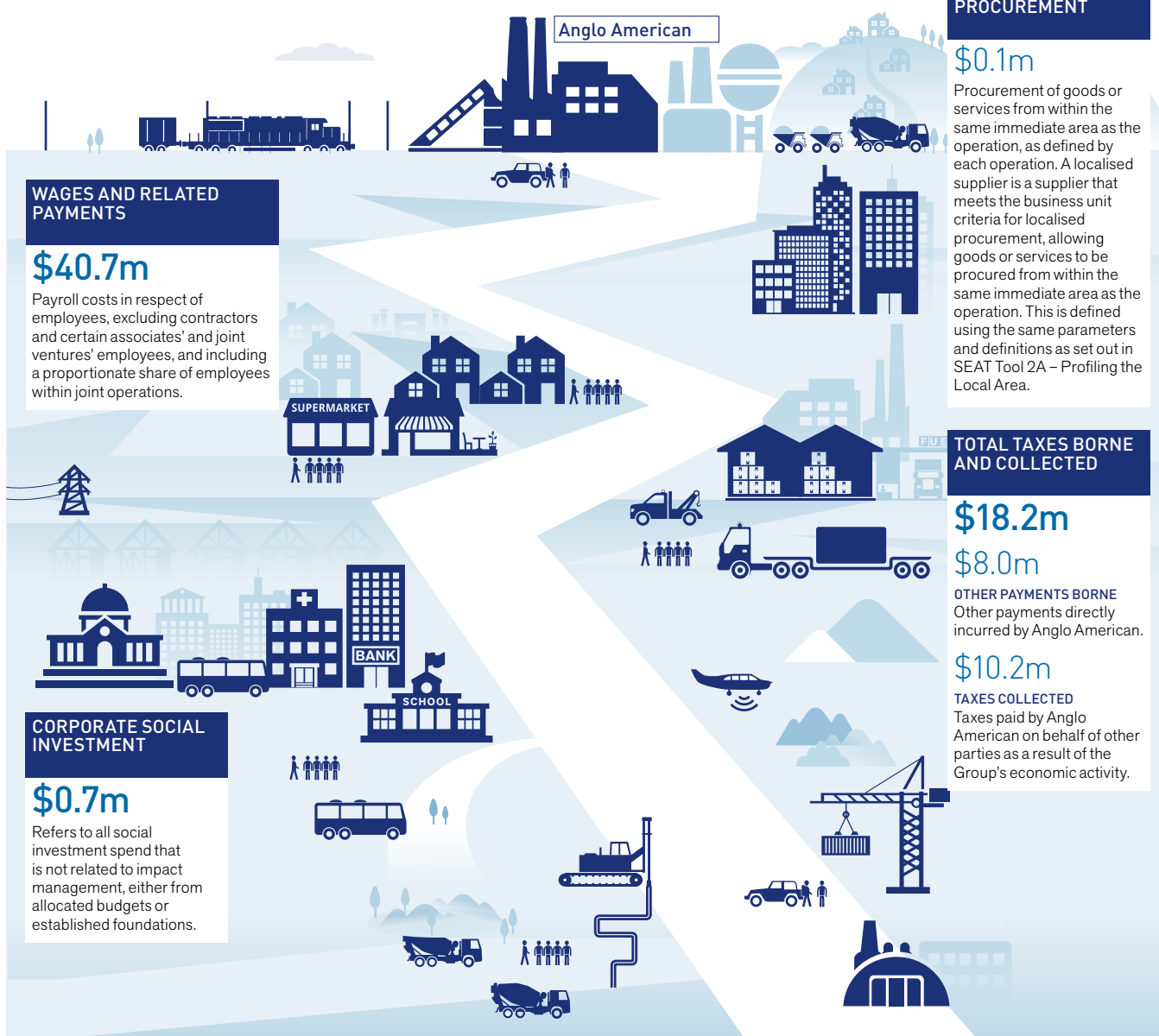
\$10.2m

TAXES COLLECTED
Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

CORPORATE SOCIAL INVESTMENT

\$0.7m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.



RECONCILIATION OF 2018 CORPORATE INCOME TAX

In order to enhance transparency surrounding our key financial data, this disclosure provides a link between our key attributes of taxes accrued and paid as well as our effective tax rates in our key operating jurisdictions.

The income tax expense recorded in our Annual Financial Statements will differ from cash tax paid, not least owing to the tax payment instalment regimes in each of our operating jurisdictions.

TAX EXPENSE AND EFFECTIVE TAX RATE

The table below represents the statutory and underlying effective tax rates for the Anglo American Group. The purpose of the underlying effective tax rate is to exclude the impact of certain items owing to their nature and also the effect of a different basis of consolidation to aid comparability.

	Group 2018		
	Profit before tax US\$ million	Tax (charge)/ credit US\$ million	Effective tax rate ⁽¹⁾
Calculation of effective tax rate (statutory basis)	6,189	(1,816)	29.3%
Adjusted for:			
Special items and remeasurements	(599)	326	
Associates' and joint ventures' tax and non-controlling interests	392	(380)	
Calculation of underlying effective tax rate	5,982	(1,870)	31.3%⁽²⁾

The effective tax rate in 2018 benefited from the release of a deferred tax liability balance in Chile, partially offset by the impact of the relative levels of profits arising in the Group's operating jurisdictions.

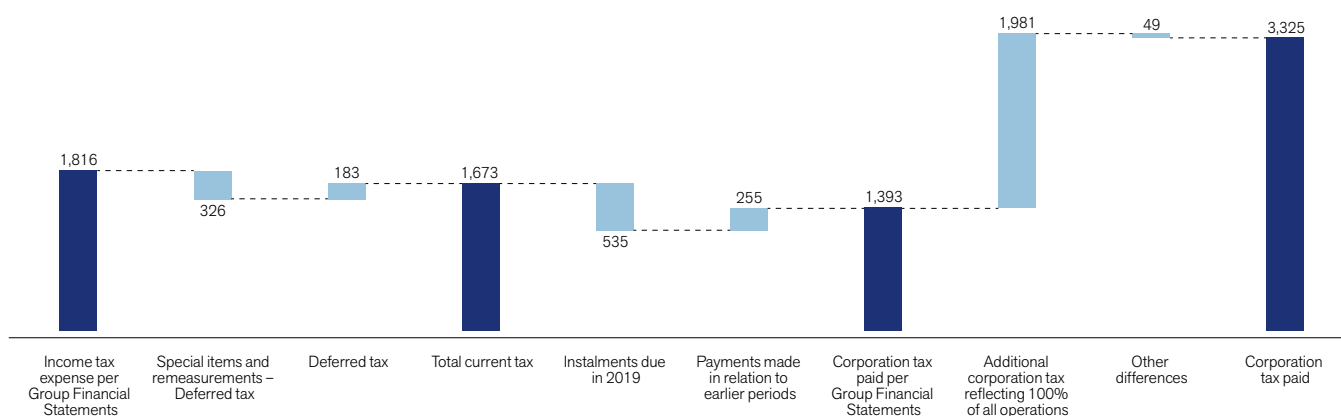
US\$ million	2018
Profit before tax	6,189
Less: Net income from associates and joint ventures	(728)
Profit before tax (excluding associates and joint ventures)	5,461
Tax calculated at United Kingdom corporation tax rate of 19%	1,038
Tax effects of:	
Items non-deductible/taxable for tax purposes	55
Temporary difference adjustments	
Losses this year with no associated deferred tax credit	172
Recognition of losses and temporary differences not previously recognised	(161)
Write-off of losses and temporary differences previously recognised	144
Other temporary differences	15
Special items and remeasurements	212
Other adjustments	
Dividend withholding taxes primarily in Chile and South Africa	(195)
Result of difference between the UK and overseas corporate income tax rates	556
Prior year adjustments to current tax charge	(56)
Other adjustments	36
Income tax expense for the Group	1,816

⁽¹⁾ For calculation methodology see the Alternative Performance Measures in the Anglo American plc Integrated Annual Report 2018, page 208.

⁽²⁾ The underlying effective tax rate of our Australian operations was 33.0%.

Reconciliation of taxes paid to tax expense

\$ millions



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 are based on the cash payments made by entities included in the consolidated accounts of Anglo American as at 31 December 2018. 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 have 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.

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 fourth report under this regime is due to be submitted in a specified format to Companies House on 30 June 2019 in respect of the year ended 31 December 2018. Further disclosures will be included on the Group website and will complement our disclosure to Companies House.

PAYMENTS TO GOVERNMENTS

The total payments made to government in 2018 of \$6,899.5 million are made up of the following items:

- Corporation tax \$3,325.0 million
- Royalties and mining taxes \$1,857.1 million
- Other taxes borne \$529.3 million
- Taxes collected \$1,188.1 million.

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

ASSURANCE REPORT



Independent assurance statement by Deloitte LLP ("Deloitte") to Anglo American plc ("Anglo American") on Total Taxes Borne, as reported within the Tax and Economic Contribution Report 2018

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 Total Taxes Borne for the year ended 31 December 2018. The assured data appears in the Tax and Economic Contribution Report 2018 ("the Report"). Anglo American has prepared its Report in accordance with the criteria set out on page 31 of the Report.

For the year ended 31 December 2018 the assured indicators comprise:

- Total Taxes Borne by group and subsidiary entities of \$3,878m

The \$3,878m figure noted above forms 68% of the total disclosed by Anglo American of \$5,711m on page 03 of the Report, the balance being taxes borne by equity accounted entities.

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..

WHAT STANDARDS WE USED

Basis of our work, criteria used and level of assurance

We carried out limited assurance on the selected indicator 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 in the subject matter listed above;
- Reading and analysing public information relating to Anglo American and industry practices and performance during 2018;
- 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 non-statistical sample testing back to source data (such as tax returns and bank payments) to check accuracy, cut-off and occurrence of transactions for selected taxes borne data; and
- Reviewing the content of the Report against the findings of our work and making recommendations for improvement where necessary.

LIMITATIONS

In relation to our work performed on the Total Taxes Borne for 2018, we note the following specific 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 publishes a Basis of Report Preparation, which defines the scope of their reporting and the method of calculation. In particular, the Basis of Report Preparation notes that Anglo American discloses 100% gross Total Taxes Borne for associates and joint ventures where Anglo American has an equity interest. It is available on page 31 and should be read together with this assurance report.

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 Total Taxes Borne by group and subsidiary entities, has not been prepared, in all material respects, in accordance with the stated criteria for the year ended 31 December 2018.

ROLES AND RESPONSIBILITIES

Anglo American:

- The Directors are responsible for the preparation of the Tax and Economic Contribution Report and the Total Taxes Borne statements within it. They are responsible for determining Anglo American's objectives in respect of Total Taxes Borne 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 indicator 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 indicator has not been prepared, in all material respects, in accordance with the applicable criteria. This standard requires that we comply with the independence and ethical requirements and to plan and perform our assurance engagement to obtain sufficient appropriate evidence on which to base our limited assurance conclusion. We performed the engagement in accordance with Deloitte's independence policies, which cover all of the requirements of the International Federation of Accountants' Code of Ethics and in some areas are more restrictive. The firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- Our 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.

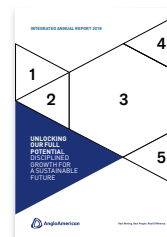
Deloitte LLP

London
18 April 2019

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 to governments based on taxable profits under legislated income tax rules. This also includes payments made to revenue authorities in respect of disputed claims and withholding taxes on dividends, interest and royalties.
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.
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).
Key operating jurisdiction	A jurisdiction in which Anglo American has extractive operations.
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.
Other payments borne	Taxes or other payments to governments relating to environmental policy and licensing requirements, including carbon taxes, landfill taxes, aggregate taxes, permits and other entry fees and considerations, as well as non-extractive taxes borne such as employer payroll taxes etc.

Term	Definition
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.
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.
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 and mining taxes	Payments to governments in relation to both revenue or production generated under licence agreements and royalty related income taxes. This also includes payments to revenue authorities in respect of disputed claims.
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 expenditure 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.



Cover Images

1. Children taking part in the Soy Técnico education programme supported by Anglo American in Chile.
2. Children at Ruchanyu Secondary School in Zimbabwe, built by Anglo American.
3. A view of Anglo American's copper operations at El Soldado, Chile.
4. David Zhaoh and Valerie Zhang from Platinum Group Metals examining sales charts at our Singapore office.
5. Audrey Mabiza at Anglo American's platinum concentrator plant at Unki, Zimbabwe.

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