

RE-IMAGINING
MINING TO
IMPROVE
PEOPLE'S LIVES

We are committed to tax transparency and active and constructive engagement with our stakeholders to deliver long-term, sustainable value. This annual report is a demonstration of this commitment.

This report is prepared for the benefit of our stakeholders to help build their understanding of the many different ways in which we make an economic contribution to society. By preparing this report on an annual basis, we hope to enhance trust between our business and our stakeholders, especially in those countries in which we operate.

In this sixth dedicated annual Tax and Economic Contribution Report, we highlight our progress towards greater levels of transparency in the last 12 months, striving to be a global leader in tax transparency. We seek to go beyond the requirements of mandatory initiatives, as demonstrated through the following commitments:

- The publication of our Country by Country data (2018 with the data for 2019 being published prior to the end of 2020)
- As part of implementing GRI 207: Tax 2019 reporting requirements, which we will adhere to fully by 1 January 2021, we are working to adopt several requirements early, where possible. Core components of GRI 207 include publishing a breakdown of revenues, profits and taxes paid by jurisdiction of tax residence
- Compliance with the voluntary Tax Transparency Code in Australia
- Endorsing the Responsible Tax Principles established by The B Team
- Supporting the Extractive Industries Transparency Initiative, both directly and as part of the International Council on Mining and Metals.



Cover images

1. Geologists conducting discovery work in Finland.
2. Our 100 Schools Education programme is established throughout South Africa, including at Phillip Ndlimande Secondary School in eMalahleni.
3. Mediya Wadzanai works at Ramatlaohle, a beneficiary company of our Zimele SME programme in South Africa.
4. Our Soy Técnico education programme is established throughout Chile and aims to develop technical skills in teenage students.
5. Assistant boilermakers Huddleson Matsping and Johannes Khoza maintain concentrator blowers at Mogalakwena North, South Africa.

Contents

01	Chief Executive's statement
02	Total tax and economic contribution at a glance
04	Our business model
06	Our approach to tax
08	Transfer pricing
10	Tax contribution through the life cycle of a mine
11	Socio-economic development
15	Country highlights
27	Reconciliation of 2019 corporate income tax
28	Basis of report preparation
29	Assurance report
31	Glossary of key terms

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

Anglo American newsfeeds

/AngloAmerican

@AngloAmerican

/AngloAmerican

/AngloAmerican

/AngloAmerican

/company/Anglo-American

In this document, references to 'Anglo American', the 'Anglo American Group', the 'Group', 'we', 'us', and 'our' are to refer to either Anglo American plc and its subsidiaries and/or those who work for them generally, or where it is not necessary to refer to a particular entity, entities or persons. The use of those generic terms herein is for convenience only, and is in no way indicative of how the Anglo American Group or any entity within it is structured, managed or controlled. Anglo American subsidiaries, and their management, are responsible for their own day-to-day operations, including but not limited to securing and maintaining all relevant licences and permits, operational adaptation and implementation of Group policies, management, training and any applicable local grievance mechanisms. Anglo American produces group-wide policies and procedures to ensure best uniform practices and standardisation across the Anglo American Group but is not responsible for the day to day implementation of such policies. Such policies and procedures constitute prescribed minimum standards only. Group operating subsidiaries are responsible for adapting those policies and procedures to reflect local conditions where appropriate, and for implementation, oversight and monitoring within their specific businesses.

RE-IMAGINING MINING TO IMPROVE PEOPLE'S LIVES



We are publishing this Tax Report in highly unusual circumstances – at a time when society is facing the greatest threat to global health in a century, and experiencing a major contraction in global economic activity, at least in the short term.”

Mark Cutifani
Chief Executive



Against this backdrop, we are taking appropriate action to ensure Anglo American remains a resilient and highly competitive business. We are maintaining strict capital discipline, while also continuing to unlock the business's very significant further potential. We are creating a sustainable business in every sense, one that stays true to our Purpose of *re-imagining mining to improve people's lives* and to our Values, and which continues to have a positive impact in the countries where we operate, as well as benefiting broader society and playing our part in protecting our environment.

As the chief executive of a company with a longstanding reputation of positively contributing to the international debate around society's most pressing issues, I appreciate that much of the talk in the current COVID-19 crisis is, quite rightly, about resilience. It is also clear to me that the response has to be about society as a whole, not just its individual components. Political leaders are trying to balance health risk against economic risk. As corporate leaders, we have to achieve a similar balance – ensuring our business is safe for employees and communities, but also continuing to generate incomes for our workforce, economic activity for our host communities, and the revenues that support the fiscus in our host countries. Across the world, we are doing all we can to safeguard our people and their families. We have put together a host of emergency support where it is most needed, contributing more than \$26 million of in-kind support and relief donations at the time of publication of this report.

This broad-based support builds on our existing provision of many essential services at a community level. For our customers, we are working hard to ensure continuation of supply of essential raw materials, while making sure that our operations are ready to support the vital economic recovery phase of so many economies. This report's section on our Sustainable Mining Plan reflects this holistic approach.

In this report, we talk about our total tax and economic contribution of \$28.5 billion. By any standard, this is a significant sum – and bringing it all together demonstrates that our contribution goes far beyond just paying wages, royalties and taxes. Tax, of course, is the backbone of any government's ability to do what it is meant to do. Our commitment to paying the right amount where the value is created is critical, as is generating local benefit off the back of our very large supply chain.

But, big as we are, our fiscal contribution will not deliver on its own. We need to continue working with others to stand up for and to implement the principles behind this wider economic contribution – through multi-stakeholder groups such as the Extractive Industries Transparency Initiative (EITI) and the B Team, whose mission declares that “society deserves economies that are sustainable, trusted and strong. The public is calling for it. Future generations will depend on it.” I firmly believe that Anglo American is and should be a leading voice in this debate.

This, our sixth annual Tax and Economic Contribution Report, highlights the enduring and broad-based nature of our economic contribution to society and our commitment to our host countries and communities, particularly relevant for us as a company with a large

developing-country footprint. It also clearly demonstrates our open and transparent approach to tax reporting as we strive to be a global leader in tax transparency.

We seek to go beyond the requirements of mandatory initiatives through our commitment to:

- The publication of our country-by-country data (most recently, for 2018, with the data for 2019 being published before the end of 2020)
- Adherence to updated Global Reporting Initiative (GRI) transparency standards from 1 January 2021, a core component of which is publishing a breakdown of revenues, profits and taxes paid by jurisdiction of tax residence
- Compliance with the voluntary Tax Transparency Code in Australia
- Endorsing the Responsible Tax Principles established by The B Team
- Supporting the Extractive Industries Transparency Initiative (EITI), both directly and as part of the International Council on Mining and Metals (ICMM).

We set out on pages 6-7 our Tax Strategy, and the three pillars on which we base our Approach to Tax explain how we bring this Strategy to life.

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	1
Chile	3
Colombia	1
Namibia	2
Peru	1
South Africa	1 2 5 6 1
Zimbabwe	1

- De Beers
- Copper
- Platinum Group Metals
- Iron Ore
- Metallurgical Coal
- Thermal Coal
- Nickel and Manganese



⁽¹⁾ With the exception of Gahcho Kué, which is on an attributable 51% basis.



NUMBER OF EMPLOYEES ⁽²⁾	
Australia	1,940
Botswana	1,557
Brazil	3,819
Canada	706
Chile	4,147
Colombia	5,897
Namibia	1,421
Peru	339
Singapore	236
South Africa	45,213
United Kingdom	1,194
Zimbabwe	1,147
Other	1,671
	69,286



TOTAL TAX AND ECONOMIC CONTRIBUTION	
	\$m
Australia	5,069.7
Botswana	1,616.9
Brazil	1,781.8
Canada	501.2
Chile	3,445.7
Colombia	1,556.5
Namibia	1,105.1
Peru	2,084.6
Singapore	905.5
South Africa	9,047.6
United Kingdom	926.6
Zimbabwe	191.5
Other	276.8
	28,512.5



TAXES BORNE ⁽³⁾	
	\$m
Australia	2,084.1
Botswana	639.8
Brazil	162.6
Canada	31.0
Chile	870.2
Colombia	533.7
Namibia	265.7
Peru	3.8
Singapore	12.4
South Africa	1,413.9
United Kingdom	101.5
Zimbabwe	14.7
Other	28.1
	6,161.4

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.	\$7,470.9 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.	\$3,554.3 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.	\$1,987.8million
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.	\$619.3 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.	\$1,309.5 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

OUR STRATEGY

Portfolio

The quality and long life of our mineral assets are the foundation of our global business. We focus on securing and continuously improving assets that offer the most attractive long term value-creation potential, as measured by sustainable cash flow and returns.

The scale and diversity of our portfolio allow us to leverage our financial resources, technical expertise, and supplier relationships towards delivery on our full potential and to the benefit of our customers, creating a measured risk profile and supporting strong returns, through the cycle.

Innovation

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.

[\[For further information on innovation See the following pages of the Integrated Annual Report 2019\]](#)

Discovery
[See pages 24-25](#)

Operating Model and P101
[See pages 30](#)

Marketing
[See pages 29-30](#)

Project development
[See pages 24](#)

FutureSmart Mining™ – Technology, Digitalisation and Sustainability
[See pages 31-35](#)

People

Our people are critical to all that we do. The partnerships we build locally and globally are central to maintaining our regulatory and social licences to operate and our sustained commercial success.

We create inclusive and diverse working environments that encourage and support a high performance culture and innovative thinking.

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

MATERIALITY AND RISK

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

[E](#)
For our Material matters:
[See pages 12-13 of the Integrated Annual Report 2019](#)



GOVERNANCE

Our governance controls ensure that 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.

[E](#)
For our Governance Report:
[See pages 84-140 of the Integrated Annual Report 2019](#)

OUR INPUTS

Ore Reserves and Mineral Resources: We have high quality and long life mineral assets across our businesses and across a wide geographic footprint, providing a suite of organic options for delivering value over the long term. Our Discovery teams work to discover mineral deposits in a safe and responsible way to replenish the resources that underpin our future success.

Know-how: We link our industry-leading technical and market knowledge across the Group to realise even greater value from our resource base and optimise mine production plans to ensure we provide products reliably to our customers around the world, meeting their specific technical and logistical requirements.

Relationships with stakeholders: Open and honest engagement with our stakeholders is critical in gaining and maintaining our social and regulatory licences to operate. Working within our social performance framework, it is our goal to build and sustain constructive relationships with our host communities and countries that are based on mutual respect, transparency and trust.

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 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.

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

Financial: Our strong focus on productivity, cost discipline and working capital management helps to drive sustainable positive cash flows. Our financial resources are allocated to where they can deliver optimal financial returns for our shareholders.

HOW WE MEASURE THE VALUE WE CREATE

- Safety and health
- Environment
- Socio-political
- People
- Production
- Cost
- Financial

[E](#) **For our pillars of value:** [See page 15 of the Integrated Annual Report 2019](#)

OUR VALUES

Anglo American's Values and behaviours are at the heart of everything we do. Guided by our Purpose and our Values, we enable high performance and purposeful action.

Our Values and the way in which we, as individuals, are expected to behave are the foundation of our Code of Conduct.

OUR VALUE CHAIN

We will invest in those points in the value chain that provide us with the best return on our investment, while striving to meet the highest environmental, social and governance standards. Sustainable financial value can only be created by protecting the value of our natural and human resources.



Discover: Our geologists search for and discover new sources of the minerals that make our modern lives possible. Our search falls into two categories: greenfield exploration to find entirely new resources, and brownfield exploration to identify additional resources close to existing operations. We benefit from developing and using world class expertise and leading technologies, often that we have developed ourselves, to find deposits we can develop and mine in a safe and sustainable way.



Plan and build: Before we put a spade in the ground, our geologists and engineers work together using virtual mine planning systems to design the most effective, cost-efficient, environmentally sound construction and operational mine plan. This work can take several years, depending on the complexities of the orebody, the physical environment of the site, its location relative to power and energy supplies and the route to market.



Mine: In extracting the products that we all need in our daily lives, we draw on over 100 years of mining experience. Safety comes first: our whole way of working is focused on zero harm. We plan for the lifecycle of the mine and beyond and use our own technologies for reducing waste and protecting environments. We mine copper, diamonds and platinum group metals, as well as iron ore, coal and nickel.



Process: By processing, converting and refining our raw materials we produce what customers need. As well as creating bespoke products for our customers, our processing technologies enable us to reduce waste, save water, increase efficiency, drive innovation and, by adding value to our products, support economic growth in the areas we mine.



Move and market: After processing, we then transport often enormous volumes – particularly in the cases of iron ore and metallurgical coal – of our products to where they are needed, to our customers. We use the latest logistics technologies to co-ordinate and optimise our global shipping needs to deliver on time, every time. And we use our scale and detailed knowledge of the markets for our products to offer our customers a stable supply to their exact specifications – adding value every step of the way.



End of life plan: We don't only plan for the lifecycle of the mine – we also take great care to look beyond and determine the rehabilitation of the site and the real benefits that will be felt by local communities, long after the site is closed. The technologies we use to rehabilitate help us get it right first time, which minimises our environmental footprint, while also safeguarding cash resources.

OUTPUTS

Our outputs are the products that meet the growing consumer and other demands of the world's developed and maturing economies. Mining and processing activities also result in the unavoidable disturbance of land, generation of mineral residue, 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.

ATTRIBUTABLE FREE
CASH FLOW^a

\$2.3 bn

GROUP PRODUCTION
GROWTH

12%

Since 2012

CO₂ EQUIVALENT
EMISSIONS

17.7 Mt

GROUP ATTRIBUTABLE
ROCE^b

19%

TOTAL WATER
WITHDRAWALS

209 Mm³

OUTCOMES AND 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

\$1.4 bn

Total dividends paid
and proposed

SUPPLIERS

\$3.8 bn

Local procurement
expenditure

GOVERNMENTS

\$3.0 bn

Taxes borne

LOCAL COMMUNITIES

132,082

Jobs created and
maintained through
enterprise development
programmes since 2008

EMPLOYEES

\$3.5 bn

Wages and
benefits paid



Safety



Care and
Respect



Integrity



Accountability



Collaboration



Innovation

OUR TAX STRATEGY

APPROACH TO TAX

We are deeply committed to tax transparency and responsible tax practices. We believe our approach to tax is consistent with delivering long-term, sustainable value for our shareholders and is an important component of our social licence to operate. Our tax strategy is guided by our five principles:

- Tax is a core part of corporate responsibility and is overseen by our Board.
- Our tax strategy is aligned with the Group's Purpose and Values, Code of Conduct, business strategy and Sustainable Mining Plan.
- We are committed to complying with all tax laws in all jurisdictions in which we operate, paying the right amount of tax at the right time. We recognise the importance of respecting both the spirit and letter of the law, taking steps to determine and follow the intention of the legislature where reasonably possible.
- We only use business structures that are driven by commercial considerations, which are aligned with business activity and have genuine substance.
- We seek to engage in national and international dialogue with governments, tax authorities and other external bodies positively, constructively and in the interests of all our stakeholders. Wherever possible, we seek to develop cooperative relationships with tax authorities, based on mutual respect, transparency and trust.

These five principles are upheld by three pillars: responsibility; compliance; and transparency.

More detail can be found on our website: www.angloamerican.com/tax-strategy

TAX STRATEGY

1

Responsibility

Our Board sets our tax strategy and is ultimately accountable for our compliance with it. Responsibility for ensuring compliance is delegated to our Group Head of Tax, Zahira Quattrocchi, who is overseen by our Finance Director, Stephen Pearce, and Audit Committee. Our Group Head of Tax is supported by a global team of experienced tax practitioners.

Group tax have pioneered the use of LEARN+ to create personalised learner journeys to ensure the continual professional development of each tax practitioner in the organisation.

2

Compliance

We are committed to paying the right tax at the right time. We recognise the importance of respecting the spirit and letter of the law, including aligning tax treatment with commercial reality. We seek certainty on tax matters where possible. In all our dealings with tax authorities, including where we seek certainty, our relationships are centred on transparency. Where tax authorities have adopted cooperative compliance arrangements, we will therefore favourably consider participation.

3

Transparency

This report demonstrates our commitment to tax transparency to our stakeholders. We see the benefits of this transparency with all our stakeholders, including:

- Shareholders: the knowledge that we are deeply committed to good tax governance and responsible tax practices, thereby mitigating tax risk.
- Tax authorities: the development and maintenance of long-term, open and constructive relationships.
- Communities: understanding how the economic benefits attributable to mining activities in their regions.
- Others: making a meaningful contribution to ongoing tax and transparency debates. We proactively engage with industry bodies, business forums and civil society.

2019 DEVELOPMENTS

External engagements and commitments

As part of implementing GRI 207: Tax 2019 reporting requirements, which we will adhere to fully by 1 January 2021, we are working to adopt several requirements early where possible.

In addition to publishing (in 2021) our 2020 revenues, profits, taxes, capital and employees (amongst other data points) on a jurisdiction-by-jurisdiction basis:

- We have voluntarily published our 2018 data in accordance with the OECD's country-by-country reporting guidelines; and
- Will voluntarily publish our 2019 data in accordance with the OECD's country-by-country reporting guidelines in late 2020 or early 2021.

As a member of the International Council on Mining and Metals, we have contributed to formal submissions made to the OECD on the following:

- OECD Secretariat's Proposal for a 'Unified Approach' under Pillar One of the OECD's efforts to address the tax challenges of the digitalised economy.
- Global Anti-Base Erosion ('GloBE') Proposal under Pillar Two of the OECD's efforts to address the tax challenges of the digitalisation of the economy.

These submissions reflect the seriousness with which we make our economic commitments to the jurisdictions in which we operate. These submissions are publicly available on the OECD website. Furthermore we frequently make submissions in our own right to consultation discussions, as evidenced by our additional formal submission to the OECD 'Unified Approach' discussions.

The Vienna University of Economics and Business, in collaboration with the International Chamber of Commerce and the Commonwealth Association of Tax Administrators, is facilitating a multi-year project on co-operative compliance. The aims of this project include developing best practice guidelines in the area of co-operative compliance and undertaking and evaluating pilot studies (including in jurisdictions in which we operate). Consistent with our commitments to tax transparency and good governance, we consider this project to be a positive development towards enhancing the

relationships between, and improving tax certainty for the benefit of, taxpayers and tax administrations. We are actively involved in this project along with a wide range of taxpayers, tax administrations, advisers and academics.

Anglo American tax control framework

An integral component of co-operative compliance regimes is a robust tax control framework ('TCF'). A TCF is designed to identify, manage and monitor tax risks.

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.

Given our commitment to co-operative compliance regimes and our relentless focus on continuous improvement, we committed to formalising and documenting our TCF policy and approach during 2020 and then implementing the newly improved TCF within our major operating jurisdictions during 2021. We can report that we have made good progress towards achieving this goal and expect to complete the work on TCF during 2021.

Simplifying our corporate structure and ensuring profits are taxed where value is created

While we do not use tax haven jurisdictions to manage taxes, there are a number of Group undertakings which are registered in tax haven jurisdictions. Where these are not commercially necessary, the Group continued the process through 2019 of eliminating them entirely or migrating their tax residence to the UK. Where such entities are in place for genuine commercial purposes, we are committed to being transparent about their activities and disclose these in our annually published country-by-country report, which will be published for 2019 by the end of 2020.

The Group is also committed to ensure that our activities are taxed appropriately. Where we accept tax concessions and incentives, we seek to ensure that they are sustainable, granted only to taxpayers with genuine business activity, and implemented in the manner intended by the relevant statutory, regulatory or administrative framework.

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.

TRANSFER PRICING

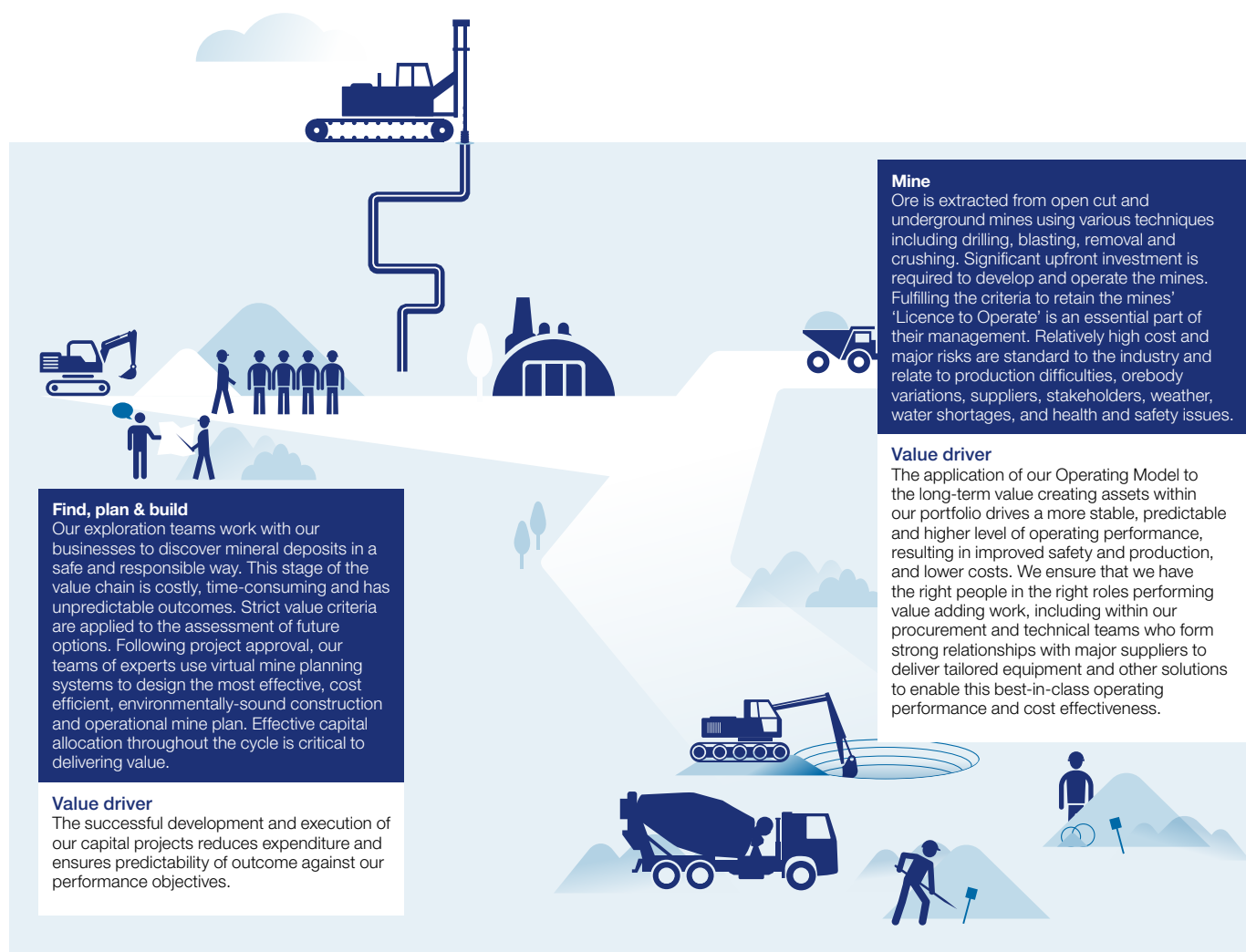
As a multinational group, Anglo American undertakes a significant number of intragroup transactions relating to the processing, logistics and marketing of our products or intragroup services and financing.

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 UN, the OECD and the World Bank recommend that where transactions take place between two related parties, transfer prices should be set in accordance with the 'arm's length principle'.

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

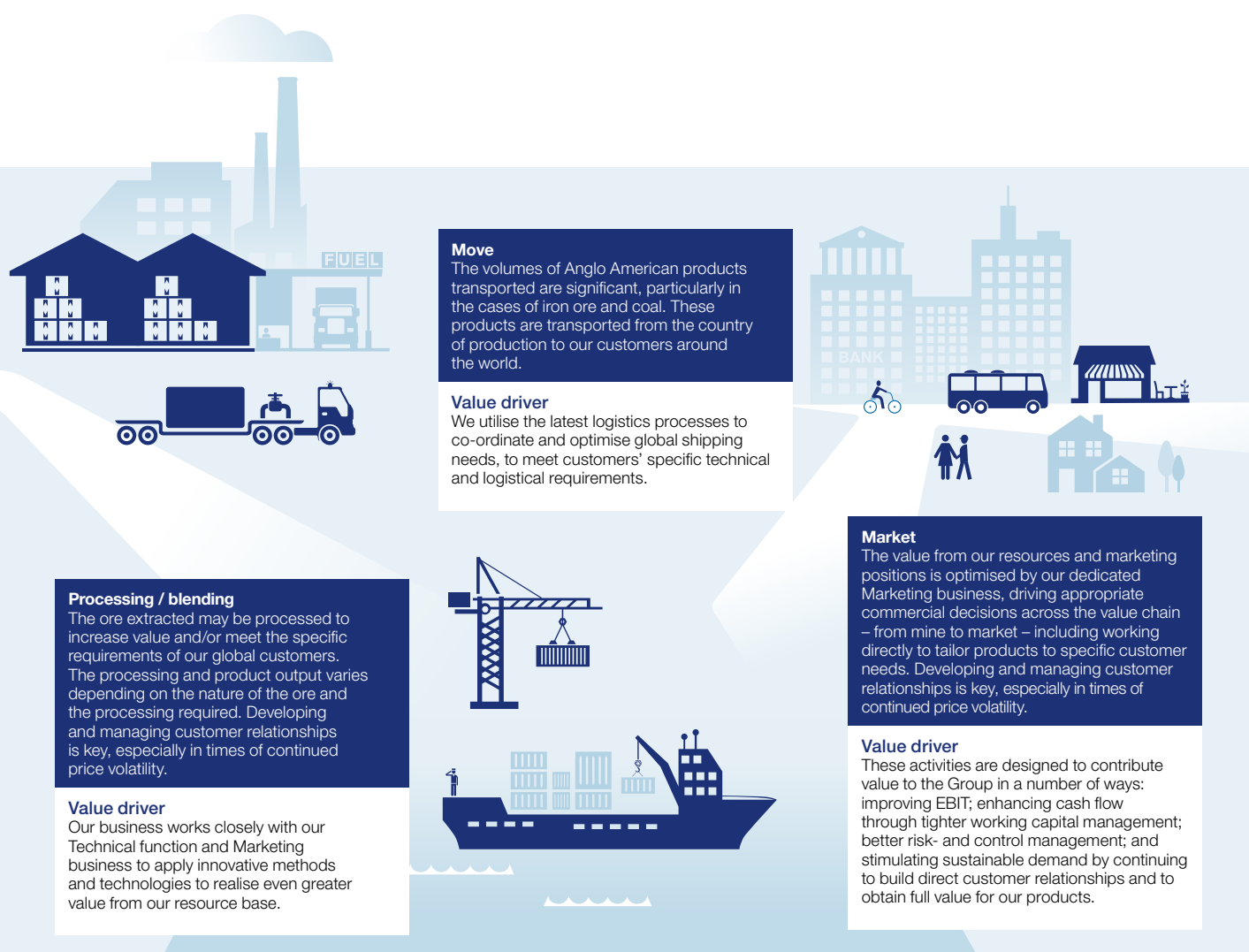
Throughout our value chain activities, we conduct other material transactions between companies in the Anglo American Group. These transactions are disclosed to tax authorities through the submission of our tax returns and are performed at an arm's length price.

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

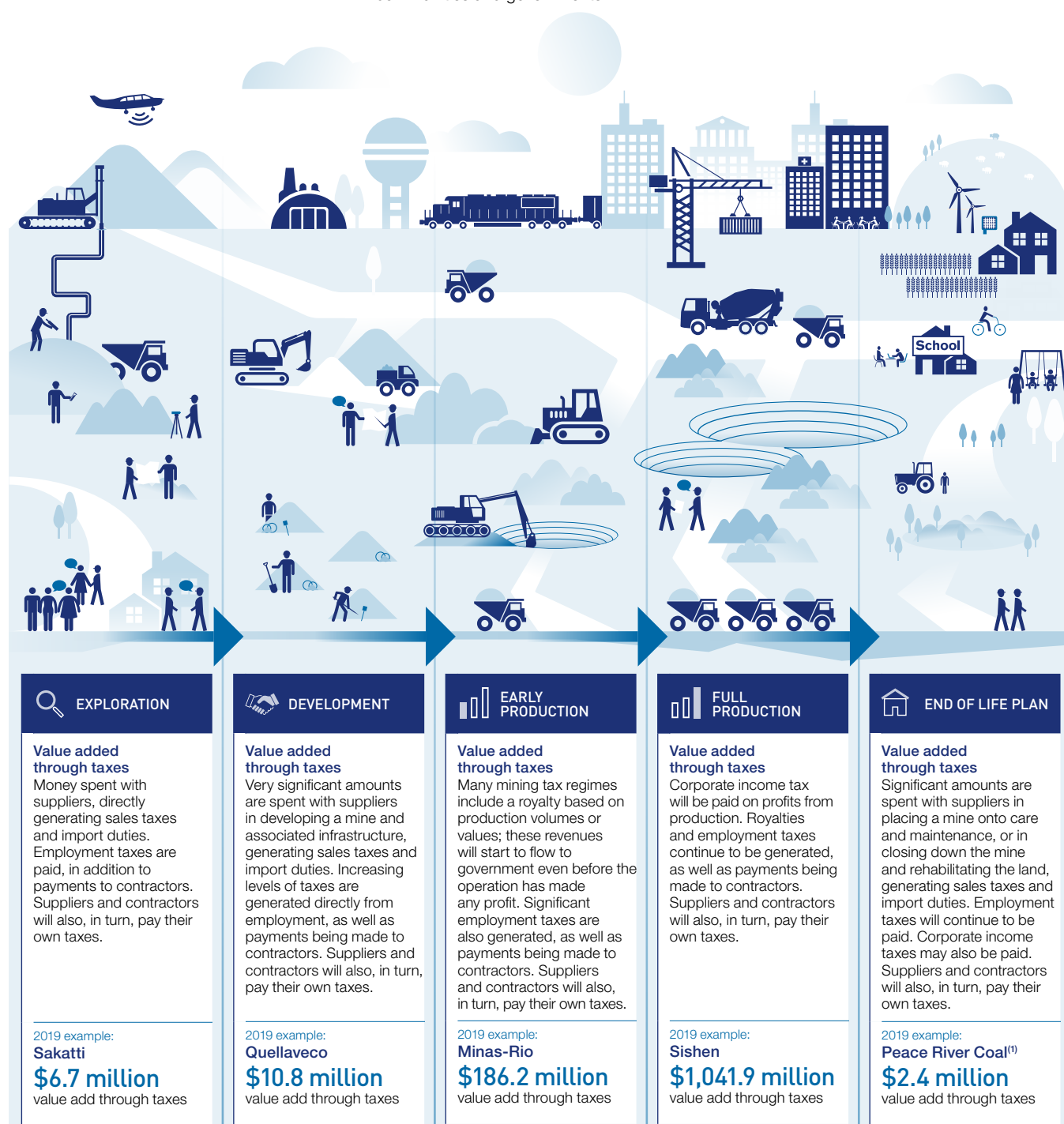
Funding for the Group comes from a range of external sources and instruments. Anglo American plc, the parent company of the Group, manages the overall funding and investment strategy, while the internal allocation of funding comes from UK Group finance company Anglo American Capital plc.

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.

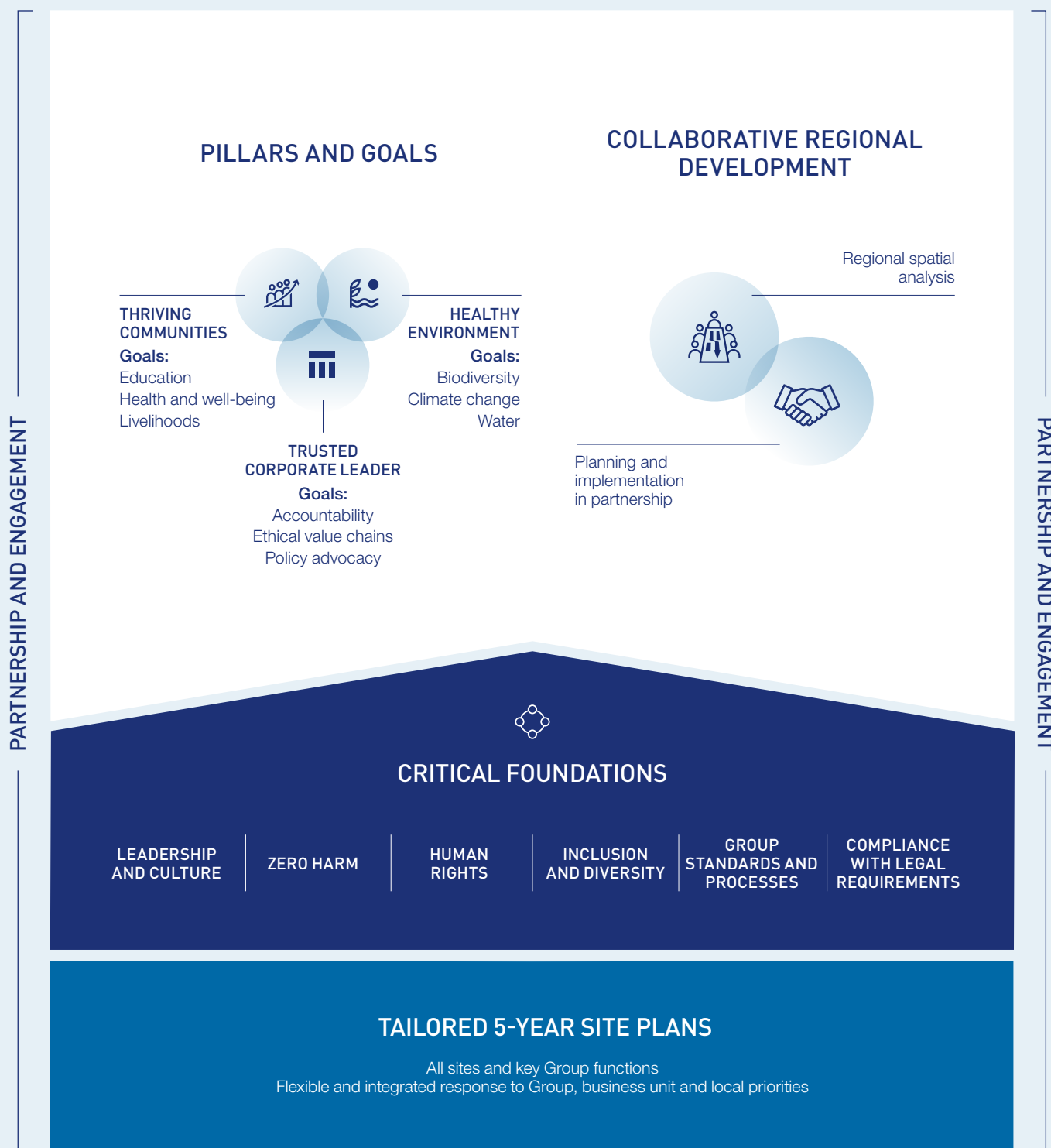


⁽¹⁾ Peace River Coal is on care and maintenance

EMBEDDING SUSTAINABILITY

SUSTAINABLE MINING PLAN

Integral to our FutureSmart Mining™ approach is our Sustainable Mining Plan, designed to tackle the most pressing environmental and social challenges and changing how our employees and stakeholders experience Anglo American, in line with our Purpose.



EMBEDDING SUSTAINABILITY CONTINUED

What sustainability means to us

A sustainable business is purposeful, competitive, resilient and agile. It is a business that thrives throughout economic and social cycles.

By understanding the context and listening to stakeholders, we can stay ahead of evolving trends and provide the solutions to societal expectations. By solving the physical challenges of mining through restless innovation, and by constantly searching for more responsible ways to do business, we are changing the way our employees and stakeholders experience our business – creating enduring value for all stakeholders.

This is the vision behind our Sustainable Mining Plan, comprising:

- Three Global Sustainability Pillars, each with a set of global stretch goals
- Five-year plans for each of our operating sites, tailored to their particular circumstances
- A unique approach to catalysing sustainable local economies, that we call Collaborative Regional Development
- Underpinned by non-negotiable Critical Foundations.

Collaborative Regional Development

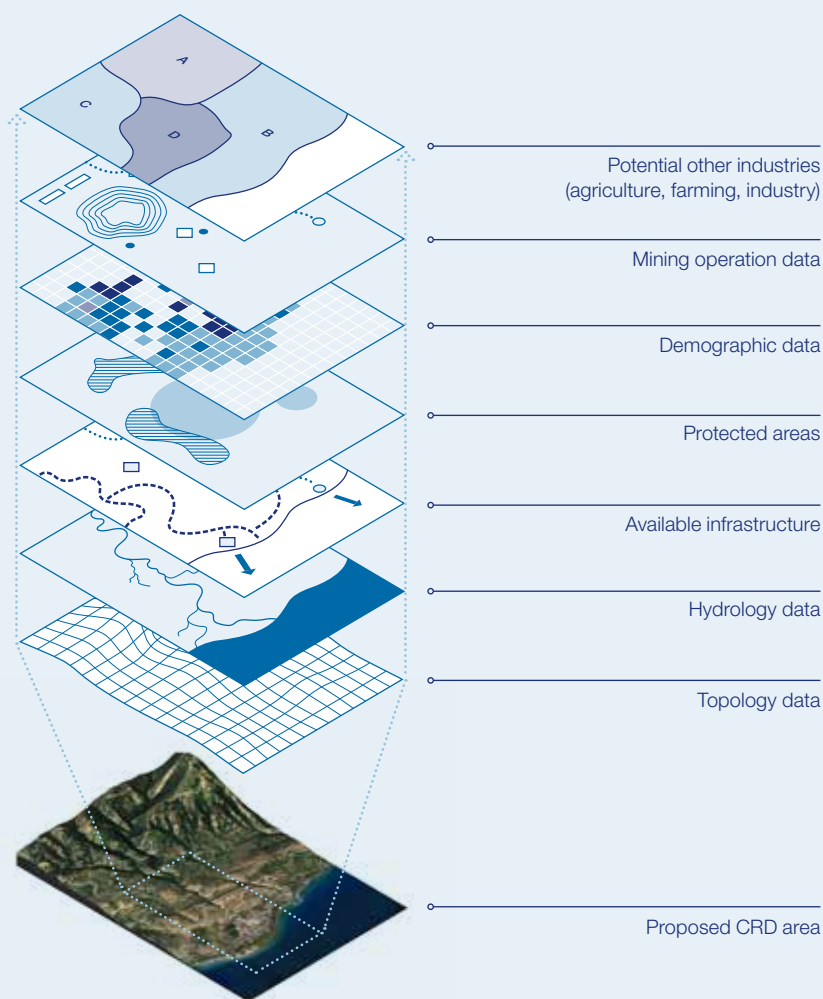
At the heart of our Sustainable Mining Plan is Collaborative Regional Development (CRD), our model for bringing long term sustainable economic opportunities to the regions around our operations. For our mines to be safe, responsible and productive, they need to operate in areas that are thriving; where mining has improved people's well-being by contributing to better living conditions. In many places, however, addressing the challenges to achieve this are simply too complex and large to be solved by one institution alone; they need to be tackled through collaboration and partnership.

CRD involves Anglo American acting as a facilitator and catalyst for change in the regions that host our operations. We look to form partnerships with other stakeholders, to jointly identify and then deliver long term social and economic development beyond our operations' immediate zones of influence.

We use spatial analysis and planning to identify these wider socio-economic development opportunities. Spatial planning involves aggregating multiple data sources, helping partners explore challenges and opportunities by visualising them in one location.

COLLABORATIVE REGIONAL DEVELOPMENT SPATIAL ANALYSIS

The diagram illustrates how different layers of data can be aggregated to identify key development opportunities. In practice, more than 20 data layers are used.



We have piloted the approach in Limpopo province in South Africa, where our CRD initiative, the Impact Catalyst, now has four main partners.

We have also started implementing the CRD approach in the Northern Cape province of South Africa, as well as in Botswana, Brazil, Colombia and Peru.

Critical Foundations

We have identified six Critical Foundations that underpin our Sustainable Mining Plan. These are minimum requirements of our sustainability performance, which are essential for our long term credibility and success. They ensure that we operate responsibly across all areas and aspects of our business.

Our six Critical Foundations are:

- Zero harm
- Leadership and culture
- Human rights
- Inclusion and diversity
- Group standards and processes
- Compliance with legal requirements.

SOCIO-ECONOMIC CONTRIBUTION

Anglo American contributes to economies and society both directly and indirectly, through the taxes and royalties we pay, the jobs we create, the local workforces we upskill, the local business opportunities we generate, and the education and community health initiatives we support.

Anglo American's socio-economic contribution takes place on several levels:

- The economic value added to a country through royalties and taxes
- The economic value that our business operations add for communities, which is enhanced by our policies on inclusive procurement and supporting local suppliers
- Our long-term socio-economic development work, through which we partner with local institutions, address local needs, and build sustainable local economies that are less dependent on our mines
- Our Collaborative Regional Development (CRD) work, through which we partner with governments, communities and NGOs to help diversify and strengthen the regional economy as whole.

We take a long-term view, designing our operations and community development interventions to enable communities and economies to thrive well beyond the closure of our mines.

Sustainable Mining Plan

[For more information](#)



THRIVING COMMUNITIES

Education

2030: Schools in host communities to perform within the top 20% of state schools nationally. 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.

Health and well-being

2030: SDG3 targets for health to be achieved in our host communities.

Livelihoods

2030: Five jobs created/supported off-site for every job on-site. Mines in communities with low unemployment have the flexibility to set an alternative meaningful target. The targets apply at a regional level and are not directly linked between mines and mine communities.

Rolling out Collaborative Regional Development

Our Collaborative Regional Development (CRD) approach, integral to our Sustainable Mining Plan, was launched in South Africa's Limpopo province, and now sits at the heart of our approach to socio-economic development. We recognise the need to undertake certain initiatives on a larger, regional scale, to achieve measurable social change and establish diversified and resilient regional economies. We also appreciate the need to develop and implement these initiatives in collaboration with other regional stakeholders. Our approach is designed to meet the need for sustainable, regional development that does not rely solely on the employment and supply chain opportunities provided by mining.

CRD uses spatial planning and analysis and a high-level, systemic approach to identify the industries and sectors that have the greatest potential for resolving a region's priority social issues. We then seek to establish partnerships with other businesses, government, community, entrepreneurs, academics and faith-based groups. Through these partnerships, we develop plans, secure funding and implement sustainable development models that can realise the opportunities.

We started our CRD work in Limpopo province, South Africa, forming a cross-sectoral partnership with the Council for Scientific and Industrial Research (CSIR), World Vision International, the mining company Exxaro and the Limpopo provincial government. The partnership, known as the Impact Catalyst, has started to launch several projects, including: integrated game farming, agricultural markets and agri-processing, and community-orientated primary care.

On the basis of this work, we adopted the approach as part of our Sustainable Mining Plan in 2018, and explored undertaking the same approach in other regions where we operate. In 2019, we began an assessment process to identify further CRD opportunities related to our operations in Peru, Brazil and South Africa's Northern Cape province. We are also supporting Debswana, as it undertakes a spatial assessment of development opportunities in Botswana, and the non-managed joint venture, Cerrejón, in which the Group has a one-third shareholding, is assessing CRD opportunities in La Guajira in Colombia.

SOCIO-ECONOMIC CONTRIBUTION CONTINUED

Progress towards our socio-economic development targets for thriving communities

In 2019, we achieved our initial objective of completing baseline studies for each objective at every Anglo American site, in order to measure progress over the next 10 years. We will use these studies to publish detailed targets for each site during 2020.

- For our goal of positively impacting **livelihoods**, in 2019 we agreed on our target definitions and how to measure the number of jobs that we create. In 2020, we will focus on developing site-specific strategies to meet our targets through inclusive procurement, enterprise and skills development, social investment, and developing local government capacity.
- For our goal of positively impacting **health and well-being**, we collaborated with the London School of Hygiene & Tropical Medicine, to conduct baseline assessments and gap analyses that will inform the development of tailored interventions and strategies in 2020.
- For our goal of providing excellent access to **education and training**, we have completed a situation analysis for 110 schools in our host communities in South Africa, in partnership with the Department of Basic Education. Following the launch of the Education Initiative in South Africa, the programme is now looking at establishing appropriate education programmes and associated targets across the other countries in which we operate. In regions where the Programme for International Student Assessment (PISA) score is low, we will adopt a similar target as South Africa, but where the PISA score is high, we will, in consultation with relevant stakeholders, look to develop situation-relevant education goals and targets.

Our approach to inclusive procurement and local supply chains

Anglo American is committed to inclusive procurement and developing local supply chains that can support resilient communities. We aim to build these supply chains by supporting small-business growth in our host communities, stimulating job creation, building manufacturing capacity, and focusing on creating economic opportunities for previously excluded groups.

In 2019, our operations spent approximately \$11.6 billion (2018: \$10.2 billion) with suppliers, which accounted for nearly 47% (2018: 47%) of the total economic value that we contributed. Of this, we spent a total of \$2.9 billion (2018: \$2.8 billion) with local and marginalised groups, representing 24% of total supplier expenditure (2018: 27%). Our total spend with suppliers based in our host communities amounted to \$0.6 billion (2018: \$2.1 billion).

To improve accuracy in our reporting and ensure maximum positive impact on our host community and local suppliers, in 2019 we started redefining how we measure our support for local and host community suppliers. This new definition was first rolled out in South Africa and will be rolled out in the rest of the world in 2020. This process means that our 2019 reporting numbers are not comparable to 2018. We expect to harmonise the data in 2020.

Our approach aligns with national and regional policies that are designed to increase opportunities for previously marginalised groups. These include the First Nation Impact and Benefit Agreements in Canada, the promotion of Aboriginal procurement in Australia, and Broad-Based Black Economic Empowerment in South Africa.

Supplier and enterprise development

Many of our small suppliers need help to meet our supplier standards in areas such as safety and health, environmental protection and respecting human rights. In South Africa, we help suppliers meet these requirements through our capacity-building programme for small businesses in our host communities, called Anglo American Zimele. For three decades, Zimele has helped to fund and capacitate 2,300 small, medium and micro-sized enterprises (SMMEs) and created more than 50,000 jobs.

In recent years, we have focused the Zimele programme on enterprise development, to ensure that the funding we provide translates into sustainable SMMEs that can create economic opportunity over the long term. We are working in collaboration with local banks and development institutions to roll out new programmes that provide mentorship, help suppliers access new markets and develop skills among young people. These programmes are delivered through host-community hubs that we are rolling out in collaboration with TechnoServe, an international nonprofit.

We now run small business support programmes in the majority of our host countries. Details of the different programmes are set out in the table below.

ANGLO AMERICAN ENTERPRISE DEVELOPMENT PROGRAMMES

Country	Name of the programme	Partners
Brazil	Crescer	Crescer, which means 'to grow' in Portuguese, is our enterprise development programme in Brazil. Working with TechnoServe, we are focused on supporting entrepreneurs in the areas around our Minas-Rio iron ore operation.
Chile	Emerge	In partnership with Fondo Esperanza and TechnoServe, we have supported more than 50,000 entrepreneurs and small to medium-sized businesses (SMEs).
Peru	Emerge	Building on Peru's sophisticated micro-credit sector, our enterprise development programme helps SMEs get access to capital. The scheme focuses on supporting businesses in the Moquegua region of southern Peru.
Botswana	Tokafala	In partnership with the Botswana government, De Beers, Debswana and TechnoServe, we set up this programme to support up to 5,600 jobs and foster the growth of up to 1,000 SME businesses. The partnership aims to help Botswana leverage the power of the mining sector to diversify its economy.
South Africa	Zimele	Our flagship scheme, empowers black entrepreneurs to start or grow businesses. We have now funded 1,885 businesses, employ in excess of 38,000 people. Zimele is delivered in partnership with TechnoServe and ABSA Bank.

Building local capacity

In 2019, we revamped our support programme for municipal authorities to look at the full value chain involved in delivering local services. We are seeking to partner with other organisations that aim to support local government, thereby avoiding duplication of effort. We have also extended our support for district-level planning in South Africa in response to a request from the government to help implement a new government initiative. The new initiative aims to develop and implement longer-term district development plans with the support of partners across different sectors. By participating in district-level planning for the regions where we operate, we hope to provide a blueprint that can be replicated across South Africa.

Social investment

In 2019, our Corporate Social Investment (CSI) reached \$114 million (2018: \$82 million), which represents 2% of underlying earnings before interest and taxes (EBIT), less underlying EBIT of associates and joint ventures.

We focus our CSI on health, education and community development, in line with our Sustainable Mining Plan. We invested \$29 million on education and training initiatives in 2019, and \$12 million on health and welfare projects.

In 2019, we combined the operations of the Anglo American Chairman's Fund and the Anglo American Group Foundation, our respective foundations in South Africa and the UK, to create the [Anglo American Foundation](#). We have aligned the Foundation's aims with our Sustainable Mining Plan.

GLOBAL CSI EXPENDITURE BY TYPE⁽¹⁾

	\$'000	%	
Community development	41,700	37	
Education and training	28,625	25	
Water and sanitation	20,664	18	
Health and welfare	11,919	10	
Sports, art, culture and heritage	3,003	3	
Other	2,558	2	
Disaster and emergency relief	2,070	2	
Environment	1,968	2	
Institutional capacity development	1,501	1	
Energy and climate change	119	0	
Total	114,127		

⁽¹⁾ Discrepancies may occur due to rounding.

ECONOMIC VALUE DISTRIBUTION 2019⁽¹⁾

	\$ billion	%	
Suppliers	11.60	47%	
Employees	3.47	14%	
Reinvested in the Group	3.84	15%	
Company taxes	4.08	16%	
Dividends	1.42	6%	
Providers of capital	0.33	1%	
Corporate social investment	0.11	0%	
Total	24.86		

⁽¹⁾ Discrepancies may occur due to rounding.

The economic value we added in 2019

The people we employ, taxes we pay and money that we spend with suppliers represent our most significant positive contribution to economies and our host communities. The majority of this expenditure is in developing countries, and the multiplier effect means that our total economic contribution extends far beyond the value that we add directly.

In 2019, we contributed \$24.9 billion of direct economic added value. This includes:

- \$11.60 billion paid to suppliers
- \$3.47 billion to our employees through wages and related expenditure
- \$4.08 billion in taxes and royalties borne and collected
- \$1.42 billion paid to Anglo American plc shareholders
- \$0.33 billion to providers of capital
- \$3.84 billion that was reinvested in the Group
- \$114 million on Corporate Social Investment (CSI).

SOCIO-ECONOMIC CONTRIBUTION
CONTINUED

Payments to governments

Anglo American has voluntarily provided information about its tax payments on a country-by-country basis for the past 13 years, and we have fully complied with the 2013 EU Accounting Directive since it was introduced. We see public disclosure as a key means of building trust in society around mining. We are an active supporter of the Extractive Industries Transparency Initiative (EITI), and Anglo American is one of four mining companies represented on the EITI board. We participate in the Multi-Stakeholder Groups initiative in the three countries where we have a presence that are members of the initiative: Peru, Ecuador and Zambia.

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 us to submit a full analysis of tax and other payments to governments, on a project-by-project basis, to Companies House, the UK registrar of companies.

Investing in people’s
development and learning

In 2019, we launched LEARN+, a single, user-friendly interface that makes it easy for our employees and people in our communities to access our growing range of online learning resources.

Anglo American spent \$90 million on training in 2019, a 5% decrease over the previous year (\$94 million). After 12 months, 52,000 employees had engaged with LEARN+ content, with participants spending an average of four hours per month consuming learning content.

TAXES BORNE AND COLLECTED:
DEVELOPED VS. DEVELOPING COUNTRIES

	\$'000	%	
Developing	4,854	65	<div></div>
Developed	2,617	35	<div></div>
Total	7,471		

OUR ECONOMIC CONTRIBUTION IN AUSTRALIA IN 2019

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

\$670.0m

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

\$5,069.7m

TOTAL PROCUREMENT

\$1,820.4m

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

\$42.5m

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.

WAGES AND RELATED PAYMENTS

\$349.3m

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

\$2,228.4m

\$1,074.6m

Corporate income tax
Calculated based on profits and includes withholding taxes.

\$898.1m

Royalties and mining taxes
Revenue, production and profit based royalties.

\$111.4m

Other payments borne
Other payments directly incurred by Anglo American.

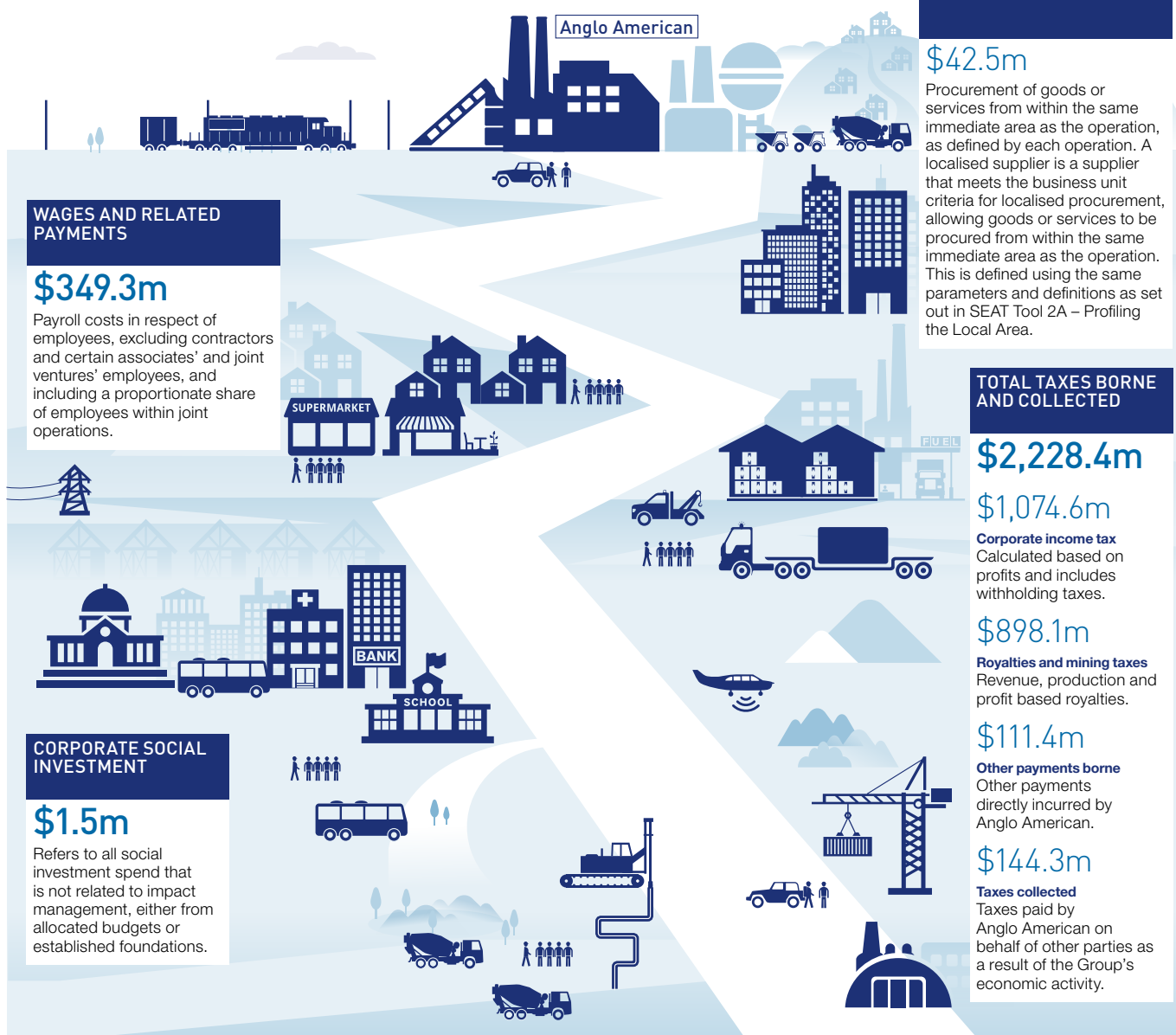
\$144.3m

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

CORPORATE SOCIAL INVESTMENT

\$1.5m

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



CAPITAL
INVESTMENT

\$89.3m

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$1,616.9m

TOTAL
PROCUREMENT

\$747.2m

LOCAL PROCUREMENT

\$596.6m

WAGES AND RELATED PAYMENTS

\$80.8m

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.

CORPORATE SOCIAL INVESTMENT

\$3.5m

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

TOTAL TAXES BORNE
AND COLLECTED

\$696.1m

\$363.1m

Corporate income tax
Calculated based on profits and includes withholding taxes.

\$274.4m

Royalties and mining taxes
Revenue, production and profit based royalties.

\$2.3m

Other payments borne
Other payments
directly incurred by
Anglo American.

\$56.3m

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

CAPITAL
INVESTMENT

\$247.0m

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$1,781.8m

TOTAL
PROCUREMENT

\$1,091.1m

LOCAL
PROCUREMENT

\$93.9m

WAGES AND RELATED PAYMENTS

\$174.2m

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.

CORPORATE SOCIAL INVESTMENT

\$6.7m

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

TOTAL TAXES BORNE
AND COLLECTED

\$262.7m

\$19.2m

Corporate income tax
Revenue, production and profit based royalties.

\$64.3m

Royalties and mining taxes
Revenue, production and profit based royalties.

\$79.0m

Other payments borne
Other payments
directly incurred by
Anglo American.

\$100.2m

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 2019

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 has reached the end of its life during the second quarter of 2019.

CAPITAL INVESTMENT

\$31.7m

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

\$501.2m

TOTAL PROCUREMENT

\$340.1m

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

\$66.1m

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

\$66.3m

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

\$62.3m

\$27.3m

Royalties and mining taxes
Revenue, production and profit based royalties.

\$3.7m

Other payments borne
Other payments directly incurred by Anglo American.

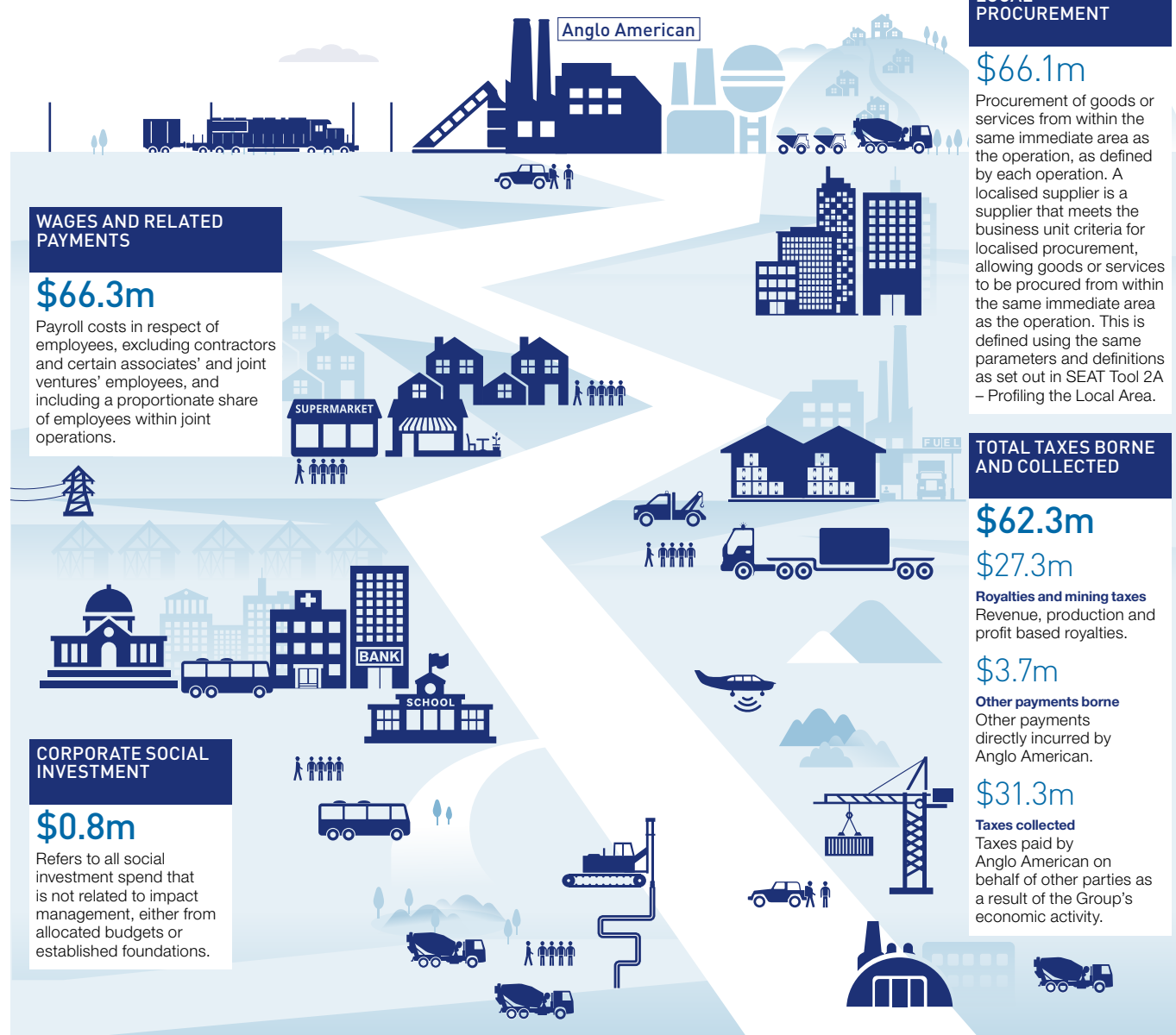
\$31.3m

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

CORPORATE SOCIAL INVESTMENT

\$0.8m

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



OUR ECONOMIC CONTRIBUTION IN CHILE IN 2019

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.

CAPITAL INVESTMENT

\$584.0m

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

\$391.3m

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

\$28.0m

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

\$3,445.7m

TOTAL PROCUREMENT

\$1,455.2m

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

\$70.5m

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

\$987.3m

\$664.7m

Corporate income tax
Calculated based on profits and includes withholding taxes.

\$119.6m

Royalties and mining taxes
Revenue, production and profit based royalties.

\$85.9m

Other payments borne
Other payments directly incurred by Anglo American.

\$117.1m

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 NAMIBIA IN 2019

Debmarmine 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.

CAPITAL INVESTMENT

\$55.3m

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

\$81.2m

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.

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.

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$1,105.1m

TOTAL PROCUREMENT

\$551.4m

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

\$215.2m

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

\$413.4m

\$86.7m

Corporate income tax
Calculated based on profits and includes withholding taxes.

\$83.8m

Royalties and mining taxes
Revenue, production and profit based royalties.

\$95.2m

Other payments borne
Other payments directly incurred by Anglo American.

\$147.7m

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 PERU IN 2019

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.

CAPITAL INVESTMENT

\$494.0m

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

\$2,084.6m

TOTAL PROCUREMENT

\$1,519.9m

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.

LOCAL PROCUREMENT

\$74.1m

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

\$41.1m

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

\$10.8m

\$0.1m

Corporate income tax
Calculated based on profits and includes withholding taxes.

\$3.7m

Other payments borne
Other payments directly incurred by Anglo American.

\$7.0m

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

CORPORATE SOCIAL INVESTMENT

\$18.8m

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

CAPITAL
INVESTMENT

\$2.0m

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$905.5m

TOTAL
PROCUREMENT

\$830.4m

LOCAL
PROCUREMENT

\$253.7m

WAGES AND RELATED PAYMENTS

\$59.4m

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

\$13.6m

\$12.1m

Corporate income tax
Calculated based on profits and includes withholding taxes.

\$0.3m

Other payments borne
Other payments
directly incurred by
Anglo American.

\$1.2m

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

CAPITAL
INVESTMENT

\$1,516.6m

TOTAL TAX AND ECONOMIC CONTRIBUTION

\$9,047.6m

TOTAL
PROCUREMENT

\$3,823.9m

LOCAL
PROCUREMENT

\$2,366.4m

WAGES AND RELATED PAYMENTS

\$1,751.4m

CORPORATE SOCIAL INVESTMENT

\$47.9m

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

TOTAL TAXES BORNE AND COLLECTED

\$1,908.0m

\$967.3m

Corporate income tax
Calculated based on profits and includes withholding taxes.

\$340.5m

Royalties and mining taxes
Revenue, production and profit based royalties.

\$106.2m

Other payments borne
Other payments
directly incurred by
Anglo American.

\$494.0m

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 THE UNITED KINGDOM IN 2019

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

CAPITAL INVESTMENT

\$33.0m

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

\$929.6m

TOTAL PROCUREMENT

\$322.4m

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.

WAGES AND RELATED PAYMENTS

\$297.6m

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.

TOTAL TAXES BORNE AND COLLECTED

\$274.9m

\$42.0m

Corporate income tax
Calculated based on profits and includes withholding taxes.

\$59.4m

Other payments borne
Other payments directly incurred by Anglo American.

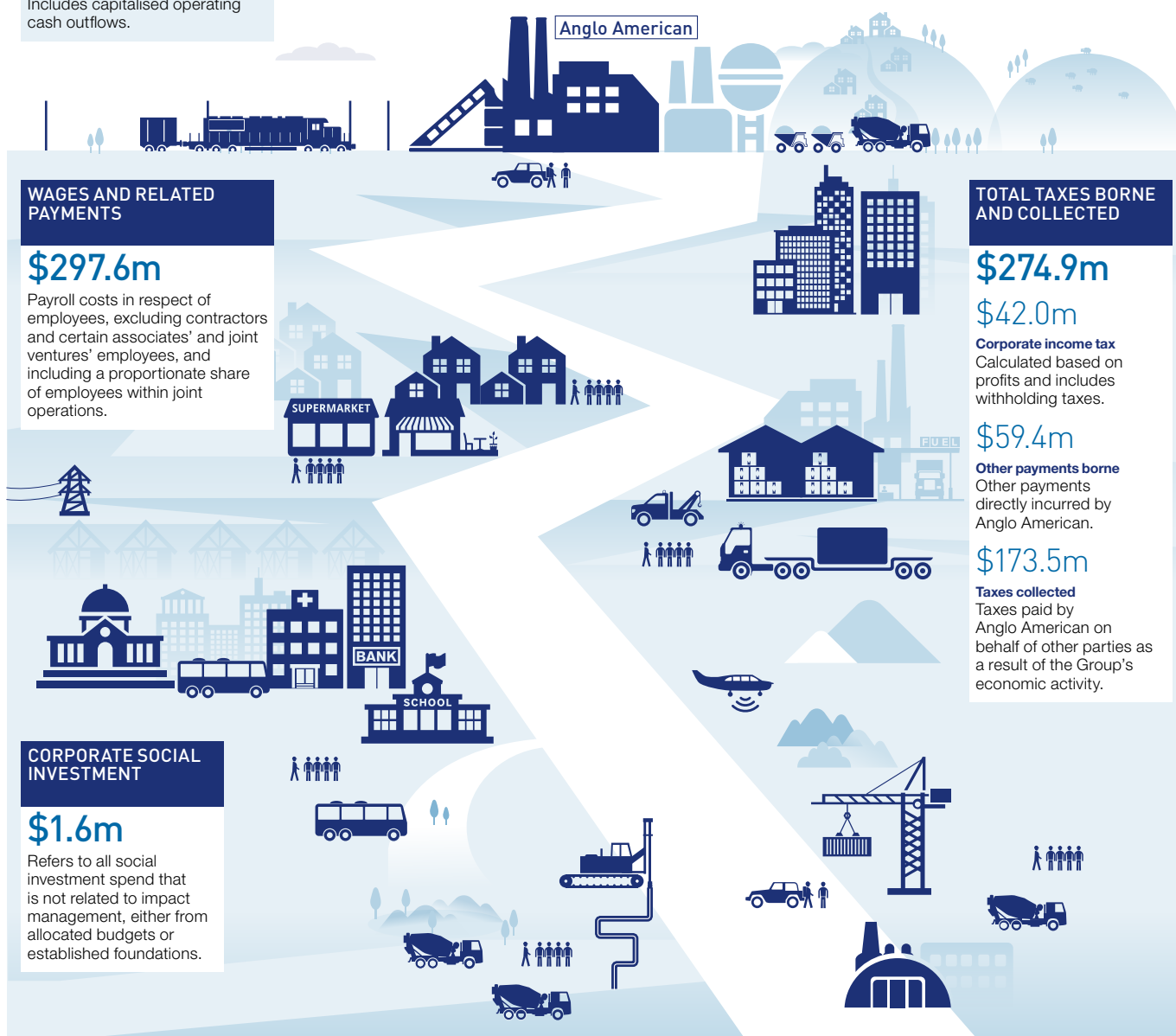
\$173.5m

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

CORPORATE SOCIAL INVESTMENT

\$1.6m

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 2019

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

CAPITAL INVESTMENT

\$19.0m

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

\$48.0m

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

\$1.1m

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

\$191.5m

TOTAL PROCUREMENT

\$95.4m

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

\$46.7m

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

\$28.1m

\$0.1m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$5.1m

Royalties and mining taxes

Revenue, production and profit based royalties

\$9.5m

Other payments borne

Other payments directly incurred by Anglo American.

\$13.4m

Taxes collected

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

RECONCILIATION OF 2019 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 2019		
	Profit before tax US\$ million	Tax (charge)/ credit US\$ million	Effective tax rate ⁽¹⁾
Calculation of effective tax rate (statutory basis)	6,146	(1,564)	25.4%
Adjusted for:			
Special items and remeasurements	150	(196)	
Associates' and joint ventures' tax and non-controlling interests	263	(258)	
Calculation of underlying effective tax rate	6,559	(2,018)	30.8%⁽²⁾

The effective tax rate in 2019 benefited from the impact of the relative levels of profits arising in the Group's operating jurisdictions.

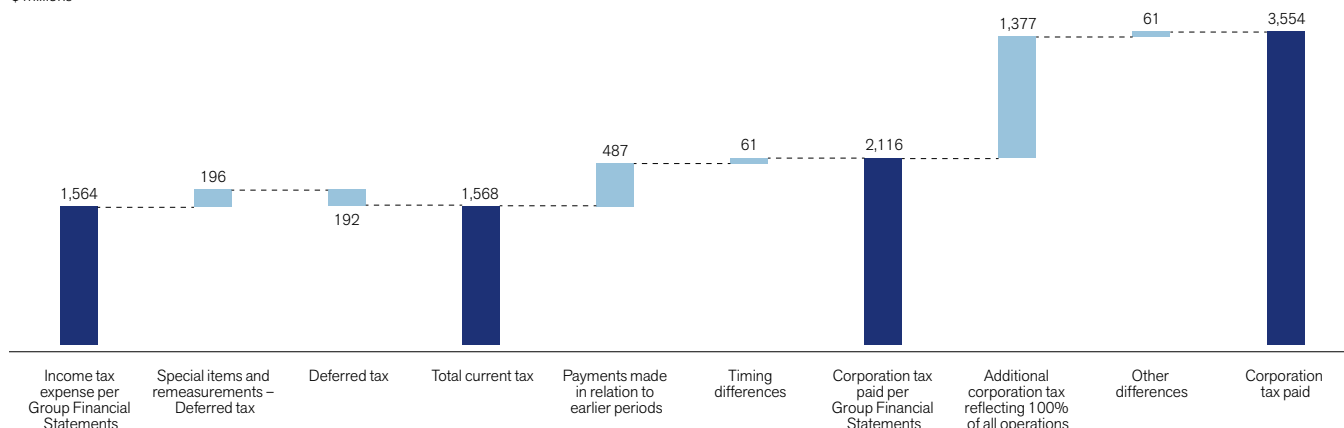
US\$ million	2019
Profit before tax	6,146
Less: Net income from associates and joint ventures	(389)
Profit before tax (excluding associates and joint ventures)	5,757
Tax calculated at United Kingdom corporation tax rate of 19%	1,094
Tax effects of:	
Items non-deductible/taxable for tax purposes	218
Temporary difference adjustments	
Current year losses not recognised	86
Recognition of losses and temporary differences not previously recognised	(15)
Utilisation of losses and temporary differences not previously recognised	(290)
Adjustment in deferred tax due to change in tax rate	4
Other temporary differences	46
Special items and remeasurements	(167)
Other adjustments	
Dividend withholding taxes	(195)
Effect of differences between local and United Kingdom tax rates	533
Prior year adjustments to current tax charge	(90)
Other adjustments	3
Income tax expense for the Group	1,564

⁽¹⁾ For calculation methodology see the Alternative Performance Measures in the Anglo American plc Integrated Annual Report 2019, page 228.

⁽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 2019. 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.

Payments to governments

The total payments made to government in 2019 of \$7,470.9 million are made up of the following items:

- Corporation tax \$3,554.3 million
- Royalties and mining taxes \$1,987.8 million
- Other taxes borne \$619.3 million
- Taxes collected \$1,309.5 million.

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

Since 1 January 2015, Anglo American has been subject to the project-by-project reporting requirements of the UK Reports on Payments to Government Regulations (SI 2014/3209) and Chapter 10 of the EU Accounting Directive (2013/34/EU). These rules require that the Group prepares and submits to Companies House, the UK registrar of companies, a full analysis of tax and certain other payments made to governments in respect of extractive projects on a project-by-project basis.

Anglo American's fifth report under this regime is due to be submitted in a specified format to Companies House on 30 June 2020 in respect of the year ended 31 December 2019. Further disclosures will be included on the Group website and will complement our disclosure to Companies House.

Country by Country Reporting

This year, in furthering our responsible approach to the management of taxes and to enhance our transparency Anglo American published its first aggregated country-by-country reporting data in accordance with the OECD's template in respect of the 2018 data. Anglo American will be publishing the same data in respect of 2019 when the data have been compiled and will further supplement the data include within this report.

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 2019.

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 2019. The assured data appears in the Tax and Economic Contribution Report 2019 ("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 2019 the assured indicator is:

- Total Taxes Borne by group and subsidiary entities of \$4,735m

The \$4,735m figure noted above forms 76.8% of the total disclosed by Anglo American of \$6,161m on page 3 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 2019;
- 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.

Inherent limitations

In relation to our work performed on the Total Taxes Borne for 2019, we note the following specific inherent limitation:

- 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 its 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.

Other matter

In relation to our work performed on the Total Taxes Borne for 2019, we note the following specific matter:

- Our assurance did not cover Taxes Borne data for Equity Accounted Entities as noted above. The Equity Accounted Entities excluded are: Cerrejon, Samancor and Jellinbah and make up 23.2% of the Total Taxes Borne. The TECR 2019 includes Taxes Borne data for: Cerrejon (included in the country-level information for Colombia), Samancor (included in the country-level information for Australia and South Africa), and Jellinbah (included in the country-level information for Australia). Testing was not carried out for accuracy and completeness of taxes borne in relation to these entities.

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 2019.

ASSURANCE REPORT CONTINUED

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 plan and perform our assurance engagement to obtain sufficient appropriate evidence on which to base our limited assurance conclusion.
- Our report is 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
29 April 2020

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.

GLOSSARY OF KEY TERMS

CONTINUED

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.

Anglo American plc
20 Carlton House Terrace
London
SW1Y 5AN
England

Tel +44 (0)20 7968 8888
Fax +44 (0)20 7968 8500
Registered number 3564138

www.angloamerican.com

Find us on Facebook
Follow us on Twitter