



Carbon Compensation Guidelines

Associated Group Policy: Climate Change Policy

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Purpose and Objectives

Anglo American's principal approach to addressing operational (Scope 1 and 2) Greenhouse Gas (GHG) emissions is through direct action in the form of projects implemented to decarbonise the business.

We do not currently see a pathway to absolute zero for our operational emissions, so negative emissions of some form have a role to play in compensating for any residual emissions.

Despite the risks, properly designed and implemented carbon compensation can be beneficial in several ways. In addition to supporting the delivery of carbon neutral or net zero targets, projects can provide co-benefits for other sustainability goals, including nature and water. Well-conceived projects should also benefit local communities, including through the contribution to local regional development. Projects that deliver multiple benefits can generate reputational returns. Finally, the carbon market is seen by some as an important means of using finance to generate climate action and/or attribute financial value to natural capital.

Carbon compensation and, especially offsetting is, however, an extremely contentious issue and carries significant financial and reputational risk. To minimise the risks and maximise the potential benefits, it is essential to have a Group-wide approach to carbon compensation, including the procurement of credits through the voluntary carbon market. The approach defined in these Guidelines, sets a framework and principles within which each business might choose to define its own, more detailed approach, and provides the basis on which the Anglo American Group can draw maximum benefit from its geographically diversified portfolio.

This Guidelines provide definition in two key areas:

- Under what circumstances can carbon compensation be used to support the achievement of decarbonisation objectives; and
- What principles underpin the generation of credits that we will use for decarbonisation.

Italics are used to indicate words that are defined or explained for the purpose of these Guidelines (refer to the section on Key Terms).

For ease of reading, we use generic language in describing the Group, and this is explained further under "About this Policy" at the end of this document.

Scope and Application

This is a document applies to Anglo American globally, unless any aspect of the Guidelines are not permitted by local law or regulation. Our people have a duty to uphold and comply with the laws of the countries and jurisdictions in which they operate. National laws and standards always take precedence. If the provisions of these Guidelines conflict with applicable national laws and/or standards, the latter must be followed. However, the remaining provisions in these Guidelines will continue to apply.

To the extent that these Guidelines incorporate identical, similar, alternative, or more rigorous provisions than the requirements of national laws and/or standards without conflict, full compliance with these provisions is mandatory.

This document sets out Anglo American's position in respect of areas within its scope. It is not, and is not intended to be, comprehensive and should not be regarded as legal advice. Appropriate guidance on these Guidelines, relevant laws and their application to any particular situation should always be sought.

This document applies to all directors, employees, contractors and representatives acting on behalf of Anglo American plc's managed businesses and operations.

Where the Group does not manage an operation or project, but it is associated with an operation or project through a business relationship, such as a joint venture or other business partnership, it will seek to influence the relevant operation to adopt an equivalent approach to that set out in these Guidelines, if one is not already in place.

Mandatory Requirements

Anglo American's approach to carbon neutrality follows a standard carbon mitigation hierarchy. This means, in order of priority, we:

1. *Avoid* creating unnecessary emissions and optimise our efficiency to *reduce* emissions. Energy and fuel efficiency initiatives fall into this category.
2. *Substitute* emissions that cannot be avoided by using lower emissions sources of energy and *sequestering* emissions where possible.
3. Compensate for residual emissions through direct delivery of carbon negative impacts on and around our operations (*inset*) and through the retirement of Voluntary Carbon Market Carbon Credits (*offset*).

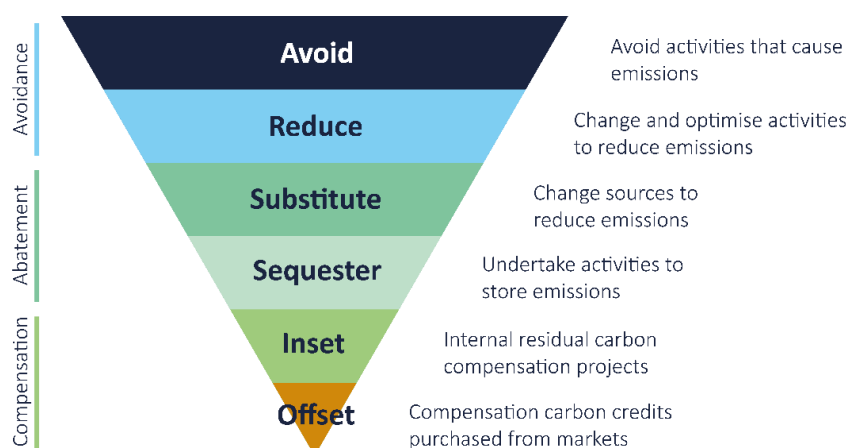


Figure 1: The carbon mitigation hierarchy¹

Group Carbon & Innovation is responsible for delivering the roadmap and guidelines for the Group's Scope 1 and 2 decarbonisation pathway, and for co-delivering decarbonisation projects with the businesses. Supply Chain and Marketing are responsible for working with partners to reduce the Group's upstream and downstream Scope 3 emissions respectively. In addition, Group Carbon & Innovation facilitates the Group's interactions with the Voluntary Carbon Markets.

Principles for the use of carbon compensation

General

- The Anglo American Group is committed to decarbonising, following a credible carbon mitigation hierarchy.
- Internal carbon compensation projects and Voluntary Carbon Market Carbon Credits constitute a last resort in addressing emissions.
- Compensation of emissions, either through compensation projects or the retirement of Voluntary Carbon Credit (VCCs) certificates, for which there are technical alternatives higher in the emissions hierarchy must be approved by the Climate Change Committee and CorpCo.
- VCCs constitute a temporary solution to residual emissions and will be treated as a bridge while permanent decarbonisation solutions are sought.

¹ Adapted from WWF carbon mitigation hierarchy.

- Our aim is that in achieving our emissions reduction goals we will minimise the use of compensation and have no more than 10% of the Group's emissions baseline² addressed by credits procured from third parties, in line with current best practice laid out by the United Nation's Framework Convention on Climate Change (UNFCCC) in its definition of "net zero".
- In the event any business seeking to address in excess of 10% of the emissions baseline in compensation must be approved by the Climate Change Committee (CCC) as this will require corresponding adjustments elsewhere in the portfolio. Should the Chair of the CCC deem it necessary, such projects can be elevated to CorpCo for further approval.
- Any interactions with the Voluntary Carbon Market by any part of the Anglo American Group should be through the Group Carbon & Innovation team.
- When making any decisions related to carbon compensation, apply the code of conduct decision-making tool.
 - Is it legal?
 - Does it comply with our code of conduct?
 - Does it reflect our values and culture?
 - Could it affect Anglo American badly if everyone did it?
 - Would it look bad in a newspaper story?
 - Could it negatively affect Anglo American stakeholders?

If at all uncertain, seek guidance from Group Carbon & Innovation or Group Sustainability.

Anglo American Compensation Projects – Strategic

- The Group favours direct action over the purchase of third-party carbon credits to address residual carbon emissions.
- The Group favours carbon removals over carbon avoidance, in line with existing UN-led best practice which states that to achieve "net zero" only removals credits can be used. Avoidance projects may be considered in jurisdictions where removals opportunities are technically or economically prohibitive.
- The extent to which a project can be considered direct action is indicated by the extent of ownership and/or direct control Anglo American exercises over a project.
- Any sales credits generated by compensation projects should be transacted through Group Carbon & Innovation, following approval by the Climate Change Committee.

Anglo American Compensation Projects – Project-generation

- In developing projects designed primarily to offset GHG emissions, the Group favours developing compensation projects in the most appropriate locations around the world to maximise the carbon benefit and to generate value. Group Carbon & Innovation lead on the development of group-wide projects and should be consulted by businesses on business-led initiatives.
- There may be circumstances where businesses are required by law or feel compelled by local circumstance to develop projects in locations which are not the most appropriate for generating maximum carbon benefit. To be defined as a carbon compensation project, any such project must be approved by the Climate Change Committee.

² Baseline will be adjusted to reflect investments and divestments as laid out in the relevant guidelines.

- Projects should be delivered in such a way as to maximise the environmental, social and other co-benefits to our surrounding local stakeholders.
- Carbon credits generated from each project must be verified against the best-in-class certification standards, which can include the Voluntary Carbon Market Initiative's Core Carbon Principles. Offsets generated must provide additionality and, for removals projects, aim for long-term storage or permanence.

Voluntary Market Credit Procurement

- Voluntary Carbon Credit certificates will only be procured for the purposes of compensating Scope 1 or 2 emissions when all other avenues of decarbonisation have been exhausted, where an Anglo American compensation project is not feasible or available, or where the VCCs are acting as a bridging mechanism for or insurance against, decarbonisation or compensation project delivery.
- VCCs will be procured through Group Carbon & Innovation, with selection based upon the Carbon Project Selection Tool.
- Group Carbon & Innovation will hold the inventory of VCCs for the Anglo American Group.

VCC Retirements – Compensation projects and the Voluntary Carbon Market (VCM)

- Decisions to retire VCCs, whether created by Anglo American compensation projects or purchased in the VCM, will be made by individual businesses in line with their decarbonisation pathway. The Climate Change Committee will be informed of all retirements.
- Any decisions to retire VCCs outside the planned decarbonisation pathway, unless used for compliance or tax reasons, must be agreed by the Climate Change Committee.

VCC Sales – Compensation projects

- Any excess VCCs from internal compensation projects will only be sold after all Scope 1 and 2 emissions in the project jurisdiction have been addressed. Any exceptions to this must be agreed by the Climate Change Committee.
- Excess credits from compensation projects will be offered first to Anglo American Group businesses.
- In some instances, Anglo American may be in a position to generate extremely high quality VCCs which have a market value above that which Anglo American is willing to pay to offset our own emissions³. There may be strategic reasons to produce and sell these carbon credits before all Scope 1 & 2 emissions have been addressed. However, this will require the agreement of the Climate Change Committee and could include the ringfencing of proceeds for internal carbon reduction initiatives.
- VCCs generated from internal compensation projects will only be sold to third parties with credible decarbonisation roadmaps.
- All VCCs sales will be made via Group Carbon & Innovation.

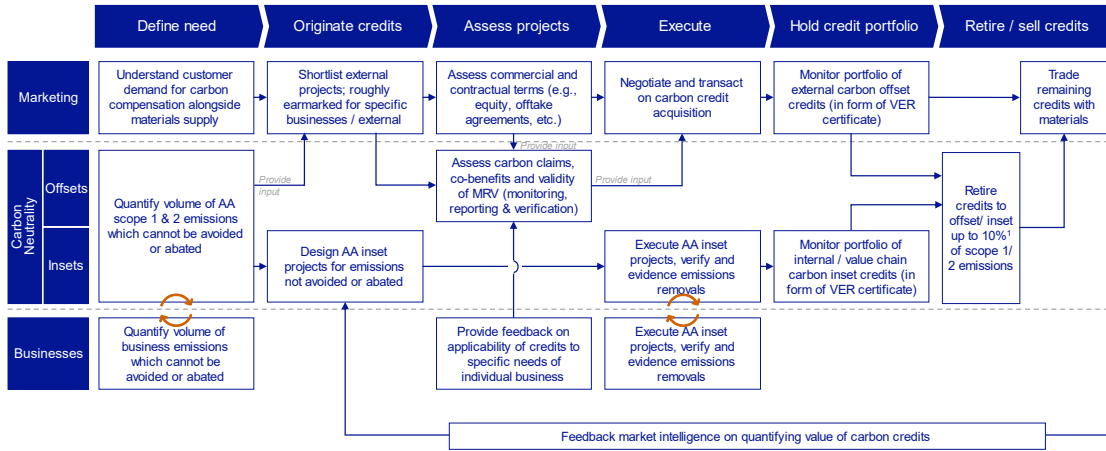
Scope 3

- We have no plans to use offsetting to deliver our Scope 3 ambition.

³ Mineral carbonation credits, or enhanced rock weathering credits, for example.

- VCCs will not be retired on behalf of Anglo American to address the emissions of other entities.

CN and Marketing teams collaboration in the carbon credit lifecycle requires clear alignment on carbon credit retirement



Note: 1. To be determined if 10% is appropriate target; VER = Verified Emission Reduction

Roles and Responsibilities

It is the responsibility of everyone in the Group involved in carbon projects, reporting, or VCM activities to familiarise themselves with and adhere to these Guidelines, regardless of region, country or operation.

- All Group employees and contractors (acting on behalf of the Group in any carbon context) are required to:
 - Read, familiarise and adhere to these Guidelines and any updates made to them.
 - Seek advice and guidance if unsure of any of the contents of these Guidelines.
 - Ensure that any commercial or reporting activity conducted on behalf of the Group fully complies with these Guidelines.

- Adherence to the principles outlined in these Guidelines are realised through:
 - Engaging Group Carbon & Innovation once the need or opportunity to leverage carbon compensation or the VCM have been identified.
 - Ensuring that VCM purchases have been made through Group Carbon & Innovation.
 - Ensuring that the planned reliance on carbon compensation or VCM markets is forecast in a timely manner to ensure viable delivery.
 - Ensuring that if breaches are necessary to the limits defined in these Guidelines, they are escalated through the appropriate defined escalation channels.
 - Ensuring that the details of all internal carbon compensation projects are transparently reported, and the carbon claims transparently audited.
 - Ensuring that any credit retirement is reported transparently, including the emissions source being addressed.
 - Ensuring that no sourcing or disposing of any voluntary carbon instruments outside of the authorised processes occurs.

Performance Monitoring

- 1st Line: Business Units and Group Functions are responsible for ensuring compliance with these Guidelines.
- 2nd line: Group Carbon & Innovation are responsible for providing complementary expertise, support, monitoring, and challenging instances of non-compliance to these Guidelines.
- 3rd line: ABAS are responsible for providing independent assurance in relation to the adequacy and effectiveness of the Guidelines' controls in meeting the objectives of the Guidelines.

Failure to Comply

No one is permitted to develop voluntary carbon projects, or to source, sell or retire VCCs, without following these Guidelines or the reporting requirements in these Guidelines and its associated documents.

- All VCCs procured, held, sold or retired on behalf of the Group will be included in the annual emissions inventory published on the Group website.
- GHG emissions and removals will be published together to demonstrate the balancing of the emissions towards carbon neutrality.
- It is the responsibility of each Business to ensure that all data related to VCC inventories is shared with Group Sustainability, who will be responsible for collating the emissions inventory each year.
- We co-operate with the legitimate enquiries of relevant law enforcement agencies, sectoral regulators, national courts and other fora with powers to enforce the laws relevant to these Guidelines.

Reporting suspected breaches

Our people must report any breaches, or potential breaches of these Guidelines, of which they become aware, to Legal and/or other relevant internal functions.

If you believe that you or a colleague may have engaged in conduct that is inconsistent with these Guidelines, you have a responsibility to bring this to the attention of Anglo American via your Line Manager.

If you prefer to make a report anonymously, contact YourVoice (www.yourvoice.angloamerican.com). YourVoice is a confidential reporting service for all employees, suppliers, business partners and stakeholders of Anglo American to raise concerns about potentially unethical, unlawful or unsafe conduct and practices that contravene our Code.

Consequences of incidents

People are held accountable for their behaviour when working for or on behalf of Anglo American, and appropriate action is taken where behaviour is inconsistent with the Code of Conduct, policies, standards and procedures. Consequences depend on the circumstances, and could range from a warning to dismissal, as per our Accountability Framework, and subject to applicable laws.

Breach of laws can lead to individual and corporate consequences, including fines, legal proceedings for damages, criminal penalties (such as imprisonment), and director disqualification, alongside significant reputational damage.

Further Guidance and Information

This Document is supported by mandatory standards, training and other resources, available through our Policy Hub and intranet sites.

Related Documents

Document #	Document Name
Linked Policies	
	Group Climate Change Policy
	Anglo American Code of Conduct
	Anglo American Business Integrity Policy
	Group Accountability Policy
	SHE Way
	Social Way
	Group Data Policy
	Group Data Sharing Procedure
	Group Data Privacy Policy
	Group Provision of Legal Services Policy
	Group and Business Unit Delegation of Authorities

Contact Information

See below key contacts for support in interpreting to this Document or adhering to its principles / requirements / expectations.

- Head of Climate, Group Sustainability
- Head of Carbon Mitigation & Biology, Group Carbon & Innovation

Key terms

Defined for the purposes of this Document.

Term	Definition
"Anglo American", the "Anglo American Group", the "Group", "we", "us", and "our"	In these Guidelines, and any related procedures or standards, 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 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.
Carbon Offset	A carbon offset broadly refers to a reduction in GHG emissions – or an increase in carbon storage (e.g., through land restoration or the planting of trees) – that is used to compensate for emissions that occur elsewhere.
Carbon Insetting	Insetting does not have a settled definition but tends to mean activities to reduce emissions from within a company's value chain. The World Economic Forum define insetting simply as "Doing more good rather than doing less bad within one's value chain". For our purposes, we consider insetting to relate to the level of direct control we have over the project. Therefore, we consider an insetting project to be one where Anglo American can address residual emissions by focusing on the carbon reduction / removal from within our own operational boundaries or direct adjacencies.
Voluntary Carbon Credit (VCC)	A tradable certificate of an emission reduction that may be bought or sold on the Voluntary Carbon Markets (VCM). More commonly referred to as a Carbon Credit. In effective, a VCC is a financial instrument derived from a carbon offset/inset.
Voluntary Carbon Markets (VCM)	The VCMs define the rules which facilitate the certification and trading of VCCs.

Term	Definition
Retirement of credits	In order to claim the associated GHG reduction a VCC must be retired. Retirement occurs according to a process specified by each carbon offset programme's registry. Once a VCC is retired, it cannot be transferred or used (meaning it is effectively taken out of circulation). It is good practice to make public retirements of VCCs.
Carbon Avoidance	Offsetting of emissions by cutting off emissions at the source to prevent further carbon entering the atmosphere; for example, distributing efficient cooking stoves or protecting forests from deforestation.
Carbon Removal	The active removal of carbon from the atmosphere; for example, afforestation or direct air capture. From a decarbonisation perspective, carbon removals are the preferred method of carbon offsetting as they remove carbon directly from the atmosphere. Both the SBTi and Oxford Offsetting Principles state a long-term preference for removal-based credits. In line with this demand, the carbon removal credits on the VCMs command a significant price and reputation premium.
Additionality	Offsets should be additional, meaning they represent an emission reduction or carbon removal relative to a counterfactual baseline that would not have taken place but for the offsetting activity. Additionality can be difficult to determine and verify, and ultimately involves some degree of subjectivity since the counterfactual world in which the offsetting activity was not performed cannot be observed directly.
Permanence	Permanence refers to how long a greenhouse gas stays out of the atmosphere, whether stored in a physical reservoir or whose emission was deferred through avoidance. In the case of physically storing carbon in a reservoir (e.g. a forest, or a geological sink), the risk of reversal of that carbon back into the atmosphere must be acknowledged and accounted for in the offsetting plan. For example, afforestation or reforestation generates carbon removal carbon offsets, but if forests are subsequently cut down or destroyed by pests, fire, or other natural disturbances the stored carbon is reversed and the carbon offset must be invalidated.
Carbon Neutrality	Is achieved when, for any tonne of GHG emitted, we will retire equivalent offsets (developed either through our own operations or procured in the market).
Net Zero	An actor reduces its emissions (Scopes 1, 2 and 3) following science-based pathways, with any remaining GHG emissions attributable to that actor being fully neutralised by like-for-like removals (e.g. permanent removals for fossil carbon emissions) exclusively claimed by that actor, either within the value chain or through purchase of valid offset credits.

About this Document

Responsibility

In this document, and any related procedures or standards, 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 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 licenses 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.

Prevailing language

The English language version of this Standard shall be controlling in all respects and shall prevail in case of any inconsistencies with translated versions, if any. Any other language versions of this Standard are provided for convenience only.

Review frequency

This Document is reviewed at least every 3 years. The latest version of this Document can be found on the Group’s Policy Hub.