

ANGLO AMERICAN

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS 2014

Statement from our Chairman, Sir John Parker

We have been a signatory to the UN Global Compact for ten years and remain fully supportive of the initiative and its ten principles relating to human rights, labour relations, environmental responsibility and anti-corruption. Sustainable development in the mining industry is shaped by a particular set of characteristics which are unique to the sector and where the risks and opportunities are highly tangible. As a leading company in this sector we recognise our responsibility to do our very best to ensure that wherever we operate, we do so with respect and care. This can only be done by working in partnership with a wide range of stakeholders, from local communities through to national governments. It is this approach that means we particularly value the multi-stakeholder approach of the UN Global Compact and its ability to bring various parties together to address some of the most pressing global issues we face today. Looking ahead to 2015, and the formulation of the Sustainable Development Goals, we have an opportunity to come together and ensure we are all working together, recognising that a holistic approach is the only one that will generate real progress.

Last year I announced that with the arrival of our new Chief Executive, Mark Cutifani in April 2013, we have started our “Driving Value” programme. As a core part of this programme, we have looked in detail at a range of sustainability issues and set a number of key new objectives. These are designed to make us the development partner of choice we aspire to be and in the past year we have made considerable progress towards realising this ambition. This review work has included external benchmarking against international and industry best practice and was informed by extensive internal and external consultation.

We have already invested considerable resources and efforts in developing, implementing and assuring against high performance standards in our own company, with the last year seeing a particular focus on human rights, the cementing of public-private partnership agreements in South Africa and the further expansion of our renowned enterprise development schemes. The International Council on Minerals and Metals, chaired by our Chief Executive, enhanced its commitment to Indigenous Peoples and launched its Material Stewardship Toolkit. We continue to work towards responsible mine certification within a collaborative framework, through which we can not only build trust in our industry but an appreciation of the positive contributions we make.

The detail of our progress on implementing the principles of the Global Compact is set out in this Communication on Progress, supported by the detail contained in our [2013 Sustainable Development Report](#).

HUMAN RIGHTS

Anglo American has a strong commitment to human rights which is illustrated by our company guiding values being explicitly set out within our Business Principles putting them at the heart of everything we do. As well as our membership of the UN Global Compact we fully support the UN Guiding Principles on Business and Human Rights (UNGP), and the Voluntary Principles for Security and Human Rights (VPSHR). Human rights principles are embedded in a number of internal policy documents, including those related to [employment practices, exploration, environmental practices, social performance and security](#). A summary of our approach and performance is included below, with links to further information alongside.

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

We accept and support the corporate responsibility to respect human rights, seek to avoid complicity in human rights abuse, and aim to identify and address any potential adverse human rights impacts linked to our activities through on-going due diligence and appropriate remediation, as stated in the UN Guiding Principles on Business and Human Rights. We also believe that our host governments have a fundamental responsibility to protect the human rights of their peoples and, where appropriate, we will work with states to build capacity in support of that objective.

Our social strategy has a strong focus on using Anglo American's core business to support long term social development. The [Anglo American Social Way](#) (Social Way), launched in 2009 has recently been updated, including findings from the human rights gap analysis work we have undertaken across our business. Key changes include the incorporation of the UNGP human rights due diligence requirements with the level of due diligence required being commensurate to the nature and severity of human rights risks and impacts at the site, as well as the operating context. A new requirement has been included in relation to the implementation of the VPSHR. With regards to Free, Prior and Informed Consent, the Social Way has also been updated to reflect the [ICMM Indigenous Peoples and Mining Position Statement](#) of May 2013.

Our businesses measure compliance against the requirements of the Social Way through annual self-assessment. In 2013, the assessment process involved a greater emphasis on the quality of management controls and was supported by performance indicators that have been developed over the past four years. Social incidents are reported centrally, investigated, and corrective actions are completed where appropriate. We continue to see good levels of compliance, with 90% of sites now complying with, or exceeding, Anglo American standards, which go beyond legal compliance. We conduct thorough risk assessments, including on issues related to human rights, for all significant investments.

We are a longstanding supporter of the VPSHR. Security-related human rights issues in a number of countries have heightened our concern around these risks and potential impacts at our operations and in the broader community. We continually engage with our NGO partner, International Alert (Alert), to help us to strengthen our implementation of the requirements of the VPSHR. Over the past year, Alert has completed a comprehensive gap analysis across all of our South African Business Units and work is underway to implement and embed the findings in the areas of training and awareness raising, integration into corporate risk structures, cross-functional cooperation around security and human rights related issues, involvement of contractors, and grievance mechanisms.

Our award-winning [Socio-Economic Assessment Toolbox](#) (SEAT) programme is the primary means by which our operations seek to identify and manage impacts, and enhance the development outcomes and capacities of host communities.

Principle 2: Businesses should ensure that they are not complicit in human rights abuses

We continue to integrate evolving human rights requirements into our policies, systems and tools in order to assist us in making correct, informed decisions that do not compromise human rights at our operations or across our value chain. Based on an independently conducted comprehensive piece of diagnostics work in which we mapped our existing corporate policies, procedures and performance against the requirements of the UNGP, we are currently in the internal and external consultation phase of developing a dedicated Human Rights policy.

Our mandatory Group-wide social incident reporting mechanism, which includes complaints and grievances, is designed to ensure openness, accountability and respectfulness in our handling of any stakeholder grievances. We are working towards full implementation across our sites and hope that the standardisation of the process will help to identify trends and promote the sharing of experiences between sites. During 2013, 2,804 incidents were reported around the Group, with 18% of these classified as medium-impact level 3 and 4 incidents. This increase of 69% from 2012 is what we would expect to see as a result of an improvement in reporting. The majority of these related to community impacts (40%), while issues related to business ethics (14%) also featured prominently. There is a formal incident investigation process to address these.

A specific focus area for Anglo American is land acquisition and resettlement, which can have long-term consequences to the social structures and livelihoods of affected peoples and may present significant risks to our capital projects and operations. At Anglo American, all resettlement exercises must meet or exceed the requirements set out in the 2012 International Finance Corporation (IFC) Performance Standard 5 on Land Acquisition and Involuntary Resettlement. In accordance with our own internal policies, when physical resettlement cannot be avoided, the process must be considered involuntary and be planned and undertaken on that basis and lead to a demonstrable improvement in livelihoods.

Resettlements are evaluated as a part of the Projects Way (our project stage-gate review process). During the development phase of mines, we plan and design projects in a way that avoids or minimises any resettlement. In the case of economic displacement without physical displacement, we require a Livelihood Restoration Plan and for the last two years we have run an Internal Resettlement Working Group to share best practice in this area bringing in external experts to further improve our approach.

Our responsible sourcing programme addresses supplier compliance with local regulations and Anglo American requirements regarding safety, the environment, HIV/AIDS management, business integrity, human rights and health. The [Anglo American Supplier Sustainable Development Code and Policy](#) defines a risk-based approach to managing our suppliers. Our standard contract terms require acceptance of our code and supplier submission of self-assessment questionnaires. In addition, we retain audit rights to verify practices. In 2013, 17 follow-up audits were undertaken to assess progress and status of selected suppliers.

LABOUR RIGHTS

Anglo American does not tolerate any form of unfair discrimination, inhumane treatment, forced labour, child labour, harassment or intimidation in the workplace. We are committed to the labour rights principles of the UN Global Compact, including the right to freedom of association and collective bargaining, the eradication of child and forced labour and non-discrimination. Our vision is for our entire supply chain to embrace and share our commitment to sustainable development, to that end we are working actively with our key suppliers and contractors to ensure an understanding of principles which protect and uphold employment and labour rights.

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Anglo American's [Business Principles](#) recognise the right of our employees to freedom of association and to collective bargaining – a commitment that is supported in our Group Human Resources Policy, and the [Anglo American Supplier Sustainable Development Code and Policy](#).

Around 91% of Anglo American's permanent employees are represented by work council, trade unions or other similar bodies and are covered by collective bargaining agreements. A significant part of our operational workforce consists of contractors. It is vital, therefore, that the effectiveness of the relationships between us and our contracting companies, and between those companies and their employees, is maintained. In South Africa we collaborate closely with organised labour and the government's Department of Mineral Resources to improve the safety performance not just of our own operations but of the mining industry as a whole.

Principles 4 and 5: Business should eliminate all forms of forced and compulsory labour and ensure effective abolition of child labour.

As signatories to the UN Global Compact, we are committed to the labour rights principles provided in the International Labour Organization core conventions, including the right to freedom of association and collective bargaining, the eradication of child and forced labour and non-discrimination. We do not tolerate any form of unfair discrimination, inhumane treatment, forced labour, child labour, harassment or intimidation in the Anglo American workplace. Full observance of these issues is also required of our suppliers in line with the Anglo American Supplier Sustainable Development Code and Policy, and compliance is audited. At our operations, we have clear policies and processes in place in order to ensure that we do not employ any under-age or forced labour.

In November 2013, we faced a preliminary ruling by the Brazilian Ministry of Labour and Employment (MTE) that five of our contractors at Minas Rio, an iron ore project in Minas Gerais, Brazil, had infringed aspects of national labour law including the hiring/transportation of workers, overtime and quality of accommodation. While Anglo is appealing some of the assessments made, we take our responsibilities with respect to our workforce extremely seriously and so have carried out an internal investigation at the project implementing appropriate recommendations, such as strengthening the team that oversees our contractors, the processes that oversee contract management and reviewing the extent to which we comply with regulatory requirements. We have also terminated the contract of one contractor which was found by the Brazilian MTE to have failed to comply with legal requirements around living conditions and hiring/transportation of workers. More broadly we are in the process of strengthening our human rights due diligence at the project as well as at Group level (see CoP Chapters 1 and 2).

Principle 6: Eliminate discrimination in respect of employment and occupation.

Anglo American's commitment to eliminate discrimination is included in our [Business Principles](#), and supported by the [Anglo American Social Way](#) and Group Human Resources policy, which states that Anglo American and its subsidiaries will promote workplace equality and will seek to eliminate all forms of unfair or arbitrary discrimination. The [Anglo American Supplier Sustainable Development Code and Policy](#) also requires that suppliers eliminate all forms of unfair discrimination and encourage diversity in their workforce.

It is our policy to provide equitable access to employment opportunities and to employ the best person for any role. We will put in place meaningful support structures based on individual needs for those who may have been previously disadvantaged, to enable every employee to realise their full potential. Diversity is of particular importance in South Africa, which hosts the majority of Anglo American employees, and we continued to make good progress in achieving transformation in our workplace demographics. We have implemented a range of measures to better support women in overcoming the challenges of working in a male-dominated environment by developing new policies and guidelines (including a revised maternity policy), as well as by providing training and appropriate facilities for female colleagues in the workplace, including underground. As an example we have held a series of workshops with female employees in Chile to better understand their experiences in the workplace and in Australia, our Contracts Manager has designed a range of practical high-visibility work wear designed specifically for women, including maternity options, and was supported in her entrepreneurial venture by Anglo American, who have subsequently become her key client.

In early 2012, we became signatories to the [UN Women Women's Empowerment Principles](#) and this is emblematic of the importance Anglo American places on women and our recognition critical role that women can play in our industry. Women have been historically under-represented in the sector but we believe that employing higher proportions will lead to significant and sustainable performance improvements across the business.

Our approach to gender diversity is centred around four dimensions: establishing a working environment and culture that supports women; proactively attracting women to work for us at all levels with a particular focus on operational roles; accelerating gender diversity through employee development; and improving communication and understanding of gender diversity objectives within our organisation.

In 2014, approximately 16% of our overall workforce are women with 23% at management level. We have also achieved a 25% figure of women at Board level in line with the "[Women on Boards](#)" Davies Report in the UK. We do however recognise that there is more we can do and are aiming to achieve a 33% figure for women at management.

This focus extends across our global business. For example at our El Soldado copper operation in Chile we have increased the mine's female contingent from 2% (primarily in administrative positions) in 2006 to 6% in 2013 (including 10% of truck drivers, compared to the industry average of around 2%). At year-end, around 80% of the female workforce came from the local area. In addition to getting more women into entry-level positions, the mine has boosted the proportion of women supervisors from 4% to 13% and is attracting a growing number of young women to its apprenticeship programme. There is still a long way to go but in a sector where women have traditionally been underrepresented, we believe this is strong progress. This issue also forms a case study within the Women Investment (WINvest) programme of the International Finance Corporation (IFC) of the World Bank in which Anglo American participates more widely. Our goal is to both share our own best practice and learn from that of others.

We are also working across industries to improve gender diversity through our support of the UK Committee of UN Women, the sponsorship of networks such as [Women in Mining in the UK](#) and a parallel network in Queensland, Australia and ["Techno Girl"](#), a programme in South Africa working with girls in schools to encourage them to consider a career in mining.

ENVIRONMENT

Whilst the extraction of metals and mineral resources is fundamental to society, we recognise that doing so impacts considerably upon the land as well as generating waste and pollutants. We work hard, taking a precautionary approach, to minimise the impacts we make and to instead create opportunities through an innovative approach to our operations.

Principle 7: Support a precautionary approach to environmental challenges.

Anglo American's precautionary approach to environmental issues is embedded in the Anglo American's [Environmental Management System \(EMS\)](#) standard and its [Social and Environmental Impact Assessment \(S&EIA\)](#) standard, and is inherent in the eight other performance standards that cover key management areas (water, air quality, biodiversity, rehabilitation, mineral residue, non-mineral waste, hazardous substances and mine closure). Collectively these constitute the suite of [Environment Way mandatory performance](#) standards which are supported by detailed procedures and guidelines. The purpose of the S&EIA standard is to ensure that all Anglo American projects proactively consider social and environmental matters in their planning and decision-making. In addition, in 2011 we finalized and approved [new technical standards on water and energy and greenhouse gas \(GHG\) emissions](#). These include detailed guidelines on target setting and tools for measurement and monitoring and site action plans.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Our overall aim is to effectively manage our environmental risks by minimising our impact and to create opportunities that deliver long-term benefits to our stakeholders. We implement our strategy through the following three areas of activity:

Operational excellence: driving improved performance primarily through three programmes: [ECO2MAN](#) for saving energy and carbon; [WETT](#) (water-efficiency target tool) for saving water; and the Anglo American [Environment Way performance requirements](#). In 2011, targets were set for saving energy, carbon and water, and for achieving compliance with our environmental standards.

In 2013 we invested in an additional 30 projects specifically designed to save water and achieved an estimated 22 water saving against our projected water usage. Together, they saved the Group approximately 32 million m³ of water and \$85 million on water-related costs. Out of our operational water requirements, 67% were met by recycling/re-using water.

For energy and carbon, during 2013 we achieved reductions of 3.5 million tonnes (Mt) of GHG emissions and 4.3 million GJ in energy consumption against the 2015 BAU projections.

Investing in technology: exploring new opportunities to minimise our environmental impact and create tangible benefits for business and stakeholders through investments in appropriate technologies. This includes investments in fuel-cell technologies, carbon capture and storage, renewable-energy initiatives and water-treatment technology. Partnerships and engagement: working in partnership with communities, NGOs, governments and our business peers to identify mutually beneficial solutions.

Examples include our longstanding partnership with [Fauna & Flora International](#), the establishment of the [Zimele Green Fund](#), our collaboration with the [ICMM](#), and (in South Africa) the [Industry Task Team on Climate Change \(ITTCC\)](#).

The Environment Way – and its mandatory performance standards on social and environmental impact assessments, water, air quality, mineral and non-mineral waste, hazardous substances,

biodiversity, rehabilitation and mine closure – guides our approach to responsible environmental management. The [Environment Way](#) includes specific requirements for projects to ensure that we consider the right things, up front. We are developing our management approach to align and integrate all areas of our environmental performance management as part of overall Group risk-management processes. In 2013, we placed particular emphasis on water quality, legacy issues and on improving environmental-incident management and reporting.

Review and certification – Every year, operations complete a self-assessment of their performance against the requirements of the Environment Way so as to promote continuous improvement. In 2013, operations achieved a 92% average compliance with Environment Way standards. Internal reviews of operations are conducted to support site- and business-unit management teams in improving operational performance in a safe and sustainable way.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

The development and diffusion of environmentally-friendly technologies is built into our commitment to minimise harm to the environment by designing, operating and closing all of our operations in an environmentally responsible manner.

Achieving our long-term milestones in energy and carbon management hinges on identifying and implementing innovative, step-change technologies. We are researching many opportunities with key stakeholders, and we have invested approximately \$200 million to date in low-carbon and energy-efficiency research and technology development. Our technology vision is to run cost-efficient, low-carbon (if not carbon-neutral) mines by 2030. Notable examples include research into clean-coal technologies and carbon sequestration. An exciting development in clean energy is the [Platinum business' partnership with Alteryx](#), a US-based **fuel cells** company, and the Limpopo provincial government to manufacture and market low-carbon platinum **fuel cells** in South Africa.

We are also working on developing technology solutions to achieve our proposed long term strategic objective of “zero net water consumption” by 2030. To achieve this, we estimate we will have to halve the current consumption of ‘new’ water at operations and ensure that more than 80% of that water is recycled. To better understand and define our water technology pathway, we engaged the University of Queensland to explore what water neutrality would mean for a mine. This was done in parallel with a project looking at how we can simultaneously achieve a carbon-neutral mine, recognising the potential trade-offs between water and energy savings. Examples of current research include by-product recovery from water treatment processes and water recovery from tailings dams.

The development and implementation of new technologies and novel processes are also critical success factors for the effective management of waste, biodiversity and rehabilitation, as well as [mine closure](#) planning and implementation.

ANTI-CORRUPTION

Anglo American's commitment to integrity, accountability and zero tolerance of corruption is expressed through its [Good Citizenship Business Principle](#) of Business Integrity.

Principle 10: Performance and practical actions

Our [Business Integrity Policy](#), which supports this Principle, states that we will neither give nor accept bribes, nor permit others to do so in our name, either in our dealings with public officials or with our suppliers and customers. The Policy is accompanied by 11 performance standards that cover: the giving or receiving of gifts and/or entertainment; conflicts of interest; political donations; the use of company assets; facilitation payments; working with intermediaries; interactions with government officials; charitable donations; social investment; sponsorships; and mergers, acquisitions, joint ventures and associates. The standards prohibit the company from making donations to any political party or politician. They also require that our employees: perform their duties honestly and avoid conflicts of interest, abide by our policies and procedures with regard to giving or receiving gifts and hospitality, act in a transparent manner, and ensure that they do not seek any improper advantage when conducting business or in their dealings with public officials.

Bribery-risk assessments are an essential aspect of Anglo American's procedures. Business units and corporate functions are required to periodically conduct bribery-risk assessments using an internally developed tool. When a risk is determined to be unacceptably high, an action plan is developed to strengthen the internal controls in order to manage the risk. The risk-assessment process and action planning are audited annually by our internal audit team.

We provide specific business integrity training to all employees who may be exposed to corruption risks owing to the nature of their work. Face-to-face workshop training is our primary way of raising awareness of our Business Integrity Policy and of providing employees with the opportunity to discuss and apply the performance standards to business integrity dilemmas that they may face. During 2013, we trained an additional 1,000 people through more than 50 training sessions delivered across 10 countries. We also revised our online training platform for roll-out to business units in 2014.

Our independently managed [Speak Up facility](#) provides a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders to report or raise concerns about conduct that is contrary to our values and standards. Speak Up is available 24 hours a day, seven days a week and provides telephone, email and website contacts in the regions in which Anglo American operates. During 2013, we received 372 alerts compared to 285 in 2012. Every alert is evaluated and, where appropriate, investigated.

Anglo American reports annually on the tax and royalty payments we make in our significant countries of operation and in 2013 we augmented our voluntary disclosure through the publishing of [Tax Factsheets](#) for some of our key jurisdictions. We believe that transparency is a positive development for our industry and are committed to provide our stakeholders with useful information about our tax affairs.