

Anglo American Communication on Progress 2011

Statement from our chairman, Sir John Parker

Anglo American remains fully supportive of the Global Compact and its ten principles on human rights, labour relations, environmental responsibility and anti-corruption. We see immense value in the multi-stakeholder approach of the Global Compact and its ability to bring various parties together to address some of the most pressing global issues we face today.

Our commitment to the Global Compact is consistent with our long-standing view that when conducted responsibly, mining delivers significant economic and social value, and provides an important contribution to the achievement of social development goals while delivering true value to our shareholders. Embedding the principles of sustainability into every aspect of our business requires rigour and discipline and we remain committed to the highest standards of governance in order to deliver responsible mining. In the year of Rio +20, we have demonstrated this explicitly through our extensive participation in preparatory meetings as well as being a sponsor of the “**Corporate Sustainability Forum**”, providing input into the high-level government negotiations in Rio de Janeiro.

In 2011, an important step towards the integration of sustainability into core business processes was made with the pilot of our “**Value of Sustainability**” project, an innovative and unique approach to ensuring that the financial quantifications of sustainability are considered in key project decisions. The key value drivers that form part of the assessment process ensure that the Global Compact principles are considered at the earliest stages of the mining life cycle.

We live in an age when trust in government and companies is declining, and civil society is demanding greater transparency and accountability on the part of business. Such demands are no longer the preserve of activists and campaigners: investors, suppliers, downstream customers and the final consumer are all demanding greater responsibility from our sector. As a global player in the mining industry, I strongly believe that Anglo American can and should demonstrate, through its actions and the standards to which it adheres, that it is leader in this area too.

We have already invested considerable sums in developing, implementing and assuring against high performance standards in our own company but we are also taking part in a number of initiatives to improve the assurance systems for the industry as a whole: **Responsible Mining**. If we can work within a collaborative framework that is endorsed by key stakeholders, I believe we will go a long way towards building not only trust in our industry but an appreciation for 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 **2011 Sustainable Development Report**.

Human Rights

In line with our commitment to the UN Global Compact, among others, we endeavour to ensure that we not only refrain from abusing human rights, but also seek to promote them. 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

While we believe that governments are the primary custodians of positive human rights, we are proud of the role we are playing in contributing to the realisation of economic and social rights. The social strategy has a strong focus on using Anglo American's core business to support long term social development. **The Anglo American Social Way**, launched in 2009 and embedded across the organisation over the last two years, summarises the commitments we have made to excellence in social performance, while our **Socio-Economic Assessment Toolbox** (SEAT) programme is the primary means by which our operations seek to enhance the development outcomes and capacities of host communities. While the socio-economic development activities of our operations are informed by local needs, they typically involve **enterprise development, social investment** and capacity development (see **Anglo American 2011 Sustainable Development Report**, page 38).

Anglo American has been a signatory to the **Voluntary Principles on Security and Human Rights** (VPSHR) since January 2005 and is a member of the working groups on outreach to governments as well as the working group on the scope of work of the secretariat, thereby actively contributing to the discussion about the VPSHR's activities and furthermore disseminating the spirit of the VPSHR's into countries that have not yet signed up to the principles.

In 2011, Anglo American entered into a three-year partnership with **International Alert**, an NGO that, through advocacy, dialogue, training and research, seeks to influence the activities of governments, international institutions and the public sector operating in conflict areas with the aim of achieving sustainable peace and to protect human rights. We are very pleased that we have started to work alongside each other in Peru, where Alert has already been helping **our team at Quellaveco** to review and improve their security and conflict management processes. This relationship will become even more relevant as we look at the longer term prospect of expanding into higher risk countries, such as the DRC and Indonesia. Alert is also advising us on the revision of our own implementation manual for the VPSHRs, including our contracting process for security providers and we will be deepening our collaboration on conflict prevention management systems as the partnership progresses. We continue with efforts to raise awareness of the Voluntary Principles across the company. It is mandatory that the key tenets of the Principles are embedded in contracts with private security providers.

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. Human rights are, for example, a standard component of the social and environmental impact assessments

we undertake on all our projects they are incorporated into our supply chain sustainable development code and supplier audit programme; and they are a consistent thread throughout the Anglo American Social Way and our Socio-Economic Assessment Toolbox (SEAT).

During 2010, we were pleased to be recognised by the Institute of Human Rights and Business as one of the first multinational companies to be implementing a complaints mechanism that meets the recommendations of Professor John Ruggie, the UN Secretary General's Special Representative on Business and Human Rights. This Group-wide, standardised complaints and grievance procedure was introduced in 2010 and is now mandatory at all operations.

We also welcome the "Protect, Respect and Remedy" Framework provided by the UN Guiding Principles on Business and Human Rights, approved by the UN Human Rights Council in June 2011. The Framework rests on three pillars: the state duty to protect against human rights abuses; the corporate responsibility to respect human rights by acting with due diligence; and the need for greater access by victims to effective remedy, both judicial and non-judicial. We believe that the approach adopted by Anglo American on human rights issues is aligned with the due diligence and redress requirements set out in this framework.

Every employee is briefed on our **Business Principles** and associated human rights requirements when they join the company as part of their induction process. More intensive and specific training is provided to relevant staff based on risk assessments. For instance, supply chain and security staff members receive customised human rights training.

Labour relations

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 Global Compact, including the right to freedom of association and collective bargaining, the eradication of child and forced labour and non-discrimination. We expect our supply chain to strive to adhere to all of our employment and labour-rights principles.

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, the Anglo American Social Way and the **Anglo American Supplier Sustainable Development Code**. Almost 70% of Anglo American's permanent employees are represented by work council, trade unions or other similar bodies and are covered by collective bargaining agreements. 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, see the **Sustainable Development Report 2011**, page 26.

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

We prohibit child labour in our operations and continued to report no cases of forced labour or child labour at Anglo American during 2011. Our Business Principles also state that we will develop a responsible approach to ending child labour that ensures the welfare of the children, should we encounter cases in our supply chain. The Anglo Supply Chain Sustainable Development Code prohibits the use of exploitative child labour and states that the Company will not tolerate forced, bonded or involuntary prison labour. In 2011, Anglo American was **awarded top marks** in an evaluation of how the world's largest companies deal with child labour risks. The evaluation – conducted by NBIM, the manager of the Norwegian Government Pension Fund – awarded Anglo American ten out of ten for the managing and reporting of risks of child labour use and children's rights violations in our operations and supply chain. We were one of only 9 companies out of 527 assessed to score top marks. Nearly half of the companies in the survey **scored zero**.

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 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. In 2011 in South Africa, 51% of our managers were 'historically disadvantaged'. We have made arrangements for women to overcome the challenges of working in a male-dominated environment by developing new policies and guidelines but also training and appropriate facilities for them in the workplace, including underground.

In early 2012, we became signatories to the **UN Women Women's Empowerment Principles** to build on the work that we already do to improve gender equity. Women currently make up 15% of our total global workforce, up from 10.6% in 2007 and occupy 22% of management positions, up from 15.3% in 2007, see the **Sustainable Development Report 2011**, page 20. All of our Business Units and Group Functions have set stretch diversity targets to achieve by 2012 and 2014 respectively. Through training and awareness programmes such as Visible Felt Leadership, launched this year, we continue working to achieve our goal of zero harm, ensuring the safety and well-being of all women and men workers, see **The A Magazine**, page 10. We promote professional development and education by supporting professional networks such as **Women in Mining in London**, Johannesburg and **Queensland**, and educational programmes such as Techno-girl, which provides girls aged 15 to 18 in South Africa with practical engineering experience. A range of health initiatives in both Brazil and South Africa focus on helping our communities tackle HIV/AIDS, a disease to which women are especially vulnerable.

Environment

The Anglo American environmental vision is to minimise harm to the environment by designing, operating and closing all of our operations in an environmentally responsible manner. We support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies within the Company.

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 requirements on target setting, measurement and monitoring and site action plans.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Anglo American's commitment to environmental responsibility is stated in the Group's overarching Good Citizenship Business Principles. To encourage a uniform approach to environmental management across the Group, a corporate environmental policy, an environmental management framework, and specified mandatory environmental performance standards have been set. These are all included in the Environment Way.

The Anglo American supply chain sustainable development code sets out environmental performance requirements of suppliers and contractors who work with Anglo American.

An important focus in 2011 was on setting operational water targets through the implementation of our water efficiency target tool (WETT) and on the implementation of our new energy and carbon management programme, ECO2MAN which has been used to guide the development of energy and GHG emissions savings targets at every managed operation. Both programmes help us identify and prioritise water, energy and GHG savings opportunities and these are tied to our internal and external verification and assurance processes.

More information on our initiatives to promote greater environmental responsibility is available in the **Anglo American Sustainable Development Report 2011** pages 46-59, or by following the links alongside.

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.

New technology is particularly important in our approach to climate change, which is underpinned by a number of strategic interventions. These include a focus on energy efficiency, carbon-reducing projects, low-carbon technologies and adaptation to climate change. Fundamental to each of these is innovation and the development and employment of cutting-edge technologies. Notable examples include research into clean-coal technologies and carbon sequestration. An exciting development in clean energy is the **Platinum business' partnership** with Alteryg, 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” and to enable us to run cost efficient, carbon-neutral mines by 2030. We are working with universities, research bodies, technology suppliers and other stakeholders to clarify the full implications of this commitment and to identify the appropriate partnership opportunities to deliver these solutions. 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 Business Principles outline the expectations we have of our employees and our associates; our stance on anti-corruption, including political donations and gifts; and our approach to transparency, anti-competitive behaviour, business assurance and securities trading.

Principle 10: Performance and practical actions

Our Business Principles, supported by our **Business Integrity policy**, prohibit making donations to any political party or politicians, and require that our employees, in giving or receiving gifts and hospitality, abide by our policies and procedures, 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. We have established a new business integrity compliance function to underpin implementation of our BI policy and accompanying performance standards.

We do not allow our employees, or those acting on our behalf, to offer, solicit, pay or accept bribes. Assessments of bribery and corruption risks are carried out at business unit level using an internally developed risk assessment tool. Where the residual risk is seen to be unacceptably high, actions are determined to strengthen the control environment. This includes training for employees operating in high-risk roles. By the end of 2011, more than 2,000 employees, including heads of business units, had taken part in over 130 training sessions across 17 countries.

We also do not condone anti-competitive practices and will not tolerate any such activity by our employees. Our employees are also prohibited from trading securities when in possession of unpublished, price-sensitive information. We also promote our standards with organisations we work with, and through the Anglo American Supply Chain Sustainable Development Code.

Anglo American supports the **Extractive Industries Transparency Initiative** (EITI) and **reports annually** on the tax and royalty payments we make in our significant countries of operation.

Our independently managed **SpeakUp 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.