AngloAmerican

Real Mining. Real People. Real Difference.

SUSTAINABLE DEVELOPMENT REPORT 2011

# What it takes: PARTNERSHIP AND INNOVATION

# What it takes: DEDICATION AND TEAMWORK

01

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## ISIBONELO WINS NATIONAL SAFETY ACHIEVEMENT AWARD

**In 2011, Thermal Coal's Isibonelo colliery was awarded a Safety Achievement Flag by the government of South Africa's Department of Mineral Resources (DMR).**

**A record-breaking 1,304 consecutive days without incurring a single lost-time injury was recognised in April, when Isibonelo was awarded the Safety Achievement Flag for showing the greatest improvement over two consecutive three-year periods.**

**"This is the result of dedicated leadership and a sustained effort on the part of everyone on the mine," said Minister of Mineral Resources Susan Shabangu.**

**There is no magic formula behind this success. As they say at Isibonelo: "Safety is like trying to sweep water uphill; it has to be worked at all day, every day, by everyone at the mine".**

**Management's first priority each day is their presence in the pit, plant and workshops, demonstrating visible felt leadership and their commitment to the health and safety cause.**

**In the latter part of the year, one member of the team did suffer an injury resulting in lost time. However, according to Isibonelo's safety superintendent, Rudi Marais, the mine continues to have the culture of open and frank communication, in which leadership focuses on the person as well as the procedure, which he regards as essential to safety buy-in.**

**Anglo American's Tripartite Health and Safety Initiative also helps, with a flow of information among managers, the DMR and trade unions, who are highly supportive of the mine's work on safety.**

For more information, visit **www.angloamerican.com**

To watch the video, visit **www.angloamerican.com**



**Above**

**01** Truck operator Sindy Barnard drives one of the biggest haul trucks in the world.

**02** Inside the open pit.

**03** Isibonelo is a large scale, complex opencast mine operating some of the world's largest earthmoving equipment. Everyone at the mine treats safety as their first priority. Foreman Paul Masinini, leading a team safety briefing on a working day at the mine.

**04** Truck operator Thami Xaba at work.

**Cover**

A team at Isibonelo colliery gets involved in the daily safety briefing.

## Other sources of information

Our website provides additional information on our sustainability performance, including separate reports from some of our individual companies and operations.

More detailed information on the financial and corporate governance aspects of our performance is provided in the Anglo American Annual Report. Although we have chosen not to produce an 'integrated report', we have included a comprehensive overview of our non-financial performance in our Annual Report.

We report in line with the requirements of the UK Corporate Governance Code and in line with the requirements of the Global Reporting Initiative (GRI) G3 guidelines and Mining and Metal Sector Supplement. This report received an A+ GRI application level.

## Key to icons in this document

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**Video available www.angloamerican.com/media/media_library/media_video**

# What it takes:
# SHARING KNOWLEDGE AND EXPERTISE ON A GLOBAL SCALE

| | Bulk | | | Base metals |
|---|---|---|---|---|
| Business units | **IRON ORE AND MANGANESE** | **METALLURGICAL COAL** | **THERMAL COAL** | **COPPER** |
| | We are in the top five of the world's iron ore producers, with a large high quality resource base in South Africa and Brazil.<br><br>Iron ore is a key component in steel, the most widely used of all metals. Global steel consumption is forecast to grow in excess of 5% pa over the next three years. | Metallurgical Coal is the second biggest Australian metallurgical coal producer and the number 3 global exporter of metallurgical coal.<br><br>Anglo American is an active partner in diverse clean coal energy initiatives.<br><br>Metallurgical coal is the key raw material for 70% of the world's steel industry. Demand is driven by economic, industrial and steel growth. | In South Africa, Thermal Coal owns and operates nine mines. In Colombia, we have a one-third shareholding (with BHP Billiton and Xstrata each owning one-third) in Cerrejón, Colombia's biggest thermal coal exporter.<br><br>About 5.1 billion tonnes of thermal coal are produced globally each year. Around 40% of all electricity generated globally is powered by thermal coal. | Copper has interests in six operations in Chile. These comprise the 75.5% owned Los Bronces and El Soldado mines and the Chagres smelter, the 100% owned Mantos Blancos and Mantoverde mines, and a 44% interest in the Collahuasi mine. Copper also owns 82% of the Quellaveco project and 100% of the Michiquillay project in Peru, and has a 50% interest in the Pebble project in Alaska. |
| Average number of employees ('000s)[1] | **8** | **3** | **9** | **5** |
| Share of Group operating profit | **$4,520m**<br>**41%**<br>2010<br>**$3,681m, 38%** | **$1,189m**<br>**11%**<br>2010<br>**$780m, 8%** | **$1,230m**<br>**11%**<br>2010<br>**$710m, 7%** | **$2,461m**<br>**22%**<br>2010<br>**$2,817m, 29%** |

(1) Excluding contractors and associates' employees, and including a proportionate share of employees within joint venture entities.
(2) De Beers is an independently managed associate. Employee numbers shown represent the average number of employees in De Beers' managed operations, including 100% of employees in De Beers' underlying joint ventures.
(3) De Beers' results are shown as share of associate's operating profit.

**Headquarters**

London, United Kingdom

**Corporate and representative offices**

Beijing, China
Brisbane, Australia
Johannesburg, South Africa
Kinshasa, DRC
Luxembourg
New Delhi, India
Rio de Janeiro, Brazil
Santiago, Chile
São Paulo, Brazil

**North America**

**Africa**

**South America**

**Australia and Asia**

## NICKEL

Nickel has three operating assets, all producing ferronickel: the world class Barro Alto mine, now in its ramp-up phase, and Codemin, both in Brazil; and Loma de Níquel in Venezuela.

Approximately two-thirds of nickel is used in the production of stainless steel. Just over 20% is used to make other types of steel and for super-alloys, which can withstand extreme temperatures.

**2**

**$57m**

**1%**

2010
**$96m, 1%**

**Precious**

## PLATINUM

Platinum owns the largest platinum reserves in the world and is the largest primary producer of platinum, accounting for some 40% of newly mined supply.

Platinum and other platinum group metals (PGMs) are primarily used in autocatalysts and jewellery. They are also employed in the chemical, electrical, electronic, glass and petroleum industries, and in medical applications.

**55**

**$890m**

**8%**

2010
**$837m, 9%**

## DIAMONDS

De Beers is the world's leading diamond company and generates about 35% of global rough diamond production from its operations in Botswana, South Africa, Namibia and Canada.

The largest diamond jewellery market is the US, followed by China, Japan and India.

**16**[2]

**$659m**[3]

**6%**

2010
**$495m, 5%**

**Other Mining and Industrial**

## OTHER MINING AND INDUSTRIAL

Subject to regulatory approvals, Anglo American's programme to divest of its businesses not considered core to the Group has largely been completed. Scaw South Africa, the remaining part of the Scaw Metals group, is the last such business to be sold. Catalão (niobium) and Copebrás (phosphates) are both considered core to the Group and are reported within the Other Mining and Industrial segment.

**16**

**$195m**

**2%**

2010
**$664m, 7%**

# What it takes:

This year's report focuses on what it takes to be a responsible mining company. It demonstrates our understanding of the challenges we face and the way we strive to place sustainability at the heart of decision-making across all our operations and every aspect of our business.

## ABOUT THIS REPORT

This report reviews the sustainable development performance of Anglo American for the period 1 January to 31 December 2011. The report covers those companies, wholly owned subsidiaries and joint ventures over which Anglo American has management control; it does not include De Beers or other major associates such as Collahuasi, Cerrejón and Samancor. The report is aimed at those of our stakeholders – including employees, local communities, NGOs, investors, suppliers, customers, governments, the media or academia – that have an interest in the sustainability performance of Anglo American as a whole. It focuses on those issues that we believe would substantively influence the assessments and decisions of our key stakeholders and would most affect the achievement of our business strategy. PricewaterhouseCoopers (PwC) was contracted to perform an independent assurance report on key elements of the performance information in this report.

For more information
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## LIVING OUR VALUES

To achieve our ambition of becoming the leading global mining company, we have identified six values that guide how we behave and interact with others. Our approach to living these values is reflected throughout this report:

**Safety**
This is always first on our agenda. We truly believe that all injuries are preventable and that by working together we can make safety a way of life, inside and outside the workplace.

**Accountability**
We take ownership of our decisions, our actions and our results. We deliver on our promises and acknowledge our mistakes. Above all, we never pass blame.

**Care and respect**
We always treat people with respect, dignity and common courtesy – regardless of their background, lifestyle or position.

**Collaboration**
We are one company with a joint ambition – all working together to make decisions and get things done more effectively.

**Integrity**
This means taking an honest, fair, ethical and transparent approach in everything we do. It is not about being popular; it is about always doing the right thing.

**Innovation**
Challenging the way things have always been done is a key priority for us. We do this by actively developing new solutions, encouraging new ways of thinking and finding new ways of working.

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# IT TAKES LEADERSHIP AND COLLABORATION

Sir John Parker

**TOTAL VALUE DISTRIBUTED BY THE GROUP**
(2010: $22 bn)

**$24.8 bn**

**TOTAL TAX FOOTPRINT – BORNE AND COLLECTED**
(2010: $4.5 bn)

**$5 bn**

**Mining will continue to be a key industry in the 21st century as the demand for metals and minerals continues to increase, particularly in developing countries. It is a key driver of economic growth and a facilitator in transforming people's lives. But, as an industry that extracts a non-renewable resource, we have a duty to be especially vigilant in ensuring that we mine responsibly, engender trust and deliver a fair share of the benefits during the time of our operations to host governments and communities, leaving them with a firm foundation for a sustainable future.**

## MINING RESPONSIBLY

For decades, Anglo American has placed responsibility firmly at the core of its business philosophy and the way in which it does business, and our longstanding commitment to sustainable development is now more critical than ever. Our focus on community involvement, our partnerships with governments, our stewardship tools, and the standards to which we adhere and aspire have all helped us in demonstrating that our presence adds value to the countries where we operate. They have also all helped to make us a rather different company from our peers in the way we seek to create and share value. This report provides a wealth of examples and allows you to see how we are putting our values into practice, and why they make business sense.

> **Anglo American is taking part in a range of initiatives to try to improve assurance systems for the mining industry.**

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. This is bringing increasing pressure on our industry to demonstrate that we are acting in a responsible and transparent way. Such demands are no longer the preserve of activists and campaigners: investors, suppliers, downstream customers and final consumers are all demanding greater responsibility from our sector. I believe strongly that Anglo American, as a leader in the global mining industry, should demonstrate through its actions, and the standards to which it adheres, that it is a leader in this area, too.

Anglo American, therefore, is taking part in a range of initiatives to try to improve assurance systems for the mining industry, including the Initiative for Responsible Mining Assurance and a multi-stakeholder dialogue on coal in the Netherlands, where we are discussing potential improvements in assurance with customers, government and civil society representatives. As a company, we already invest considerable sums in developing, implementing and assuring against high performance standards. If we can do this 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 of the many positive contributions we make. I also believe that such moves, if well designed, will yield commercial benefits for participating companies, as they have in several other commodity sectors. It will be important to build on much good work done to date, and to learn lessons from other sectors, as these initiatives move forward.

## SAFETY AND HEALTH

It is particularly disappointing that there was a setback in our safety performance in 2011, with the number of people who died while on company business rising to 17 from 15 in 2010 and an accompanying plateauing in our injury rate. This, despite the significant improvements over the last few years, has driven us to redouble our efforts to find solutions both at corporate centre and site level. Our Board unequivocally supports our chief executive Cynthia Carroll in her drive to bring about a change in the way we approach safety; it is only by changing people's mindsets, and encouraging a climate of openness, that we will make lasting improvements and start to approach the ultimate target of zero harm.

In the health arena, Anglo American remains a leader in the management of HIV/AIDS. In southern Africa, the region most blighted by the disease, more than 90% of our employees regularly check their HIV status, and employees and dependants who need treatment are offered it by the company. I believe it is testimony to the values we hold that we are extending our interventions in health by taking a lead in investing in healthcare systems in developing countries. We have pledged $3 million over three years to both the Global Fund to fight AIDS, TB and Malaria, and to the Global Alliance for Vaccines and Immunisations (GAVI), which is increasing access to immunisation in the world's poorest countries. Both are public/private partnership models that are working well, and we hope they will be emulated in many other areas of development.

## COMMUNITY ENGAGEMENT AND DEVELOPMENT

At our own operations and projects, our internationally recognised, and recently revised, Socio-Economic Assessment Toolbox (SEAT) continues to bring further rigour, accountability and measurability to the way in which we engage communities neighbouring our sites. The skills we are developing in this area are increasingly important as we seek to deliver future investment projects in the context of growing stakeholder expectations. At our projects, for example, we are active participants in public multi-stakeholder dialogues and are working with local communities to seek to fully understand their concerns and aspirations, and to determine what a proper and appropriate response to them should be. We believe that in this way we will gradually build trust and reach an equitable solution for all concerned, leading to a high degree of buy-in for our future mining developments.

## THE POWER OF PARTNERSHIPS

Finding solutions to the many issues facing our industry and wider society needs coordinated action across a range of constituencies. That is why, as part of a broader canvas, we continue to be active in such bodies as Business in the Community (BITC); GBC Health; the International Council on Mining & Metals (ICMM); the UN Global Compact, and the World Business Council for Sustainable Development (WBCSD). We are also an active participant in the Extractive Industries Transparency Initiative (EITI), and we are promoting an effective but proportionate solution to the proposed amendments to the EU Transparency and Accounting Directives through active and constructive engagement with the European Commission and Parliament. In a similar vein, we support, and are a signatory to, the Voluntary Principles on Security and Human Rights and we are providing support to the new Institute for Human Rights and Business (IHRB).

## WATER AND CLIMATE CHANGE

Two of the greatest concerns for our business are water and climate change. Water is probably our Group's predominant environmental issue and, with the majority of our operations in water-stressed regions, we are actively trying to find ways to both conserve water and increase its availability. This has led us to establish new technical standards for water management and we are implementing our new water efficiency target tool across all our operations, while current major water projects include building a desalination plant at our Mantoverde copper mine in Chile's Atacama Desert.

On the issue of climate change, we recognise our responsibility to help address the causes, and mitigate the effects, of climate change. We are investing in clean coal research and development projects in the US, Australia and South Africa. Recently, our Platinum business launched a fund to invest in platinum-based technology companies in South Africa; this includes a partnership with fuel cell company Altergy and the government to manufacture and market fuel cell systems. Anglo American is also an active and vocal participant in debates that are happening on a global, national and local level about carbon-pricing mechanisms, and how they can be used to reduce carbon emissions.

01

02

**Board visit to Metallurgical Coal, Australia**
**01** The chairman and chief executive at MBD Energy, Melbourne, in which we are a cornerstone investor. MBD is researching the use of algae to entrap $CO_2$ from power station flue gases.

**02/03/04/05** Board members visiting Moranbah North in Queensland, Australia, site of a power station fuelled by coal seam methane from the mine.

03

04

05

**"To strive to be the global leader in responsible, sustainable mining requires commitment, passion and hard work from employees and management and the full support of the Board. Anglo American has it all."**

**Peter Woicke**
Non-executive director and chairman of the Safety and Sustainable Development Committee

## MINING'S POSITIVE LEGACY

Mining is an activity that can help transform people's lives in a positive and lasting way. I saw that for myself when I participated in our enterprise-development trade fair in Johannesburg, South Africa in June. At the fair, I personally met many Anglo American-supported suppliers who were proud to have the opportunity to showcase their products and services to the mining industry, and passionate about the achievements that our activities had helped make possible. The fair showed real and tangible examples of mining's substantial outreach, and our Zimele model of job creation is now being extended to other countries, including Brazil, Chile and Peru.

This example, in just one of the countries where Anglo American operates, is a reflection of the strength and endurance of partner relationships where there is an embedded culture of mutual trust built on transparency and accountability. It indicates just what we as an industry can do, on the ground, to ensure that, when our mine gates eventually close, our host communities are equipped with the capacity and the know-how to build a viable and sustainable future.

I believe that, as responsible miners, we should be leveraging such interventions to help build a deeper and wider understanding of the mining sector, and to demonstrate that ours is an industry that seeks to go beyond mining and which gives real support not only to host governments and communities, but to the development of international frameworks and standards in the sustainable development arena, so that our legacy becomes a positive and lasting one.

**Sir John Parker**
Chairman

# IT TAKES PLANNING AND DIALOGUE

Sustainability is part of every stage of a mine's life, from the moment we identify a possible exploration site all the way to a mine's eventual closure. All of our actions are guided by the 'Ways' – a set of standards and systems to minimise our impact on people, communities and the environment.

## EXPLORATION

**Timescale: 5–10 years**

**SAFE DISCOVERY**
SAKATTI, FINLAND

**Sensitive exploration in Arctic Finland**
Our Sakatti exploration project has found innovative ways to drill with minimum disruption to local people and the environment.

For more information **turn to page 57**

To watch the video, visit **www.angloamerican.com**

### Treading lightly

Exploration is the first phase in the life of a new mine. During this stage, teams identify and secure access to prospective exploration areas before drilling for samples that we can test for valuable orebodies. Even at this early stage in the process, long term sustainability is a critical concern for us.

Exploration often takes place in remote areas, with little economic development and untouched natural habitats. We are committed to treading lightly, respecting these environments and the people in them.

Our exploration teams are guided by 'Safe Discovery' – our vision for discovering new orebodies in a safe and responsible way. One way to realise this vision is to develop new exploration technologies that reduce our environmental footprint. For example, we have pioneered 'closed-loop' drilling techniques for capturing the waste mud and fluids to protect the environment in which the exploration team is operating.

### Respectful engagement

First impressions matter – and securing a licence to operate depends on winning the trust and support of governments and communities at the earliest opportunity. By engaging respectfully with local people and understanding their needs, we can help make sure that the long term social and economic impact we bring to communities is a positive one.

## BUILDING AND PLANNING

**Timescale: 5–10 years**

**LASTING VALUE**
APPRENTICESHIPS, AUSTRALIA

**Bridging the skills gap in Australia**
Metallurgical Coal's apprenticeship scheme is helping to nurture a new generation of highly skilled mining and engineering talent.

For more information **turn to page 18/i**

To watch the video, visit **www.angloamerican.com**

### Seeing the bigger picture

Planning and building a mine involves many complicated decisions – so it's important not to lose sight of the big picture. To ensure the viability and financial success of a mine, we believe it is essential to understand the environmental and social issues associated with the project and take these factors into account in our decision-making. We have a number of tools and processes in place to help us weigh financial considerations with long term sustainability issues.

### Understanding our impacts

One example is our Socio-Economic Assessment Toolbox (SEAT) – our method for assessing the potential social and economic impacts of a mine, both negative and positive. By using this in conjunction with our Social and Environmental Impact Assessment (S&EIA) standard, we can align our needs with those of local communities and the environment, so we can plan our operations in ways that maximise benefits while minimising any adverse effects.

During the planning stage of a project, we are already looking forward decades into the future, to when the mine eventually closes. We aim to make sure that our investments in infrastructure, transport, jobs, education and other areas will bring lasting value to local communities for generations to come.

**"Speaking of the responsibility that business needs to take, I'm very pleased to say that the integration of biodiversity within Anglo American is happening through the entire life of their mines, from exploration through to closure."**

**Pippa Howard** Director, Business & Biodiversity Programme Fauna & Flora International

**"Anglo American has provided a great model and leading example for other companies looking to integrate local purchasing and supplier development as part of their core business process. I have not seen anything like it in the mining, or oil and gas sectors."**

**Robin Weisman** Principal Investment Officer, International Finance Corporation, a member of the World Bank Group

# OPERATIONS

**Timescale: 20–120 years**

**ENGAGEMENT**
MANTOVERDE, CHILE

**Improving access to water in Chile**
Mantoverde's new seawater desalination plant will help improve the critical water shortage in Chile's Atacama region.

For more information
**turn to page 46/i**

## Operating responsibly

One of Anglo American's four strategic pillars is to operate safely, sustainably and responsibly. As a company that exploits a finite resource, we are fully committed to operating our mines in a way that brings positive changes to host communities, keeps our employees safe and leaves behind a healthy environment.

Our approach to sustainable development (SD) is based on a belief that exceptional operational value can be realised by embedding SD in everything that we do – from our systems, risk processes and procedures, to the way in which we consult and work with our stakeholders.

## Putting our vision into practice

Strong governance and risk management processes ensure that we deliver on the commitments we make in our various policy documents and that we measure up to the standards we set out for ourselves in our Way documents. A dedicated global safety and sustainable development (S&SD) risk and assurance team provides expert opinion on the adequacy of risk-control measures to ensure that current and emerging risks are effectively controlled, while our corporate and operational subject matter expertise enables us to identify and manage critical safety, health and social, as well as environmental, improvement opportunities.

# CLOSURE

**Timescale: 10–30 years**

**STEWARDSHIP**
STEFFANUTTI, SOUTH AFRICA

**Developing a construction workforce in South Africa**
Our partnership with a South African construction company is sowing the seeds of a healthy legacy of skills and jobs in the Northern Cape.

For more information
**turn to page 32/i**

## Leaving a positive legacy

Closing a mine without due consideration for the environmental and social impact can create long term challenges for those who are dependent on it or live close by. We aim to ensure that the value we create through our mining activities results in a positive social and environmental legacy once the mine closes down.

## A structured approach

Our Mine Closure Toolbox provides us with a structured approach to closure and covers three main components: strategic planning; assessing the current status of an operation; and scheduling, resource allocation and budgeting to address the gaps that have been identified.

Experience has taught us that closure planning is best conducted as early in the life of a project as possible. Our Projects Way includes a set of requirements for mine closure, ensuring that mines are planned, evaluated and designed with closure in mind. All projects must now have a closure plan included as part of the project development and investment evaluation process. At the end of 2011, 84% of mines had formal closure plans in place.

To ensure a lasting positive legacy, we supplement the value generated through our core activities – paying taxes, salaries, and payments to suppliers – with initiatives designed to develop host communities in the long term, including investments in health facilities, jobs, skills and infrastructure.

**Cynthia Carroll**
Chief Executive

# IT TAKES CARE AND RESPECT

Anglo American chief executive Cynthia Carroll talks about how we are addressing the main sustainable development issues facing the Group and shares her thoughts about why building and maintaining trust with stakeholders must always remain core to our approach to sustainable development.

**Q.** As a CEO, how do you balance the needs and demands of such a wide range of stakeholders – investors, governments, communities, NGOs, suppliers – that are affected by your business?

**A.** Our stakeholders are very diverse groups of people and we need to be listening to all of them on a continual basis. This is not always easy, but our stakeholders matter to us and are integral to our success. What we do find, when we get down to it, is that their interests do coincide. They are concerned with the same kinds of things: whether that's more jobs, better education and healthcare, or having their voice heard.

We are increasingly focused on activities that help meet these shared objectives. We provide jobs and pay taxes, but we're also helping to develop entrepreneurs, and investing in communities in other ways.

Governments and communities expect this of us as a leading, modern mining company and, in order to meet and exceed these growing expectations, we have to do it better and better.

For more on our values
**turn to page 01**

**Q.** What role does sustainable development play in delivering value for stakeholders?

**A.** It plays a crucial role and this is widely accepted now. The days where sustainable development was simply seen as a cost with no value have gone.

Value means different things to different people. Creating financial value for our shareholders is a given, but we believe this is not incompatible with environmental protection, and delivering broader benefits to our host governments and communities.

We are committed to creating long term benefits and, in doing this, considering the social, environmental and economic implications of all our decisions and actions.

This requires us to understand the issues that are going to have an impact on our business, such as access to water, energy or retaining talented people, and ensuring we can manage those risks. It also means actively looking for opportunities, the ways that we can really deliver value over and above the traditional benefits we provide to communities where we operate.

**Q.** What would you single out as Anglo American's most material sustainability challenges?

**A.** You can argue that, by its very nature, mining is not sustainable as we are working with a finite resource; but modern society is dependent on the resources we mine and it is vital that we meet this demand in the most responsible way possible.

As a major global mining company, we certainly have no shortage of challenges. For me, personally, the main priorities that stand out are: improving our safety performance; managing our relationships with communities; and responding to the challenge of climate change, which includes securing access to water.

I believe that the way we manage these will have a profound influence on the future of our business, which is why we have embedded the principles of sustainable development in everything we do, starting at

the top, with our strategy and values, and going right through the organisation to the policies and processes that underpin our work.

On a personal level, I have made safety and sustainable development a priority since joining Anglo American. Creating a culture of care and respect is central to how I lead. I believe that building trust and demonstrating responsibility are vital to securing, and maintaining, our licence to operate. And I expect this of our leaders and their teams within the organisation.

**Q.** Safety is your top priority, but 2011 hasn't been a good year. Tell us about what you're doing to improve your organisation's safety performance.

**A.** People sometimes ask me: what keeps you awake at night? Well, it's that employees are continuing to lose their lives on my watch. This is what really upsets me. Without a doubt, my biggest disappointment this year has been our safety performance. This year, 17 of our people have lost their lives in work-related incidents.

This has been particularly disheartening because since I arrived, we have seen a year-on-year decline in the number of lives lost in our workplace. And in actual fact, in 2011, we did achieve zero harm at more than 90% of our operations. Platinum's safety performance, however, has deteriorated and this has had a significant impact on our overall progress.

We are getting to the heart of the problem and Platinum is putting in place a major cultural and compliance programme to begin to address this challenge. But I believe safety is a collective responsibility and so, in response to our poor performance this year, I instituted a 'call to action', bringing together leaders from all of our businesses, and asked them to tell me where we need to refocus our attention and efforts.

On a personal level, I remain committed to doing everything I can to keep our people safe and I won't rest on this issue until we are achieving zero harm in every part of our business, every day.

For more information on safety
**turn to page 24**

**Q.** The relationships that a mining company has with the communities around its operations must be critical. But there are many examples of companies getting this very wrong. How do you respond to this?

**A.** We rely on the communities around our operations in order to be successful. So it's clear to me that we have to reach out to communities and to governments at all levels to understand their needs. Only then can we develop relationships with them that are built on trust and respect.

The fact is that some mining companies have left a poor legacy in communities and, to an extent, we are still dealing with these issues, even though major mining companies have dramatically changed the way they manage the environment, work with communities and contribute to society.

Where mining has had a bad name, we have to work extra hard to be clear about what we stand for, and deliver very clearly on our commitments.

A good example of this is Peru – a country that has seen more than its fair share of poor mining practice in the past – where we have a major copper project called Quellaveco, which represents an investment of about $3 billion to $4 billion.

*(continued overleaf)*

**COUNTRY INVESTMENT**

**$3-4bn**

Amount of investment in Peru

**ENTERPRISE DEVELOPMENT**

**31**

Zimele hub offices operating in South Africa

**ENTERPRISE DEVELOPMENT**

**47,070**

Total number of new jobs across the world created through our enterprise development initiatives

**SAFETY**

**46**

Site-safety reviews undertaken this year throughout the Group

Cynthia Carroll takes a keen personal interest in the Group's sustainable development issues:

**01** With geophysicist Circé Malo-Lalande (left) at our Sakatti exploration site in northern Finland.

**02** At MBD Energy in Australia, in which we are a cornerstone investor. MBD is researching the use of algae to entrap $CO_2$ from power station flue gases.

**03** Remembering those who lost their lives in 2011, during Platinum's Safety Day in October.

01

02

03

When we first started work on Quellaveco, the entrenched distrust of our sector quickly became apparent. We decided to press the pause button on the project and engage more with the communities. Now we are participating in a multi-stakeholder dialogue table, learning more about people's concerns and demonstrating that we are responding to them. We realise this may take some time, but in my view, that is time well spent.

**Q.** How can mining companies bring value to communities?

**A.** Where we are able to operate with the trust and support of communities, there are amazing opportunities to deliver value for all stakeholders.

In South Africa, we set up Zimele, our enterprise development initiative, many years ago to ensure that communities benefit beyond the life of the mine. When I became chief executive in March 2007 we had one office in Johannesburg. By the end of this year, we will have 31 hub offices that provide day-to-day support to local entrepreneurs all around the country, and we've now taken this model to Chile, Peru and Brazil. And it's working.

We have supported over 38,681 small businesses and entrepreneurs who have created/sustained almost 47,070 jobs; we have also been approached by other companies and by government to help them to set up hubs. Our aim is that these businesses and the jobs that they create will be sustainable and will continue to provide jobs after the mines are closed.

For more information on Zimele **turn to page 39**

**Q.** You expressed concern about access to water. Why is this of concern and how are you addressing it?

**A.** Mining uses a lot of water, so it's obviously critical to our ability to operate. It's a particular challenge, given that so many of our operations are in water stressed environments where there is competition for water. This can create tension with communities, so reducing our water usage has multiple benefits. This is a real focus for our business.

Last year, I tasked every site with reducing their water consumption and there are many examples of innovative ways in which they are doing this. At Mantoverde, in Chile, we are building a desalination plant to provide water for our operations, so that we don't need to draw from existing local sources, and, in South Africa we have decided to double the capacity of our successful water reclamation project in Witbank.

Two of our newly operational growth projects, Los Bronces and Barro Alto, are using recycled water for their operations and, at our Quellaveco copper project, we have been engaging actively with the communities and regulators over concerns about access to water.

Stakeholders are also concerned about how mining affects water quality. Through a combination of strong internal standards and stricter permitting, we're in a better position than ever to effectively manage our impact on this valuable resource.

**Q.** Climate change is clearly a significant challenge for you, particularly as a major producer of coal. How are you tackling this issue?

**A.** Climate change is a reality and has multiple impacts on our business, so we need to be responding across a number of different fronts. We recognise our responsibility to help address the causes of climate change and to protect our people, assets and communities against its potential impacts.

This year, we've actively engaged with governments on climate policy, particularly in Australia and South Africa, where both countries have proposed carbon-pricing mechanisms.

In Australia, I have said to the prime minister that we are willing to work with the government and we have put money on the table to collectively support the development of technology required for carbon reduction, but I do not subscribe to a pricing scheme that doesn't address the key issue of carbon reduction.

Similarly, in South Africa, we have very clearly stated our position on carbon pricing. It's important that policies recognise the stage of a country's development and that they do not negatively affect the international competitiveness of that country.

We are doing our bit to find ways to advance technology for carbon reduction. Some examples include: our investment in MBD Energy, an Australian company that uses by-product $CO_2$ to grow algae and create bio-fuel and animal feed; the methane-fired power stations at Moranbah North and Capcoal; the development of two mobile methane-flaring units (a world first); and two solar power initiatives in South Africa. We're also involved in a number of carbon-capture and storage programmes, and there are a number of energy-efficiency initiatives that we have implemented at our mines and in our host communities.

We're also focused on the opportunities that the metals we mine, particularly copper and platinum group metals, provide. Renewable technologies such as wind turbines rely on copper, while platinum is used in 95% of new cars with autocatalysts to reduce noxious gas emissions.

Platinum is a core component for hydrogen-based fuel cells and, in 2011, we found new ways to work with partners and the government in South Africa to help build a local fuel cell sector that will create green jobs and help meet the country's increasing need for clean, reliable, cost-effective power.

**Q.** How do you see the challenges that the organisation faces today, evolving?

**A.** These are complex issues and they won't be resolved from one year to the next. We will continue to strive to improve our performance on these issues because it's important to all of us. We will also keep listening and talking to our stakeholders to make sure we're clear about where they stand.

The pressures from society are quite frankly significant. As expectations around responsible performance grow, our responsibility as a company is to meet and exceed these expectations – that, essentially, is what this report is all about.

01

## PEBBLE PARTNERSHIP

**Environmental issues are right at the front of the minds of many of our stakeholders for the Pebble project in Alaska. That's why the Pebble Partnership, in which Anglo American has a 50% interest, has invested an unprecedented sum of over $120 million to develop one of the most comprehensive environmental baseline documents ever produced in Alaska, and perhaps the US, for a project of this kind.**

**These extensive studies highlight key scientific and socio-economic data that will provide the foundation for a mine plan that delivers on our commitment to protect the environment and the world class salmon fishery in the region.**

**Pebble has gone well beyond simple compliance with regulatory requirements, not only by making such a significant investment in these studies, but also by disseminating this work to the public and government agencies well in advance of permitting. It has held a series of workshops during the early months of 2012, condensing the 25,000 pages of studies into meaningful presentations that stakeholders can understand and interrogate. These studies and presentations can be found at www.pebbleresearch.com**

**In a further demonstration of commitment to transparency, later in the year Pebble will be opening these studies to independent scientific review facilitated by the Keystone Center, an organisation that uses scientific knowledge and state-of-the-art consensus building in the areas of environmental, health and energy policy.**

**The Pebble project offers an opportunity for much-needed jobs and improved livelihoods in one of the most socio-economically depressed regions of the US.**

**Pebble plans on completing the pre-feasibility study, initiating permitting by late 2012, and targeting production early in the next decade.**

**Above**
**01** Scientists Jude Simon (left) and Elizabeth Smith, conduct environmental studies in the Bristol Bay region of Alaska.

For more information, visit
**www.pebbleresearch.com**

# IT TAKES INTEGRATION AND COMMITMENT

Mining delivers substantial economic value through the products it creates, the people it employs and the revenue it generates. It can also make a significant contribution to a country's broader socio-economic development, helping to create prosperous and positive futures for people living around mining operations.

But mining in itself is not a sustainable activity, and it comes with significant social, environmental, health and safety risks that must be managed appropriately.

We believe that integrating sustainable development into every aspect of our business is the best way to mitigate these risks and maximise opportunities from mining to deliver value for all our stakeholders.

**Group strategy**
Sustainable development is an integral part of our strategy. It is a critical enabler of our licence to operate and a key value driver embedded in every aspect of our business.

**Our sustainable development commitments**
We have identified a number of commitments that are key to delivering on our strategy. In many of them, Anglo American has already been a pioneer and, by leading in each of these areas, we will not only benefit our host nations and local communities, but secure a clear competitive advantage.

# MEASUREMENTS AND TARGETS

| | FOCUS | 2011 TARGET | 2011 PERFORMANCE | 2012 AND FUTURE TARGETS |
|---|---|---|---|---|
| PEOPLE | **Safety** Go to page 24 | Zero fatal injuries. | It is with deep regret that we report the loss of 17 lives at Anglo American during 2011. | Zero fatal injuries. |
| | | LTIFR: 0.55. | Our 2011 LTIFR remained level at 0.64*, despite improvements at almost all business units. This was principally due to a rise in lost-time injuries at Platinum. | LITFR: 0.55. |
| | **Health** Go to page 28 | Continue downward trend and ultimately eliminate occupational disease and health impairment. | The number of new cases of occupational disease dropped from 268 in 2010 to 197 in 2011. This is a 28% reduction in incidence from 0.284 to 0.205 cases per 200,000 hours worked. | Continue downward trend and ultimately eliminate occupational disease and health impairment. |
| | | Self-assessments against the new Group standards for noise and airborne particulate control to be completed by all business units. | 79% of all operations have completed self-assessments. | All remaining sites to complete self-assessments against the Group standards for noise and airborne particulate control.<br>Operations to put health improvement plans, based on self-assessments, in place. |
| | | All business units to report and investigate health incidents. | Business units have made considerable progress on the reporting and investigation of health incidents. | All business units to report and investigate health incidents. |
| | | Achieve 95% uptake of HIV counselling and testing (HCT) in southern Africa. | A 92% uptake was achieved this year. | Maintain an HCT uptake of 90% or above. |
| | | 70% enrolment of estimated HIV cases in Anglo American HIV wellness programmes. | A 61% enrolment was achieved during 2011 – an increase in relation to 2010 (59%), but short of our 70% target. | 70% enrolment of estimated HIV cases in Anglo American HIV wellness programmes. |
| | **Our people** Go to page 20 | Achieve or exceed various national diversity goals. | 51% of all management-level employees in South Africa are historically disadvantaged South Africans, while 22% are female. | Achieve or exceed various national diversity goals. |
| | **Safety & health management system standards** Go to page 24 | All operations to have safety and health management systems, that are certified to international standards, within two years of acquisition/commissioning. | 93% of all sites that are required to maintain certification to OHSAS 18001 standards have done so. The remaining 7% are predominantly sites that fall marginally outside of the two year grace period. | All operations to have safety and health management systems, that are certified to international standards, within two years of acquisition/commisioning. |
| SOCIETY | **Social performance strategy** Go to page 34 | Complete annual assessments against Anglo American's Social Way requirements for all operations and development projects. | Assessments for all operations completed. All projects assessed at each stage gate in the project development process. | Complete annual assessments against the Social Way requirements for all operations and development projects. |
| | | Achieve 95% compliance with the Social Way by end of 2011. | 89% compliance achieved for the Social Way, up from 85% in 2010. The score was negatively affected by five mines being assessed for the first time and the introduction of our Group-wide complaints and grievance procedure, which was included in the assessment for the first time. | Achieve 95% compliance with the Social Way by end of 2012. |
| | **Human rights** Go to page 36 | Review final report of UN Special Representative on Business and Human Rights and make any necessary adjustments to procedures to fully address recommendations. | Human rights best practice requirements have been integrated into relevant Anglo American policies, including the new version of our Socio-Economic Assessment Toolbox (SEAT). | Share Anglo American best practices by publishing SEAT version 3. |
| | | Ensure all sites are using new complaints and grievance procedure. | Work is continuing to ensure that this is the case. | Ensure all sites are using SEAT version 3. |
| | **Socio-economic development** Go to page 38 | Issue updated (third) version of SEAT manual and commence roll-out of SEAT3. | The third version of the SEAT manual was finalised and will be published in Q1 2012. | Commence roll-out of SEAT version 3. Share Anglo American best practices by publishing SEAT version 3. |
| | **Rural health systems strengthening (HSS)** Go to page 31 | N/A | Health systems strengthening business plan for four sub-districts in the Eastern Cape of South Africa has been completed. | Demonstrating significant progress in at least two rural health systems strengthening projects. |
| | | | Services at the Bhubezi Community Health Centre in rural Bushbuckridge, Mpumalanga province, South Africa, have been sustained. | |
| | | | Access to primary healthcare services in isolated rural areas of the Northern Cape, South Africa, has been supported through nine specially equipped mobile health units and one patient transport unit. | |
| | **Enterprise development** Go to page 39 | Anglo American's various enterprise development initiatives to create and sustain 15,000 additional jobs (25,000 in total) in up to 1,500 businesses by 2015. | 47,070 new jobs created/sustained to date. | Create/sustain 50,000 jobs through enterprise development initiatives. |
| | | Establish small business development programme in Peru at Quellaveco project by end of 2011. | A small business development programme has been established at the Quellaveco project in Peru. | Undertake feasibility studies of implementing further programmes in all emerging markets where we operate. |
| | | Establish 10 new hubs by end of 2011. | To date, a total of 31 business hubs has been established through the Zimele Community Fund. Six new hubs were created in 2011. | Increase number of hubs in South Africa. |

* Anglo American's 2010 LTIFR was previously reported as 0.57, but has since been restated to reflect an alignment in reporting from Metallurgical Coal. This alignment has been taken forward into the 2011 reporting year.

**Our KPIs**
This scorecard summarises how Anglo American performed against the commitments and targets that we set ourselves for 2011.

| | FOCUS | 2011 TARGET | 2011 PERFORMANCE | 2012 AND FUTURE TARGETS |
|---|---|---|---|---|
| SOCIETY | **Local procurement** Go to page 41 | Achieve or exceed the requirements of the 'procurement and enterprise development' pillar of the updated Mining Charter for 2011. Achieve the local procurement targets and show continuous improvement. | In South Africa (SA), total BEE procurement spend by managed and independently managed businesses and enterprise development was $3.2 billion ($2.9 billion in 2010). Anglo American-managed businesses spent a total of $3 billion ($2.4 billion in 2010) with HDSA businesses. All SA business units exceeded the SA Mining Charter's BEE procurement targets for 2011. Business units set targets for procuring from suppliers located close to the operations and these were largely achieved. Spend on suppliers based in the host communities close to our operations was $1.13 billion – this was an increase from 9.1% in 2010 to 9.5% in 2011. | Achieve or exceed the requirements of the 'procurement and enterprise development' pillar of the updated Mining Charter for 2012. Achieve the local procurement targets and show continuous improvement. |
| | **Supply chain sustainable development** Go to page 45 | Engage with prioritised suppliers according to engagement methodology: inform, assess, verify and develop. The majority of audited suppliers to have a sustainable development improvement plan in place. | We continue to engage with and audit our prioritised suppliers. In 2011 we conducted 75 sustainable development audits of our suppliers; 30 improvement plans are in place and a further 36 have been requested. | Engage with prioritised suppliers according to engagement methodology: inform, assess, verify and develop. Where required audited suppliers to have a sustainable development improvement plan in place. Safety interventions with high risk suppliers implemented. |
| ENVIRONMENT | **Environmental management system standards** | All operations to have environmental management systems that are certified to international standards, within two years of acquisition/commisioning. | 94% of all sites that are required to maintain certification to ISO 14001 standards have done so. The remaining 6% are predominantly sites that fall marginally outside of the two year grace period. | All operations to have environmental management systems that are certified to international standards, within two years of acquisition/commisioning. |
| | **Water** Go to page 48 | Develop new water-efficiency targets in 2011, for implementation from 2012 onwards. | Every managed site has set a water savings target against 2020 business-as-usual consumption depending on the area's degree of water stress. | Drive operational excellence on water through identifying and implementing water savings projects, self-assessing compliance with the standards and developing action plans to address gaps. |
| | | Issue new water management standard and guideline document. | A new water management standard and guideline document has been approved. | |
| | | Ensure that our water action plans (WAPs) are in line with water management standard. | Measures are in place to ensure that all our WAPs are aligned with the water management standard. | |
| | | Upgrade water-reporting parameters. | Our water parameters have been broadened to include water source, quality, discharge and costs. | |
| | | Commence implementation of water technology strategy. | A water technology roadmap has been defined and 'now' and 'next' technologies identified. These were used to inform the water savings targets. | Establish water research focus areas and initiatives. |
| | | Proactively identify water partnership opportunities. | During the year we continued to engage and partner with our communities and host country governments on water issues. This included the launch of the Zimele Green Fund which will target projects which save water (see page 49 for further information). | Engage and partner with governments and other key stakeholders on water issues. |
| | **Energy and climate** Go to page 52 | A new Group target will be defined in 2011. | Every managed site has set new energy and carbon reduction targets against 2015 business-as-usual consumption and emissions. | Drive operational excellence on energy and climate through identifying and implementing savings projects, self-assessing compliance with the standards and developing action plans to address gaps. |
| | | Commence Group-wide roll-out of the new energy and GHG performance management programme. | We have developed and are in the process of rolling out our energy and carbon management programme, $ECO_2MAN$. | |
| | | | | Develop energy and climate change technology strategy. |
| | | | | Engage and partner with governments and other key stakeholders on climate change and energy issues. |
| | **Biodiversity** Go to page 56 | All new sites to have a BAP in place within two years of acquisition/commissioning. | All operations with potentially significant biodiversity impacts have BAPs in place. | All new sites to have a BAP in place within two years of acquisition/ commissioning. |
| | | Conduct BAP peer reviews at a minimum of six sites. | BAP peer reviews were conducted at six sites. | Conduct BAP peer reviews at a minimum of six sites. |
| | | Four sites to be independently reviewed by FFI. | Four sites were independently reviewed by FFI. | Four sites to be independently reviewed by FFI. |
| | | No endangered species will be lost or adversely affected by operations. | No endangered species, including those listed on the IUCN Red List, were reported as having been negatively affected. However, a small number of protected Belloto del Norte trees in Chile were destroyed (see page 57). | No endangered species will be lost or adversely affected by operations. |
| | **Waste** Go to page 58 | A strategic review of waste reporting and targets will be conducted during 2011. | Types of waste and associated risks vary across the Group. Waste risks are managed through the mandatory requirements of the Environment Way, which exceeds legal compliance. Additional internal reporting parameters have been introduced for all key waste streams. | |

## OUR GROUP STRATEGY: DELIVERING SUSTAINABLE VALUE

**Anglo American aims to become the leading global mining company – the investment, the partner and the employer of choice – through the operational excellence of world class assets in the most attractive commodities, and through a resolute commitment to the highest standards of safe and sustainable mining.**

We seek to achieve this aim through our four strategic elements:

**Investing** in world class assets in those commodities that we believe deliver the best returns through the economic cycle and over the long term – namely iron ore, metallurgical coal, thermal coal, copper, nickel, platinum and diamonds – each of which provides value to society through its resulting products and services.

**Organising** efficiently and effectively to outperform our competition throughout our value chain; this commitment to operational excellence includes provision for assessing the financial and non-financial value of sustainable development initiatives for greenfield projects and the extent to which they create shared value (see value of sustainability case study on page 15) .

**Operating** safely, sustainably and responsibly, in the belief not only that this is fundamental to our licence to operate, but also that this is an increasingly important source of competitive advantage. Although mining is a high-risk business, we do not accept that this means there have to be injuries or deaths; we are committed to promoting the well-being of our employees and their families, and to enabling the sustainable economic development of the communities in which we operate.

**Employing** the best people, recognising that attracting, developing and retaining the best talent is essential to achieving our goal of being the leading global mining company.

Our approach to delivering on these strategic elements is underpinned by our core values (see page 01) and informed by the belief that our ability to do so is integrally linked to our commitment to sustainable development.

To watch the video visit
**www.angloamerican.com**

## SUSTAINABLE DEVELOPMENT: INTEGRAL TO ACHIEVING OUR STRATEGY

Delivery of our strategy depends upon our ability to cost-effectively access our resources (particularly water and energy) and raw materials to maintain positive relationships with our principal stakeholders – most notably our host communities and governments – and to attract and retain a skilled, healthy and committed workforce. Our capacity to deliver these objectives is becoming of increasing strategic importance given the context. New mineral resources are becoming harder to access, there is increasing demand from rapidly growing economies such as China and India and other developing countries, continuing high levels of social inequality in some countries, and greater competition for technical skills. These challenges are further compounded by the changing nature of society's expectations of business, especially the heightened expectations of the billions of formerly deprived people, the potentially profound yet uncertain impacts of climate change, and the ongoing concern around the global economy.

Mining companies that demonstrate genuine commitment to promoting the development and well-being of their host communities, and to engaging in frank dialogue and partnership with stakeholders, are better positioned to access and process reserves of high quality resources. The low levels of trust in business in general, and the historically poor reputation of high impact industries in particular, is prompting increased scrutiny and greater regulation of business activities. This has significant implications in terms of improving business transparency, managing regulatory risks, reducing operating costs through enhanced efficiency, and identifying and delivering innovative products and services. It requires that we understand and are appropriately responsive to the needs and interests of society, our people and the environment, and that we identify and address the material sustainability risks and opportunities that impact on our capacity to create (and add) value.

# IT TAKES OPENNESS AND ENGAGEMENT

Our ability to deliver our business strategy ultimately depends on the effectiveness with which we identify and respond to those risks and opportunities that impact on the competitiveness of our business and on the interests of those stakeholders with whom we have a significant relationship.

**1. Identifying risks**
A consistently applied methodology is used to identify key risks at Group business units, operations and projects. The risk management process is undertaken through a series of risk workshops at least annually at business units, sites and at key stages in projects. An update is performed every six months.

**2. Analysing risks and controls to manage identified risks**
Once identified, the process will evaluate identified risks to establish financial and non-financial impacts, likelihood of occurrence and root causes. Consideration of current controls to mitigate the risks is also undertaken to enable a prioritised register of risks to be created.

**3. Determining management actions required**
If additional controls are required these will be identified and responsibilities assigned.

**4. Reporting and monitoring**
Management is responsible for monitoring progress of actions to mitigate key risks and is supported through the Group's internal audit programme, which evaluates the design and effectiveness of controls to mitigate key risks.

The results of the key risk management process are reported to the Audit Committee every six months.

## THE PROCESS FOR DETERMINING OUR MATERIAL ISSUES

In identifying and prioritising the issues that could impact Anglo American's goal of becoming the leading global mining company, we have considered both the findings of our internal risk management process and the outcome of engagements with our stakeholders. The identification and prioritisation of these risks is strongly informed by our commitment to delivering on our core values.

## OUR INTERNAL RISK MANAGEMENT PROCESS

The effective identification and management of risk is critical to the success of Anglo American. We have adopted a four-step approach to the management of risk:

### Identifying the key risks

We consistently apply the same methodology to identifying risk at Group, business unit, operation and project level. Risks are identified through a series of risk workshops held at least annually. Key and emerging risks are reviewed on an ongoing basis.

### Analysing risks and controls

We evaluate these risks to establish financial and non-financial impacts, the likelihood of occurrence and the root causes. This results in a prioritised register of risks, against which we then review the nature and adequacy and appropriateness of our current controls to mitigate these risks.

### Determining management actions

If new, different or additional controls are required, these are developed and appropriate responsibilities to discharge are assigned.

### Reporting and monitoring

Management is responsible for monitoring the effectiveness of controls and progress of actions taken to mitigate our key risks; this is supported through the Group's internal audit programme. The results of the risk management process are reported to the Audit and S&SD Committees of the Board for catastrophic and S&SD risks.

### Identifying our stakeholders' interests

Being responsive to the views and interests of our stakeholders is the second element of our approach to identifying those material sustainability issues within our control that could substantively influence their assessments and decisions. There are various ways in which we do this, including:

- Running structured engagements with members of our neighbouring communities as part of our Socio-Economic Assessment Toolbox (SEAT) process – we note in particular those matters that are raised on a regular basis or that are of international importance.
- Operating a Group-wide complaints and grievance procedure – this web-based procedure has a standardised approach for recording stakeholder feedback and classifying the nature of the stakeholder, their complaint and the severity of the issue.
- Ongoing dialogue and advocacy work with government representatives, either via industry organisations or directly.
- Undertaking specific engagements (including focus groups, surveys and one-to-one interactions) with specific stakeholders such as NGO representatives, researchers, sustainability practitioners and trade union members, including as part of international and multi-stakeholder initiatives.
- Assessing the feedback from our annual events and one-to-one meetings with investors and analysts, and reviewing the findings of analysts' reports and socially responsible investment (SRI) indices.
- Engaging with our top strategic suppliers at our annual supplier conference, and seeking their input on items such as local procurement, technology development, contractor safety and social performance.
- Engaging with business peers on the various business organisations and initiatives that we participate in, such as the International our approach our material sustainability issues Council on Mining & Metals (ICMM).
- Reviewing the issues that have consistently gained attention in the media throughout the year, relating to the sustainability performance of Anglo American or the mining industry as a whole.
- Conducting internal surveys with the heads of S&SD for each of our business units and other senior managers, where we specifically ask them for their perceptions of our material sustainability issues.

## OUR MATERIAL SUSTAINABILITY RISKS AND ISSUES

Through the feedback from these two processes, we have identified and prioritised the following social, environmental and people-related risks and issues that we believe have the potential to affect the Group's ability to create value, now and in the future, and to deliver in accordance with our values:

- Meeting rapidly changing societal expectations – as well as the increasingly stringent requirements of government regulation and a growing body of 'soft law' initiatives. The aim of these is to protect the human rights of those upon whom we impact, including indigenous peoples, address issues such as resettlement and the protection of cultural heritage, preserve livelihoods and promote the sustainable economic and social development of the communities in which we operate.
- Changing expectations from national governments regarding the management of the economic rent generated by mining, reflected for example in calls for resource nationalisation and increased regulation with regard to social investment and economic development.
- A failure to secure or retain support from our host communities as a result of these rapidly changing societal expectations, or through inappropriately managed social, health, human rights and environmental impacts at our operations. This includes the ways in which we engage with communities, the respect we accord them, and our accountability to them for our actions which, if not properly addressed, could undermine our reputation and affect our licence to develop and operate projects.
- Ensuring access to the relevant skills necessary to meet our growth objectives, and having the systems in place to develop and retain talent and to maintain positive relations with all our employees and trade unions.
- Insufficient progress in delivering on our commitment to zero harm (safety and health) in the workplace and helping develop health improvements in the wider communities in which we operate, including labour-sending areas, particularly around HIV/AIDS and tuberculosis.
- Growing competition for access to increasingly scarce water resources.
- Increased exposure to the physical and regulatory challenges associated with climate change, as well as the challenges associated with securing access to reliable and affordable sources of energy.

## OUR COMMITMENTS

In addition to the material risks and issues identified above, which have the potential to undermine current and future value, there are also significant potential opportunities for us to create value, both for our shareholders and broader society.

Although all risks and issues identified are actively managed, we focus on six key commitment areas in which we believe we can make the most positive and sustainable difference:

**Zero Harm**
Creating and instilling a company and industry culture that protects people from harm and improves their health and well-being.

**Climate change**
Enabling operations and local communities to address and adapt to the causes and effects of climate change.

**Water security**
Providing water security for our operations and the communities where we operate.

**Community health**
Facilitating tangible health improvements in local communities and a positive influence on health in developing countries.

**Benefiting communities**
Enabling sustainable economic and social development of communities where we operate.

**Operational excellence**
Realising exceptional operating value by managing safety and sustainable development risks and identifying value-creating opportunities.

These material risks, issues and opportunities have informed the structure and content of this sustainable development report and the selection of our key performance indicators.

# IT TAKES TRANSPARENCY AND ACCOUNTABILITY

Embedding the principles of sustainability into every aspect of our business requires rigour and focus. We are committed to high standards of governance in order to deliver responsible mining.

## OUR GOVERNANCE STRUCTURES FOR SUSTAINABLE DEVELOPMENT

Anglo American operates to the highest standards of corporate governance in accordance with the UK Corporate Governance Code. This is underpinned by our core values, and our commitment to ensuring safe and responsible mining in line with our goal of being the leading global mining company. Our governance structure reflects this, with clear lines of responsibility assigned from the operational level through to the Board (see diagram).

The internal restructuring process that was completed by early 2010 has facilitated more efficient interaction between the corporate centre and our seven commodity businesses. Removing the divisional coordinating layer, and strengthening the governance role of the corporate functions, has facilitated a more coordinated focus and approach across the Group on material issues such as climate change, social development and safety. It has also enhanced best practice sharing and the ability to drive coordinated implementation of safety and sustainable development initiatives across the Group. For example, this has improved the integration of S&SD and Government and Social Affairs requirements and expert input to the project management and asset optimisation processes, ensuring that broader sustainability issues are addressed as part of our decision-making.

Our goal of embedding sustainability throughout our core business processes is demonstrated in our 'value of sustainability project', an innovative approach to selecting options during project evaluation that is helping us deliver projects with greater confidence and long term value (see case study opposite).

For more information
**turn to page 15**

### Managing our sustainable development risks

Our investment decisions, our approach to planning and implementing projects, and the way in which we manage our operations and the closure of our mines are governed by a comprehensive set of mandatory performance requirements that form part of Anglo American's 'Way' documents: the Safety Way, the Social Way, the People Development Way, the Occupational Health Way, the Environment Way and the Projects Way. Each of these documents outlines the vision, principles, policies, frameworks and management-system requirements for the respective area of focus.

All service providers acting on Anglo American's behalf are expected to adopt and follow these Group standards and policies. We also promote the adoption of comparable standards in joint ventures or associate companies.

The S&SD risk and assurance team is responsible for auditing and providing assurance on the level and effectiveness of adherence to these Group standards and legislative requirements, as well as for identifying and assessing S&SD risks throughout the Group. The team works with Anglo American's business assurance services, who are responsible for Group-wide integrated risk management, business integrity, internal audit and insurance services. These audits are led by professional audit managers and supported by experienced personnel drawn from across the organisation. Audit reports, identifying elements of best practice and areas for improvement are shared with site and business unit leadership teams and discussed with the S&SD Committee of the Board.

In addition to these internal audits, third-party audits are conducted as part of the ISO 14001 and OHSAS 18001 certification processes, as well as within the annual process of assuring the sustainable development report. We also audit our suppliers on a risk basis and we give preference to suppliers that demonstrate commitment to sustainable development.

## ENSURING BUSINESS INTEGRITY AND GOOD GOVERNANCE

Through our involvement in international frameworks such as the Extractive Industries Transparency Initiative (EITI) and the UN Global Compact, we are committed to working with stakeholders in government, business and civil society to promote good governance and the responsible use of mineral wealth, and to prevent corruption.

Our commitment to business integrity and accountability and zero tolerance of corruption is given effect through our Business Integrity Policy, which states that: "We will neither give nor accept bribes nor permit others to do so in our name, neither in our dealings with public officials nor with suppliers and customers. We are committed to operate to the same level of integrity wherever we work." The policy is supported by 11 performance standards which cover: the giving or receiving of gifts; conflicts of interest; political donations; the use of company assets; facilitation payments; working with intermediaries; interactions with government officials; social investment; sponsorships; and mergers, acquisitions, joint ventures and associates. With regards to political donations, the relevant standard prohibits us from making donations to any political party or politicians, and requires 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.

**Our Good Citizenship Business Principles set out the standards which guide the conduct of our businesses. Our values and principles apply to every business we manage, to everything we do and to every part of the world in which we operate or procure from.**

## DRIVING STANDARDS FROM THE TOP

Our governance structures provide clear lines of accountability from the Board through to the operations, while open reporting lines allow issues that are encountered at an operational level to be communicated back up through the organisation.

**Certain Board committees have responsibilities in relation to sustainable development issues.** The **Safety and Sustainable Development (S&SD) Committee** meets quarterly under the chairmanship of non-executive director Peter Woicke. It provides strategic oversight on S&SD issues, reviews the Group's performance on material risks and implementation of policy, and monitors relevant national and international regulatory and technical developments. The **Audit Committee** reviews and monitors the effectiveness of the Group's internal controls and risk management systems, which directly impacts on how we manage S&SD. The **Remuneration Committee** reviews and sets the safety improvement targets included in the directors' annual performance contracts. A significant portion of their remuneration is directly linked to successful delivery against these, as well as other business and sustainable development targets.

The **Group Management Committee (GMC)**, which meets every two weeks, and the **Group Executive Committee (ExCo)**, which meets at least every two months for a two-day session, are responsible for developing strategy for consideration by the Board, and for developing and implementing Group-wide policies, programmes and best practice standards.

The **S&SD Management Committee** is responsible for setting standards, policies and the strategic direction on safety and sustainability issues, as well as for talent management and succession planning in this area. It also conducts an internal assurance role. The committee, which meets regularly, includes members from the Group S&SD Executive, and the heads of S&SD at the business unit level, as well as representatives from Supply Chain, Mining & Technology and Human Resources.

The **Group S&SD function** and the **Group Government and Social Affairs (GSA) function** provide specialist expertise and are responsible for developing and driving relevant Group-wide strategies, requirements, guidelines and tools, and for monitoring, reporting and assuring the operations' performance against these requirements. They are assisted by various communities of practice, fora of experts and practitioners that meet regularly to share good practice, identify issues to be addressed, and coordinate relevant programmes and initiatives.

**Operations**, as part of business units, are responsible for implementing safety and sustainable development policies and procedures.

01

## VALUE OF SUSTAINABILITY PROJECT

**In May 2010, the S&SD Executive approved the 'value of sustainability' pilot project to develop and test an approach that enables the value that can arise from sustainable development to be identified in the early stages of a project, and to assess the potential impact that this will have on key project decisions. Options and future scenarios are then developed and the financial impact of sustainable development aspects is calculated. For each option, the potential net present value (NPV), or 'value at stake' range, can be calculated.**

**The underlying goal of the project was to assist business leaders to make better-informed decisions by ensuring that sustainable development issues are effectively integrated into the decision-making process throughout the project development lifecycle. Informing this study was the realisation that the business context in which we operate has changed significantly in the past few years, with sustainable development issues playing an increasingly important role in the profitability of our assets.**

**Two separate pilot projects demonstrated that the value of sustainability could be articulated and that the process of applying this structured methodology added value to the project process. For both, we trialled the four-step methodology and refined it between pilots. The methodology entails: understanding the project context; generating the options, factoring in sustainability issues for selected key project decisions; quantifying the value at stake; and communicating the choices. The assessment includes consideration of nine key 'value drivers' relating to water, greenhouse gas emissions, energy, climate change adaptation, biodiversity, land stewardship and waste, safety, health, and licence to operate.**

**Both pilots identified the need for a multi-disciplinary team to think through the potential sustainability implications at early project stages, and both recommended that the financial quantification of sustainability should be used to inform decision-makers about the value at stake of key project decisions and options. The pilot projects illustrated that the most attractive options, from a purely traditional positive-NPV perspective, may become the least attractive option when the value of sustainability is included. By adding the value of sustainability considerations, we gain a better understanding of which option will deliver the best outcome in the long term.**

**Above**
**01** Jack Stosa (left) and Dakki Chaoke at Platinum's Mogalakwena mine, site of one of the value of sustainability pilot projects.

**"Our commitment to good governance and to safe and sustainable mining is realised through our governance structures, with clear lines of responsibility assigned from the operational level through to the Board."**

The performance standards apply to all Anglo American employees. These standards of conduct are also intended to be adopted and applied by all suppliers acting on Anglo American's behalf, and we seek to secure the adoption of comparable standards in joint ventures or associate companies. The Business Integrity Policy and Performance Standards have been translated into all the main languages that we use at our facilities. A dedicated business integrity manager, who operates within a broader risk management and business assurance team, oversees implementation of the policy through working with senior managers in the business units and through providing training to employees and third parties as required.

### Tackling bribery and corruption

We are committed to working against corruption in all its forms, including extortion and bribery. We support the EITI, and report annually on the tax and royalty payments we make in our significant countries of operation. (see page 43). Assessments of bribery and corruption risks are carried out at the business unit level, using an internally developed risk assessment tool. The tool considers external risk factors associated with the location of the activity, as well as internal risk factors arising from the nature of the operation, before assessing the strength of our internal controls. Where the residual risk is seen to be unacceptably high, actions are defined to strengthen the control environment.

An important focus in 2011 was on continuing our training and awareness programme for all employees in high-risk roles throughout our operations. By the end of 2011, more than 2,000 employees, including heads of business units, had taken part in over 130 training sessions held across 17 countries. The three hour workshop sessions are supported by an online module aimed at all employees who may be exposed to corruption risks owing to the nature of their work. Both the workshop and online courses are designed to provide employees with an awareness of Anglo American's anti-corruption policy and provide them with the opportunity to apply the performance standards to business integrity dilemmas to which they may be exposed. Employees are also advised of where to go for advice and also how to report any business integrity concerns.

### Facilitating whistleblowing

Our employees are required to report any breaches, or potential breaches, of our Business Integrity Policy. Our independently administered SpeakUp facility provides a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders to report and raise concerns about conduct that is contrary to our values and standards. SpeakUp provides telephone, email and website contact operated by independent companies in the regions in which Anglo American operates. The facility is available 24 hours a day, seven days a week and includes translation services. Anglo American does not tolerate any form of retaliation against employees raising concerns in good faith. Any allegations of harassment or intimidation of an employee by others as a result of a call to SpeakUp is investigated and appropriate action taken, including disciplinary action up to and including dismissal of the employee responsible for reprisals.

During 2011, we received 299 alerts (2010: 313). Each alert is evaluated and, where appropriate, investigated. The highest proportion of complaints in 2011 related to human resource issues (152). The balance pertained to a range of other matters including procurement, accounting, and health and safety. In total, 237 alerts were closed following investigation, of which 46 resulted in management action. Efforts are ongoing to ensure that all alerts are handled appropriately and consistently across the Group.

## ENGAGING WITH OUR STAKEHOLDERS

Our approach to managing sustainability and governance risks includes a strong emphasis on developing and sustaining trusting relationships with a wide range of our stakeholders. As outlined earlier in our review of materiality issues (pages 12-13), there are various ways in which we identify and respond to the views and interests of stakeholders – including governments, employees, shareholders, community groups, suppliers, non-governmental organisations (NGOs), business peers, suppliers and academia – throughout the full lifecycle of our operations.

01 Group director of mining and technology Brian Beamish on a Board visit to the Sakatti nickel project in Finland.

**We are committed to working with stakeholders in government, business and civil society to promote good governance and the responsible use of mineral wealth, and to prevent corruption.**

We seek, where appropriate, to collaborate, share knowledge and engage with our stakeholders on those matters relating to our Group activities that have a bearing on the interests of these stakeholders. We encourage the same approach to stakeholder engagement within our joint venture partners where we do not have a controlling interest.

### Partnerships and external initiatives

We believe in the power of collaboration between business, civil society bodies, NGOs, research organisations and governments. It helps to deliver more effective solutions and creates greater shared value. We therefore place a strong emphasis on forming partnerships with a broad range of stakeholders so that we can continue to create effective solutions and positive outcomes across all our sustainable development issues. Current partnerships include those with:

- CARE International on developmental issues.
- Fauna & Flora International on conservation and biodiversity.
- The University of Queensland's Sustainable Minerals Institute on safety, risk management and education on social issues.
- The University of Cambridge Programme for Sustainability Leadership, to provide education on social and community development issues.
- International Alert, to promote and implement conflict-sensitive business practice.
- Endeavour, to build the capacity of small and medium enterprises and suppliers.
- Tripartite, a collaboration on health and safety between business, organised labour and the Department of Mineral Resources in South Africa.
- Virgin Unite, USAID/PEPFAR (the US President's Emergency Plan for AIDS Relief), the South African Department of Health, and the Ndlovu Care Group on community healthcare.

01

- Altergy, a fuel cell company, and the South African government on creating a development opportunity for the country through the manufacture and marketing of platinum-based fuel cells.
- Fondo Esperanza, an institution in Chile that grants micro-credit and business education.

We are in partnership with many other organisations and will continue to identify additional partnership opportunities where we feel these will add value to our stakeholders and the company.

Anglo American also plays a leadership role in various business and sustainability-related initiatives, both in the extractives sector as well as in the broader business community. These include initiatives with organisations such as the UN Global Compact, EITI, ICMM, the World Business Council for Sustainable Development (WBCSD), the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC Health) and Business in the Community (BITC). Through our engagement we have sought to exert a positive influence by raising the expected performance standards across the sector, and by sharing our knowledge and experience.

## What it takes:

# SKILL AND MOTIVATION

Skilled and motivated employees form the foundation of a productive and growing business. This means we need to provide an appealing work environment that offers opportunities for personal development, encourages and rewards excellence, and promotes employee health and safety.

Our approach to developing our people encompasses our human resource activities, coordinated centrally by the Group human resources function, as well as our systems and standards relating to safety, occupational health and employee well-being. Our health and safety initiatives are coordinated by the Group safety and sustainable development (S&SD) function.

The review of Anglo American's performance relating to the development of our people addresses the following three areas:

### OUR PEOPLE

This section describes our strategy and management approach to delivering on our goal of being the employer of choice in the mining sector, and outlines the activities we are undertaking to attract and retain the best talent, develop our employees' skills and experience, and meet our commitment to promote workforce diversity and uphold labour rights.
Go to page 20

### SAFETY

This section reviews our 2011 safety performance, briefly outlines our management approach to safety, and describes our progress in implementing our strategic safety review and action plan that was introduced in response to a change in safety performance early in the year.
Go to page 24

### HEALTH

The final section outlines Anglo American's health strategy, and reviews our activities and performance relating to occupational health, employee wellness (including HIV/AIDS) and the promotion of healthcare in our communities.
Go to page 28

**"The Advanced Entry Apprenticeship Program has been developed to leverage existing skills and provide people with the opportunity to have those skills and relevant experience formally recognised. It ensures our people can develop specialised skills, no matter what stage they are at in life."**

**Debbie Butler** Principal of operations training, Metallurgical Coal



**Australia, Dawson**
Advanced trades trainees Peter Cartwright (left) and Richard James (centre) gain experience carrying out essential maintenance in the workshops of Metallurgical Coal in Queensland, Australia.

Before starting work, a comprehensive risk management assessment is carried out, incorporating extensive safety measures, including isolation and lock-out procedures.

Open the flap to find out more

# IT TAKES DEDICATION AND PARTNERSHIP

01

02

04

03

## IDENTIFYING SUITABLE CANDIDATES TO TAKE PART IN REDUCED-LENGTH APPRENTICESHIPS IS HELPING TO BRIDGE THE SKILLS GAP IN AUSTRALIA.

A thriving industry depends on a steady intake of new talent. For that reason, the Australian government's Resourcing the Future report was cause for concern. The 2010 report predicted a major and growing shortfall of qualified tradespeople across the Australian construction, gas and mining industries, unless employers acted quickly to bridge the skills gap.

The findings of the report came as no surprise to Debbie Butler, principal of operations training at Metallurgical Coal's HR division, who had already been working on her own study of Anglo American's trades workforce, which showed stagnation in the intake of apprentices. But Debbie also saw an opportunity. As the government's needs dovetailed with our own, the timing proved perfect to join forces to develop an innovative new pathway for bringing fresh talent into the business.

Working with the National Apprenticeships Steering Committee, Debbie helped design an Advanced Entry Trades Program specific to the needs of our Metallurgical Coal operations. The programme recognises workers' existing experience and equips them with the additional skills they need to attain full trade qualifications in just 18 months – providing the potential to save Anglo American $6.5 million with each 18-month programme.

But the programme's value is not only financial. Opportunities to upskill our people, develop career paths and increase the talent pool are all vital components as we aim to become the employer of choice.

With Debbie driving it forward, Anglo American became the first employer in the mining sector to implement the new initiative and, in 2011, 21 participants enrolled in the programme. It now represents an important element of Metallurgical Coal's workforce planning strategy to ensure the business has sufficient experienced and qualified employees to meet its growth needs.

This programme will help us in our commitment to identify, develop and retain the very best people in our industry – people like Debbie Butler.

**Above**

**01** Debbie Butler (centre) gets feedback from advanced trades trainees on the apprenticeship scheme at Metallurgical Coal.

**02/03/04** Apprentices at work in the workshop(s) of Metallurgical Coal's mine in Queensland, Australia.

To watch the video, visit
**www.angloamerican.com**

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**WOMEN IN MANAGEMENT**

**22%**

Proportion of managers at Anglo American who are female

**WORKFORCE DIVERSITY**

**51%**

Percentage of managers at Anglo American in South Africa who are 'historically disadvantaged South Africans'

**TRAINING AND DEVELOPMENT**

**$79m**

Amount invested in direct training activities

# OUR PEOPLE

The success of our business ultimately depends on the skills and motivation of our people, and on the extent to which we uphold our values and deliver on our strategy. Being the employer of choice in the sector is integral to our aim to be the leading global mining company, and takes on added significance during expansionary times for the industry, when there is growing competition for scarce talent. Delivering on our ambition requires that we have processes in place to attract and retain the best talent, provide opportunities for personal development, recognise and reward excellence, encourage diversity and protect employee rights.

**HR strategy**

## OUR STRATEGY AND MANAGEMENT APPROACH

Following completion of the business's major restructuring in early 2010, the Group human resources function now operates as part of a lean corporate centre that focuses on providing essential governance activities and on promoting synergies across the Group through collaborative working and the sharing of best practice. To achieve our objective of being the employer of choice, we have identified the following strategic priorities:

- Increasing the supply of scarce skills
- Preparing for growth
- Embedding our organisational model
- Improving productivity and efficiency
- Advancing workforce diversity
- Driving high performance and the right employee behaviours
- Improving succession planning and supporting development
- Removing barriers to mobility
- Developing consistent and aligned communication.

Our human resource standards, management systems and processes provide the foundation that allows us to deliver on these strategic priorities. Throughout the year we have been identifying opportunities for further improvements in all these areas, and we have made a start in implementing a three year plan.

### Attracting and retaining the best people

At Anglo American we know that creating the right culture is critical to making people want to join and stay with the company, particularly within the context of a very competitive job market. We recognise that many people expect more from their jobs than financial benefit alone, and are increasingly looking for employment opportunities that are meaningful and that make a beneficial contribution to society. Our values, business principles and brand together create the overall employee proposition to attract and retain the best talent.

An important strategic focus area in 2011 was to put the systems in place to identify our current and future skill requirements, and to proactively source the skills needed globally to respond to labour market trends and our anticipated growth.

## Developing our people

In 2010, we launched the People Development Way, a global capability framework detailing the behaviours, knowledge, skills and experience we need to achieve our strategic objectives. Our focus during 2011 was on embedding the framework and driving high performance and the right behaviours. This framework is being applied consistently across the Group to guide development and is supported by comprehensive training for managers and their teams to ensure they understand its importance and application.

> **At Anglo American we know that creating the right culture is critical to making people want to join and stay with the company, particularly within the context of a very competitive job market.**

We have also continued to roll out a new performance management system across the Group which will be fully implemented in 2012. This places strong emphasis on aligning individual objectives with the company's strategy and plans, reinforcing the Anglo American values, and focusing on personal development. Nearly 30% of our workforce undergoes formal performance management and development reviews on an annual basis. The remaining number of employees have access to a range of opportunities aimed at developing a workforce with the right skills, experience and training. Performance management among this segment is largely team-based.

Anglo American has extensive and high quality formal training and development programmes, at the business unit and Group levels, covering specific functional skills, and broader business and leadership issues. These range from 'high potential' graduate programmes, to courses for management and senior leadership levels. During 2011, we invested $79 million (2.2% of total employee costs) in direct training activities and supported nearly 3,122 bursars, apprentices, graduates and other trainees. In addition, more than 1,693 employees, contractors and community members in South Africa enrolled in adult basic education and training (ABET) programmes which are offered by our business units to help people acquire basic literacy and numeracy skills.

A further 3,712 employees were provided with transferable skills training; this involves developing employees' non-mining skills so that they are employable outside of the industry after mine closure.

01

### BOOSTING THE NUMBER OF WOMEN IN SENIOR MANAGEMENT

**Increasing numbers of women are rising to senior positions in the mining sector. This trend, which is strongly encouraged within Anglo American, is reflected at our Kumba Iron Ore business, where the percentage of women employed has more than tripled from 411 in 2005 (under 4.5% of the total workforce) to 1,048 in 2011 (16.6% of the workforce). In 2011 we also saw the appointment of our first female general manager – at Kumba Iron Ore's Thabazimbi mine. After completing a degree in metallurgical engineering, Cornelia Holtzhausen joined Kumba (formerly Iscor) in 1994.**

**Each business unit and discipline has been asked to set targets and increase the number of women in the workforce. Kumba has set up Women in Mining task teams to look at barriers and challenges facing women and to examine possible ways to overcome them, and it has improved conditions of employment for women in the areas of housing and childcare. At events to encourage similar behaviour, the business unit regularly recognises women who are seen as 'barrier breakers'.**

**Above**
**01** Cornelia Holtzhausen, general manager at Kumba Iron Ore's Thabazimbi mine, in discussion with Paulus Selofa, bulldozer operator.

Another element of the People Development Way rolled out in 2011 is the 'Career Management Tools' project. It is a toolkit to help articulate the technical competencies, knowledge and skills needed to be successful in each specific discipline, alongside the People Development Way behavioural competency framework. It describes the requirements of a role, and the competencies of an individual, thereby informing employee development, career and succession planning. Career paths are also plotted out for each discipline and the toolkit ensures that this is done in a globally consistent way so that employees will be able to plan their careers within – and even between – disciplines.

Within the S&SD discipline, for example, these tools have been used to set out the technical and behavioural competencies required to significantly enhance the performance of S&SD as a discipline. Clear career pathways and illustrative real-life case studies showcasing S&SD's talent have also been developed. Collectively this is known as the S&SD People Way. This project, which has had inputs from all our business units, is currently being piloted at Kumba Iron Ore. The piloted process will form the blueprint for roll out to other business units. The S&SD learning and development strategy will further support the discipline in contributing to Anglo American becoming the leading global mining company.

### Recognising and rewarding excellence

It is important to our success that the structure and level of our remuneration and rewards are consistent across the Group and competitive in each of the markets in which we operate. We benchmark our remuneration schemes against our peers and we implement comprehensive performance-based reward systems with the aim of attracting and retaining skilled employees. In 2011, a project was undertaken to implement a standardised approach to the base-pay elements that form the basis of our performance incentive awards for our South African operations. The principal objectives are to improve employee understanding of the total reward package, simplify global employee mobility, and further enhance employee retention. A project is now being undertaken to drive this same alignment across our business units in Brazil.

**To drive further improvement in the representation of women in management and the workforce as a whole, each of our businesses has drafted individual action plans.**

Applaud, our global employee excellence awards launched in 2010, continues to recognise exceptional individual and team achievements that are aligned with Anglo American's strategic priorities and values.

### Promoting workforce diversity

Our commitment to promoting workforce diversity has the following focus areas: extending opportunities for women at all levels across the Group, achieving our transformation targets in South Africa, and providing appropriate opportunities for disabled employees.

The overall proportion of women throughout the Group had increased to 15% by the end of 2011. This was up from 14% in 2010. At management level, women accounted for 22%, compared with 21% in 2010. To drive further improvement in the representation of women in management and the workforce as a whole, each of our businesses has drafted individual action plans. These plans include clear stretch targets to be achieved by December 2012 and December 2014 (for the percentage representation of women in the workforce as a whole, and women in management), as well as a description of the measures that will be taken.

Developing targeted recruitment and training campaigns, building capacity and understanding in local recruitment firms, and ensuring active engagement of line managers early in the recruitment process to ensure their buy-in are some of the activities that we have undertaken. Our efforts in attracting, developing and retaining women have been recognised through various fora. The company, for example, was identified as South Africa's 'Top National Engendered Company', both overall and in the resource sector. By openly sharing its activities to empower and increase participation of women in the workplace, Platinum has encouraged other companies to promote the empowerment and employment of women.

In our South African operations we continued to make good progress in promoting transformation in the workforce. At year end, 51% of our managers were 'historically disadvantaged South Africans' (2010: 46%). We believe we are now well placed to achieve the enhanced targets for 2014 set out in the revised Mining Charter and are putting in place appropriate systems for compliance and reporting to achieve this objective.

### Labour rights

As signatories to the UN Global Compact, we are committed to the labour rights principles provided in the International Labour Organisation (ILO) 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. Non-discrimination on these issues is also requested of our suppliers in tenders and compliance is audited.

Almost 70% of our permanent workforce is represented by work councils, trade unions or other similar bodies, and is covered by collective bargaining agreements. During the year, three strikes exceeding one week's duration were recorded. One occurred at our South African operations as part of the broader strike action in the country's mining industry during the annual process of wage negotiations. Two were reported at Tarmac in Europe.

In 2007, Platinum made the strategic decision to increase the proportion of permanent employees versus contractors. This way, the business could take on full responsibility for the conditions of employment of its staff members, including medical benefits, training and housing. Platinum was also able to ensure compliance with its business principles and safety standards more effectively. The move, which has seen the proportion of permanent employees increase from 55% in 2007 to 90% in 2011, has helped improve labour relations and safety practices and improved the working and living conditions of many former contractors.

01

## KUMBA EMPLOYEE SHARE PARTICIPATION SCHEME DELIVERS BENEFITS

Kumba Iron Ore's Sishen mine is one of the world's largest open pit mines and one of the most significant contributors to the economy of South Africa's Northern Cape province. In December 2011, employees received a significant pay-out as part of a landmark empowerment deal.

When the company was listed on the Johannesburg Stock Exchange in November 2006, 3% of ownership in the operating company, Sishen Iron Ore Company, was transferred to Envision, a broad-based employee share participation scheme. Employees eligible to join the scheme are those who are not involved in management share schemes, ranging from haul truck operators to permanently employed administration staff. The company's strong cash flow generation has enabled the consistent payment of an interim and final dividend each year. Since its inception, Envision has paid out $419 million in dividends to more than 6,000 participants.

December 2011 saw the maturing of phase one of the scheme. After repaying debts to Sishen Iron Ore Company for the original purchase of Envision's 3% stake, the rest of the capital appreciation benefit has been distributed to employees, with the amount depending on the Kumba share price and employees' length of service. An employee with five years of service received approximately $77,000, before tax.

Our shareholders have approved continuation of the scheme, Envision Phase II. Envision reflects our commitment to promoting broad-based black economic empowerment in South Africa, representing an important partnership with our employees that empowers them to create the future they want, for themselves and their families.

**Above**
**01** Employees in the workshop at Kumba Iron Ore's Sishen mine in South Africa.

## PROMOTING EMPLOYMENT EQUITY AND SKILLS DEVELOPMENT IN SOUTH AFRICA

As a historically South African company, founded in Johannesburg 95 years ago, Anglo American has made a significant positive contribution to the country's economy. We are the largest private-sector employer in the country, one of the largest contributors to South African tax revenues, a key partner to some of the country's most important state-owned enterprises, and a significant investor in mining and beneficiation projects. We are committed to making a positive contribution to addressing some of the historical imbalances in the country through our activities relating to ownership, employment equity, and our significant investments in human resources development, communities, local procurement and enterprise development (many of these initiatives are reviewed elsewhere in this report).

An important focus of our commitment to black economic empowerment (BEE) is on the development of our employees and the promotion of employment equity. As of December 2011, we employed almost 76,000 full-time employees and 24,240 contractors in South Africa. In 2011, we invested more than $79 million in employee training initiatives, bursaries, adult basic education, and management programmes for our South African employees. Approximately 2,600 employees received portable skills training to be employable outside the mining industry in South Africa, while 1,693 employees, contractors and community members are currently enrolled in adult basic education and training (ABET) programmes. At the end of 2011, 51% of Anglo American employees at management level in South Africa were 'historically disadvantaged South Africans'. Women now make up almost 15% of South African employees, and almost 22% of management positions.

### Number of permanent employees and contractors by business unit
2011

- Kumba Iron Ore 14,686
- Iron Ore Brazil 11,222
- Metallurgical Coal 6,129
- Thermal Coal 18,928
- Copper 14,286
- Nickel 3,782
- Platinum 56,494
- Other Mining and Industrial 18,168
- Corporate 2,968

### Number of permanent employees and contractors by region
2011

- Africa 100,167
- Europe 6,375
- North America 970
- South America 32,254
- Australia 5,482
- Asia 1,055

**SAFETY LEADERSHIP**

**6,548**

Number of employees trained on the SHE risk management programme since 2007

**COMPANY-WIDE SAFETY**

**44%**

Percentage reduction in the Group lost-time injury frequency rate since 2007

**REVIEWING PERFORMANCE**

**46**

Number of safety compliance audits carried out by year end

# SAFETY

While mining is inherently a high-risk industry, we do not accept that anyone should be injured while working for us. We believe that our operations should have fundamentally safe, well-designed plant, equipment and infrastructure, with effective safety management systems.

## PERFORMANCE

We deeply regret that in 2011, 13 employees and four contractors lost their lives while working for Anglo American. During 2010, we reported 14 fatal incidents. A further incident, which was still under investigation at the time of going to print last year, has since been recorded, bringing the total figure for 2010 to 15. This tragic loss of life is unacceptable, particularly in light of the significant and consistent safety improvement that Group operations have achieved since 2007. The majority of these deaths (12) took place at our Platinum business, while other Group businesses such as Kumba Iron Ore, Metallurgical Coal and Nickel remained fatality-free for 2011. In addition, our exploration sites have operated without a fatal incident for over three years.

The Group's lost-time injury frequency rate (LTIFR) was 0.64 in 2011; on a par with our performance in 2010* despite improvements at most business units. This was principally a result of an increase in injuries at Platinum. Excluding Platinum, the Group injury rate improved from 0.34 in 2010 to 0.29 in 2011.

In addition, the Group lost-time injury severity rate has improved (2011: 220; 2010: 229), meaning that, while we recorded more injuries in 2011 than we did in 2010, they were less severe in nature.

## OUR STRATEGY AND MANAGEMENT APPROACH

Our approach to safety is outlined in the Safety Way, a comprehensive framework of roles and responsibilities supported by a set of safety principles and mandatory safety standards. This underpins the delivery of our safety strategy which outlines our risk-based approach to safety based on 10 key elements that drive/support effective safety management: leadership, risk management, culture, competence, assurance, monitoring, planning, standards, communications and learning. All of our operations have developed risk-based safety improvement plans that define how they drive continuous improvement in these areas. We have committed substantial efforts to ensure that the basics of safety management are fully embedded across all our operations, and that the right systems and standards are in place. At the beginning of 2011 we added a new technical standard on risk management.

While the significant improvement in safety performance achieved over the previous four years has given us confidence that we have adopted the right strategy, it is clear from the regression experienced in 2011, as well as evidence from Group audit findings, that the speed and the consistency with which its elements are being implemented are not good enough. To understand the reasons why, and to identify the actions needed to accelerate the drive to zero harm by all our sites and operations, in February 2011 our chief executive, Cynthia Carroll, launched a strategic safety review and action plan. There are three main components to the plan: development of leading safety performance indicators; development of Group-wide site safety reviews; and development of corporate-centre action plans. Good progress was made in each of these three areas during the year.

### Developing leading safety performance indicators

To date, Anglo American has been measuring safety performance almost exclusively on the basis of lagging indicators, using measures that track outcomes, such as the numbers of people hurt and injury frequency rates. While this is a recognised approach, it is not always effective as a predictor of future performance. Recognising these shortcomings, we introduced a programme aimed at developing a new set of metrics that more accurately describe the efforts sites are making to improve safety, and that improve our ability to anticipate and pre-empt potential incidents.

> **We have committed substantial efforts to ensure that the basics of safety management are fully embedded across all our operations, and that the right systems and standards are in place.**

Following a two-day workshop in March, where all our business units were represented, agreement was reached on seven key measures relating to leadership, risk management training, safety competence, the delivery of maintenance programmes, improvements to risk management, learning from high-potential incidents, and the closing review of safety actions. These measures, which largely make use of data that are already regularly collected by each site, provide a clearer view as to what our safety priorities should be, and will assist us in identifying those operations that need priority attention.

* Anglo American's 2010 LTIFR was previously reported as 0.57, but has since been restated to reflect an alignment in reporting from Metallurgical Coal.

Since June 2011, each business unit is required to submit quarterly reports to the Executive Committee, tracking the performance of each site in respect of these seven measures, both relative to their peers across their own business units and across the Group as a whole. By monitoring and disclosing these performance trends, we believe this will motivate improved safety management across the Group, as well as identify possibly negative trends where early intervention can prevent future incidents and injuries.

### Reviewing Group-wide safety practices

We have implemented a comprehensive programme of independent site safety reviews to assess compliance with fundamental aspects of safety management at all our operational sites and head office/corporate functions. The main objectives of these reviews, which have been led by our internal risk and assurance teams, is to evaluate the implementation of risk-management processes at each site, identify the underlying reasons for any poor compliance, and agree on the priority actions needed to accelerate progress. Compliance and effectiveness levels are scored, providing a valuable picture of the status of safety across the Group, as well as identifying best and worst practice areas.

**We have introduced a programme aimed at developing a new set of metrics that more accurately describe the efforts sites are making to improve safety, and that improve our ability to anticipate and pre-empt potential incidents.**

The audit teams have been augmented by experienced senior mining managers, technical specialists and industrial psychologists. They are tasked with providing immediate guidance to the site and business unit concerned so that more focused solutions for site-level responses can be developed. This deeper analysis is assisting us to identify organisational or cultural factors external to the site that may be impeding on-site safety. By year end, 46 audits had been completed.

### Promoting corporate leadership on safety

In response to the work-related deaths at the beginning of 2011, Cynthia Carroll called a meeting of top management across all business units, asking them for frank feedback on where they believe the company is falling short on safety. The subsequent response from across the Group identified important strategic issues around leadership, values and accountability, as well as more tactical challenges around training and the complexity of systems and standards. The feedback highlighted the significant influence that corporate decisions and priorities have on safety.

01

02

### IRON ORE BRAZIL'S 'WHY RISK IT?' CAMPAIGN DELIVERS SAFETY IMPROVEMENTS

**In 2011, we launched a Group-wide safety campaign 'Why Risk It?', aimed at reducing transportation incidents. Iron Ore Brazil successfully implemented this campaign, achieving a 50% reduction. Targeting supervisors, shop floor employees and contractors, the campaign includes the use of communication materials, interactive exercises between managers, supervisors and team members, and intensive dialogue to highlight the action employees can take. The campaign comprises five main elements:**

- **Risk and you**
  **A short test to help team members reflect on their attitudes and their tolerance of risks, using some common examples of day-to-day risks.**
- **Why Risk It? video**
  **Five personal transportation stories woven with real footage and audit clips.**
- **Spot the difference**
  **An activity using illustrations to help employees and contractors identify hazards and consider the risks they pose.**
- **What's wrong with this picture?**
  **An exercise featuring a selection of images to help identify the hazards at work and to consider the risks they pose, what can be done to reduce these risks and what to do if faced with a similar situation.**
- **What could have been done differently?**
  **A series of illustrated scenarios based on real incidents to help individuals and teams consider what went wrong, and to identify the controls that could have been applied and lessons they can learn.**

**Above**
**01/02** Groups at Iron Ore Brazil explore the 'Why Risk It?' message.

**Total number of fatal injuries and fatal injury frequency rate 2007–2011**

**Group lost-time injury frequency rate 2007–2011**

In April, 60 leaders representing each of the business units and functions took part in a Safety Leadership Summit to identify how the Group Management Committee (GMC) and Group functions can support the operations more effectively in the goal of achieving zero harm. The participants prioritised a range of issues across the different functional areas, and agreed to establish six teams to develop these into formal action plans. These teams cover the roles of:

- Communication
- HR
- Supply chain
- Mining and technology
- Finance
- General Management Committee.

Each team is led by an Executive Committee champion with the support of a cross-functional team. The identified actions provide a coherent response to the safety issues experienced in 2011, while restricting the adverse impact of possible initiative overload on sites.

## Working in partnership

Instilling a safety mindset and encouraging safe behaviour among all employees and contractors are as important as having the right systems, technology and processes in place. We recognise the invaluable role that safety committees, safety champions, 'visible felt leadership' site visits and the philosophy of 'our brother/sister's keeper' all play in developing the right mindset. Therefore, in addition to the strong focus in 2011 on driving the strategic safety review and action plan, we continue to engage actively with our employees, and, externally, through our various existing partnerships.

In South Africa, which hosts 66% of our workforce and where on average 80% of our fatal incidents occur annually, we have recognised the significant benefit in working more collaboratively with organised labour and the government's Department of Mineral Resources. Since 2008, our Tripartite Safety Initiative with government and labour has grown into an immensely rewarding partnership. A core steering committee, supported by task teams, works jointly on developing solutions that are helping transform our own safety performance, and that of the South African mining industry in general. We are now considering whether to replicate and extend the Tripartite model at an operational level within our South African business units.

**Instilling a safety mindset and encouraging safe behaviour among all employees and contractors are as important as having the right systems, technology and processes in place.**

Our relationship with suppliers is another key element of our safety strategy. We are collaborating with them to improve our ways of working, based on respect, trust and consistency, which can deliver greater mutual value. These measures include:

- Ensuring minimum safety criteria are included in tender adjudication processes by including safety metrics within our supply chain scorecard, and tracking performance against them.
- Developing and implementing a standardised Group-wide induction process for contractors.
- Auditing contractors against our safety requirements, and agreeing improvement plans where there are gaps.
- Providing suppliers with the opportunity to attend our safety briefings.
- Increasing the safety focus within our Supplier Relationship Management (SRM) process where specific high-risk products/services are purchased.

For more information
**turn to page 41**

01

02

## ADDRESSING THE LINK BETWEEN FATIGUE AND SAFETY

Fatigue is a major contributing factor to workplace incidents, particularly in activities involving transport. In 2011, of the 17 lives lost at our operations, two were transport-related – a significant improvement since 2007 when 11 employees lost their lives this way. During the year, the Tripartite Health and Safety Initiative between Anglo American, the South African Department of Mineral Resources, and three prominent labour unions, worked together to identify opportunities for addressing the challenge of fatigue. The collaboration has focused on understanding and identifying fatigue, recognising and managing the associated risks, and appreciating the role of good-quality sleep, exercise, eating and drinking healthily. The materials developed for Anglo American's Group-wide 'Safe to Work' campaign, aimed at increasing awareness and understanding of the role of fatigue in transportation risks, have been used to focus on people's fitness to work, their skills, and the suitability and safety of transportation related equipment.

Fatigue management has received a particular focus at Kumba Iron Ore's Kolomela mine in South Africa. Interventions at the mine have included improving employees' living conditions, raising the levels of awareness and training associated with fatigue prevention and management, and providing employees with nutritional supplements to combat fatigue. The mine has introduced 'bio-rostering', a pre-emptive approach to managing fatigue that involves rearranging the days and times of individual schedules to make them safer. In addition, vehicles have been equipped with collision avoidance technology and Kolomela is piloting a system that analyses driver/vehicle interactions through steering corrections.

**Above**
**01** Bio-rostering reduces the risks associated with fatigue at Kolomela.

For more information, visit
**www.angloamerican.com**

## APPLAUD

Now in its second year, our recognition programme, Applaud, attracted hundreds of nominations in 2011 from employees who want to see the hard work of their peers acknowledged.

Built around our values, the programme recognises excellence in four categories – safety, sustainability, partnership and innovation.

The individual winner of our safety category, Luis Espinoza, demonstrated the principles that underpin the success of the programme.

For Luis, safety is much more than a job – it's a full-time passion. A keen motorcyclist, Luis can often be found in his spare time dispensing road safety advice to younger bikers.

In his role as safety manager at Barro Alto, our nickel plant in Brazil, he has embedded a culture of safety that is rigorously upheld by everyone from managers to employees and contractors. Leadership and discipline are central to his approach, and demonstrating a visible commitment to safety, Luis often works on site himself, personally conducting audits and training employees.

During the three years that Luis has been with Barro Alto, there have been no fatalities and a remarkably low number of injuries. For 37.4 million man-hours, that is, up to completion of the commissioning of the project, the lost time injury rate was 0.038.

Barro Alto site manager Euler Piantino says: "Everyone knows that their individual safety is important to Anglo American as a whole. Luis has changed the mindset of many leaders towards safety within Anglo American."

**Above**
**02** Luis Espinoza, project safety manager at Barro Alto, Brazil.

For more information, visit
**www.angloamerican.com**

### HIV AND AIDS TESTING

**90%**

Percentage of employees in southern Africa who regularly check their HIV status every year

### NEW CASES OF OCCUPATIONAL DISEASE

**197**

New cases of occupational disease reported in 2011, a 26% year-on-year improvement

### GLOBAL HEALTH

**$6m**

Amount pledged over three years to the Global Fund to Fight AIDS, TB and Malaria (GFATM) and the Global Alliance for Vaccines and Immunisation (GAVI)

# HEALTH

Effective management of occupational health risk protects our people, enhances productivity, and helps maintain our licence to operate and our global reputation. Promoting a healthy community and a safe and healthy workforce is beneficial for all of us.

**Health strategy**

## OUR HEALTH STRATEGY

Occupational health management forms the foundation of our health strategy. It comprises two separate disciplines – occupational hygiene and occupational medicine. Occupational hygiene refers to the process of anticipating, recognising, evaluating and controlling health hazards in the working environment, while occupational medicine is the branch of clinical medicine concerned with employee fitness for work, medical surveillance of employees, medical emergency management, and death and disability management. Our approach to managing occupational health is governed through a series of standards, guidelines and assurance processes aimed at preventing harm to our employees by proactively identifying and managing the source of potential health risks and eliminating exposure to hazards.

Building on these initiatives is our employee health and wellness programme, which includes a particularly strong focus on combating HIV/AIDS and TB within our workforce and their families.

The knowledge and experience we have gained through our workplace health programmes are used to support health initiatives in our community outreach programmes, as well as informing our investments and activities aimed at promoting healthcare in developing countries more broadly.

## OCCUPATIONAL HEALTH

Our approach to managing occupational health is governed by the Occupational Health Way, a management system and set of standards that seeks to prevent harm to our employees by eliminating their exposure to occupational health risks. The Occupational Health Way is underpinned by three guiding principles: that all occupational illnesses are preventable; that we will learn by monitoring exposure and surveillance of disease incidence in order to prevent further harm; and that we apply common, simple and non-negotiable standards throughout the Group.

We have developed new mandatory technical standards that address our principal health risks relating to noise, dust and fatigue. These standards recognise the importance of multi-disciplinary cooperation to prevent adverse health outcomes. They all follow a common risk-management format that encompasses risk assessment, education and training, a hierarchy of controls, and monitoring and review. The corporate health function provides technical assistance to business units to support them in implementing the health standards across all operations, as well as assisting with health management and information systems.

An essential element of the Occupational Health Way is our second-party assurance process, which is undertaken by the safety and sustainable development (S&SD) risk and assurance team. During 2010, we conducted noise and dust audits to assess the nature and scale of risks, the quality of existing controls, and the levels of compliance with our technical standards. Specific audit reports were provided to each site during 2011 and action plans are being implemented to address the issues. The S&SD risk and assurance team will undertake a series of follow-up audits to evaluate progress in 2013.

**Our approach to managing occupational health is aimed at preventing harm to our employees by proactively identifying and managing the source of potential health risks and eliminating exposure to hazards.**

We constantly monitor health hazards in the workplace, with the aim of eliminating their source or ensuring that adequate controls, such as the use of personal protective equipment (PPE), are in place. Our operations run extensive medical surveillance programmes to monitor the well-being of employees who are potentially exposed to such hazards.

### Information systems, communication and reporting

Maintaining standardised health information systems and comprehensive occupational health records across the Group is critically important. In some countries it is a legal requirement to maintain such records for 40 years. We are striving to ensure that systems are in place that link occupational exposures to medical surveillance and employment records, that employment history records are maintained for the same period, and that a standardised approach to occupational health information is used across the Group.

In 2010, we reported on the introduction of health incidents as a means of managing occupational health in real time. Reporting, investigating and correcting control failures early are regarded as leading indicators of the preventive efforts being made. This process has now been implemented across the Group and we are seeing an encouraging improvement in health incident reporting across all business units.

In 2011, an important focus was on developing a high profile communication and engagement campaign aimed at raising understanding and awareness of the risks and responses relating to dust and noise. Through the use of management briefing packs and interactive tools the campaign seeks to bring to life the impact of these health hazards, the connection between health and safety, and the requirements that need to be met. We piloted the programme in late 2011 and will be rolling it out to business unit leadership teams and at operational level through 2012.

**"We attach great importance to controlling health hazard exposures as leading indicators of our occupational health performance."**

**Dr Brian Brink**
Chief medical officer

To watch the video, visit **www.angloamerican.com**



## Occupational disease cases and incidence rates

| Occupational disease (per 200,000 hours worked) | New cases of occupational disease 2011 | 2010 | 2009 | Occupational disease incidence rates 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Noise-induced hearing loss | **117** | 173 | 367 | **0.266** | 0.363 | 0.756 |
| Musculoskeletal disorders | **34** | 21 | 23 | **0.035** | 0.022 | 0.038 |
| Coal workers' pneumoconiosis | **14** | 16 | 9 | **0.296** | 0.457 | 0.141 |
| Occupational tuberculosis | **9** | 19 | 32 | **0.277** | 0.378 | 0.715 |
| Occupational dermatitis | **5** | 2 | 9 | **0.005** | 0.002 | 0.009 |
| Chronic obstructive airways disease | **4** | 7 | 2 | **0.038** | 0.148 | 0.024 |
| Silicosis | **3** | 0 | 5 | **0.065** | 0 | 0.112 |
| Occupational asthma | **2** | 2 | 4 | **0.067** | 0.049 | 0.026 |
| Hand-arm vibration syndrome | **1** | 18 | 35 | **0.124** | 2.013 | 2.158 |
| Pneumoconiosis due to other fibrogenic dust | **1** | 3 | 0 | **0.096** | 0.224 | 0 |
| Asbestosis | **0** | 0 | 0 | **0** | 0 | 0 |
| Occupational cancers | **0** | 0 | 0 | **0** | 0 | 0 |
| Other occupational disease | **7** | 7 | 3 | **0.007** | 0.007 | 0.003 |
| **Total** | **197** | **268** | **489** | **0.205** | **0.284** | **0.483** |

**Building on the success of previous HIV testing campaigns, in 2011 we launched the iCare programme providing broad-based health screening to employees.**

### Performance

Our approach to zero harm in occupational health is focused on the control and reduction of exposure at source through application of the 'hierarchy of controls'. Residual exposure after this is managed through the use of PPE. All business units are required to report on the estimated number of people exposed above the occupational exposure limit (OEL). The number of employees reported to be working, pre-PPE, in environments with noise levels in excess of the OEL of 85 dB(A) on a daily basis during 2011 was approximately 43,000 (about 6,000 fewer than in 2010). Our hearing conservation programme standard specifies the management interventions that are required to make sure exposure is below the OEL.

In 2011, the number of employees reported to be working, pre-PPE, in environments with inhalable hazards at levels that exceed the individual OEL of different airborne pollutants (before PPE) was approximately 3,500. Similarly, our respiratory protection programme standard requires management to reduce such exposures to below the OEL.

In 2011, the number of occupational disease cases was 197, compared with 268 in 2010 and translated to a rate of 0.205, which is a 28% reduction on the previous year. It is encouraging to see that there were reductions in the number of new cases reported in almost all categories. The three cases of silicosis reported during the year were from non-mining operations – two at Scaw Eclipse, which was acquired in 2008, and a third from Tarmac in Europe. These resulted from historical exposure and do not reflect current working conditions.

## EMPLOYEE WELLNESS

While employee wellness has always formed an important part of Anglo American's health programmes, this issue is currently receiving increased focus throughout the Group. Building on the success of previous HIV testing campaigns, in 2011 we launched the iCare programme, at our Johannesburg campus, providing broad-based health screening to employees. Through our wellness programmes we seek to encourage healthy eating and regular exercise, reduce levels of stress and facilitate access to appropriate healthcare facilities. In many of our operations and corporate offices we provide free health assessments that address such issues as cholesterol, blood pressure, weight, smoking, chronic diseases, HIV/AIDS and TB. Each participating employee is given a personalised report, providing an assessment of his or her health, as well as broad recommendations for health improvement. We provide seasonal influenza vaccinations at all our sites and in some instances have recorded a 100% uptake rate. Many of our operations also provide access to free gym facilities.

### Combating HIV/AIDS and tuberculosis (TB)

An important element of promoting employee wellness is our focus on addressing HIV/AIDS, particularly at our operations in southern Africa where the epidemic is especially prevalent. Our approach to managing HIV/AIDS is outlined in the Anglo American HIV/AIDS policy. In terms of this policy, we commit to preventing the further spread of HIV, to ensuring that all affected employees and their dependants have access to the care, support and treatment they need, and to investing in communities to mitigate the broader social impacts of HIV/AIDS. Our policy commits us to not discriminate against anyone with HIV infection or AIDS and to ensuring that confidentiality is protected.

Testing is the entry point to our comprehensive programme of prevention, care, support and treatment for HIV and AIDS. In 2011, we tested and counselled 110,010 employees and contractors. We have now reached a position where more than 90% of employees in southern Africa check their HIV status every year. Regular HIV counselling and testing (HCT) ensures that we achieve early diagnosis of HIV infection and timely access to care. The high uptake of HCT allows us to quantify the prevalence of HIV infection in our workforce. This is currently 17% in southern African operations, which means that almost 13,000 of our employees are HIV-positive.

Despite our considerable efforts in promoting workplace prevention programmes – through education and awareness, condom distribution, and the early diagnosis and treatment of sexually transmitted infections – we experienced a disappointingly high number of new HIV infections within our workforce in 2011. For the year as a whole, we documented 902 new HIV infections, giving an approximate incidence rate of 1.2%. Although consistent with the national rate, this is unacceptably high. All employees who test HIV-positive are invited to enrol in our HIV wellness programme. Currently, 61% of employees who are estimated to be HIV-positive are enrolled on the programme. By the end of 2011, we had 4,730 employees on anti-retroviral therapy (ART). Ensuring that people remain on the treatment programme is an ongoing challenge, though the proportion of patients lost from the ART programme has been progressively coming down over time.

We also have an active programme aimed at addressing the escalating TB epidemic. This is a source of great concern in South Africa, which has the third highest burden of the disease in the world, as well as the highest rate of TB/HIV co-infection. In 2011, the TB incidence rate at Anglo American's South African operations was 1,175 per 100,000 employees (2010: 994 per 100,000). There were 906 new TB cases recorded among our workforce and, sadly,

01 Inside the refurbished Highveld Hospital, South Africa.

we recorded 65 deaths from TB, but this was significantly less than in 2010 (86). We are driving a concerted effort to further reduce deaths from TB through earlier HIV and TB diagnosis and treatment.

## PROMOTING HEALTHCARE IN THE BROADER COMMUNITY

We believe that investing in healthcare in our host communities – particularly those in developing countries – not only provides a significant broader societal benefit, but is also important for achieving our longer term business goals. Developing countries cannot reach their full economic potential without access to good healthcare, and our internal health drive will have limited effect if this is undertaken in communities where health systems are weak.

Our activities to promote healthcare in the broader community include investments in health systems strengthening in our neighbouring communities, as well as activities aimed at supporting healthcare in developing countries more broadly.

### Investing in healthcare in developing countries

Anglo American has supported the Global Fund to Fight AIDS, Tuberculosis and Malaria since its inception in 2002. Dr Brian Brink, our chief medical officer, is the current board member representing the private sector. In November 2010, our chief executive, Cynthia Carroll, pledged $3 million of funding on Anglo American's behalf over the following three years to support the Global Fund. This pledge came with a challenge for other big businesses to do the same. By the end of 2011, programmes sponsored by the Global Fund in 150 low-income and middle-income countries had supported access to treatment for 3.3 million AIDS and 8.6 million TB patients. Global Fund-supported malaria programmes have distributed 230 million insecticide-treated bed nets, which have contributed to a 20% decline in malaria deaths over the last decade.

In July 2011, we pledged $3 million over three years to the Global Alliance for Vaccines and Immunisations (GAVI), a public/private partnership that is increasing access to immunisation in the world's poorest countries. The UK government has also committed to matching our funding for the initiative.

### Investments in community health

We are using the knowledge and experience that we have gained through our workplace health programmes to support community outreach programmes, with the aim of strengthening community health systems. We carry out comprehensive socio-economic assessments in local communities, including community health assessments, and develop social management plans in consultation with all stakeholders.

In South Africa, the Eastern Cape is one of the provinces with the greatest healthcare needs. More than 40% of the employees in our core business units in South Africa have homes in the Eastern Cape. An important initiative during the year was our work with the Eastern Cape Department of Health, where we sponsored the writing of a business plan to revitalise the funding and delivery of primary healthcare in four provincial sub-districts. Subsequently we have agreed to focus on the OR Tambo health district, which is most directly associated with the families of our employees. Our goal is to create models of excellence in primary healthcare delivery that can be replicated by the Department throughout the province. We have also been working to strengthen the health system in the Northern Cape community of Postmasburg, the site of our new Kolomela iron ore mine. We believe there is a unique opportunity to build a unified and improved health service in conjunction with the Northern Cape Department of Health.

> **We are using the knowledge and experience that we have gained through our workplace health programmes to support community outreach programmes, with the aim of strengthening community health systems.**

In Bushbuckridge, a labour-sending area for Thermal Coal's South African mines, the Bhubezi Community Health Centre opened in 2007 by Anglo American, Virgin Unite, and the US government is making a real difference to the lives of people living in the area. Nearly 130,000 patients have visited the clinic, which sees an average of 250 a day. Some 3,500 people are now receiving life-saving ART as a result of this initiative.

In Brazil, a project has been established with the highly regarded Brazilian NGO, Reprolatina, to improve access to quality health services, particularly with regard to reproductive health for women and girls. We are trying to help reduce the vulnerability of local populations close to our Minas-Rio iron ore project to sexually transmitted infections, including HIV/AIDS, through intensive education and awareness and by strengthening municipal health services. A similar project has also been established in the communities surrounding our new Barro Alto nickel mine.

## What it takes:

# DIALOGUE AND ENTERPRISE

When conducted responsibly, mining delivers significant social and economic value, and provides an important contribution to the achievement of social development goals.

This contribution results both from the economic value generated through mining's core activities – through paying taxes, salaries, and payments to suppliers – and specific initiatives aimed at developing host communities, respecting human rights, and investing in skills development, local procurement and responsible supply chains.

This review of Anglo American's management activities and recent performance in terms of the Group's contribution to building societal value addresses the following four areas:

### SOCIAL LICENCE TO OPERATE

This section outlines Anglo American's social performance strategy and standards, assesses our progress in integrating the strategy and performance standards into our activities, and describes our approach to promoting respect for human rights throughout our operations.

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### SOCIO-ECONOMIC DEVELOPMENT

This section briefly reviews the nature and scale of Anglo American's economic value added, describes our Socio-Economic Assessment Toolbox (SEAT) process aimed at enhancing the development outcomes of our host communities, and reviews our performance relating to enterprise and skills development, local procurement and social investment.

Go to page 38

### PAYMENTS TO GOVERNMENTS

Reflecting our commitment to transparency, and aligned with our support for the Extractive Industries Transparency Initiative (EITI), this section provides voluntary disclosure of all the major tax payments we make to government in the countries in which we have significant mining operations.

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### PROMOTING A SUSTAINABLE SUPPLY CHAIN

In this final section, we briefly describe the measures we are taking to encourage our suppliers to act in a safe, sustainable and responsible manner.

Go to page 45

**"We hope that by the end of this project, Integricon will have developed a better insight into the management of projects – specifically big projects – and many of the formalities, contractual relationships and systems required from a listed contractor. Ultimately, we want Integricon to operate as an equal partner on future contracts and potentially as the joint venture leader on a project."**

**Schalk Ackerman** Executive director, Stefanutti Stocks



**South Africa, Sishen.**
Landelani Peter Mulo of local company Integricon Construction works on new homes at Kumba Iron Ore's Sishen mine in South Africa.

Open the flap to find out more

# IT TAKES INITIATIVE AND OPPORTUNITY

01

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## COLLABORATION BETWEEN OUR CONSTRUCTION PARTNERS IS IMPROVING DEVELOPMENT IN THE NORTHERN CAPE

For construction giant Stefanutti Stocks, building 2,000 homes at Kumba Iron Ore's Sishen mine in the Northern Cape of South Africa would normally represent a straightforward development. But this project isn't just about building a town, it's about building a future.

Assured of its competency to undertake such a sizeable project, Kumba also identified Stefanutti as the most appropriate partner to help develop the skills and capacity of suppliers in the region. In a remote location such as this, the development of local resources and suppliers is vital if we are to meet our local procurement and black economic empowerment (BEE) obligations, and in Stefanutti we discovered a partner with the ability, willingness and shared values to ensure we achieve those targets.

Embracing our value of collaboration, Stefanutti has established relationships with a number of our existing suppliers and sub-contractors. Over the next couple of years, thanks to these partnerships, the local suppliers, including Integricon, will help build 2,000 homes, five hostel blocks and the critical infrastructure required to support the Sishen expansion – a project that would have been inaccessible and unmanageable to them previously due to the large scale. With guidance and mentoring from Stefanutti, Integricon is gaining considerable knowledge and exposure to safety standards, quality control, project management and commercial activity; while the construction teams – made up of a local workforce – ensure the skills transfer, development and economic growth is felt by the wider communities.

On completion of the project, Integricon will have the increased capability and scale to compete for work on its own merit, not only from Sishen but also from new clients from around the region.

This partnership initiative shows that when we connect people of different backgrounds, disciplines, expertise and experience, we solve bigger problems and create even more value – in this case building a sustainable and competitive procurement model for the benefit of the entire region.

**Above**
**01/02/03/04** Construction continues with Steffanutti Stocks at Kumba Iron Ore's Sishen mine.

**EDUCATION & TRAINING**

**40**

Number of participants who attended our Advanced Social Management Programme in 2011

**EXCEEDING STANDARDS**

**66%**

Proportion of requirements in the Social Way exceeded by sites in 2011

**COMMUNITY FUND**

**$30,000**

Average amount per proposal provided by Zimele in South Africa

**Anglo American Social Way annual compliance results**

# SOCIAL LICENCE TO OPERATE

Our aim of being the partner of choice is ultimately dependent on our ability to maintain a positive relationship with the communities around our operations. It is through the goodwill of these host communities that we are able to gain and maintain our social licence to operate. It is essential that their needs and concerns are taken into account and that they guide our approach to doing business. We believe that the effective management of social issues is a necessary element of sound overall operational management and a source of competitive advantage.

## SOCIAL PERFORMANCE STRATEGY AND THE SOCIAL WAY

Ensuring a net positive social contribution through our activities is an important part of becoming the partner of choice. We believe that, when conducted responsibly, mining has great potential to deliver significant social and economic value, and to contribute to the achievement of social development goals.

Anglo American's social strategy is informed by our values and business principles, and is implemented through a comprehensive set of social performance standards that are detailed in the Social Way. The social strategy has a strong focus on using Anglo American's core business to support long term social development, for example through local procurement, enterprise and workforce development, and responsible supply chain management.

Social investment is also an important tool in supporting community development. There is a strong emphasis on integrating social considerations throughout each stage in the mining lifecycle, as well as on investing in building the capacity of our social and community development specialists and the awareness of our line managers. The key elements of our social performance strategy are illustrated in the chart below.

### Integrating Anglo American's Social Way

Launched in 2009, the Social Way contains a mandatory set of standards that prescribe rigorous minimum requirements for social performance within the company. By the end of 2009, each operation had completed an assessment of its level of compliance against the 24 requirements of the Social Way. Informed by this assessment, all operations

**Social performance strategy**

Our social performance strategy is rooted in the Anglo American values and business principles and supported by a rigorous set of social performance standards. Work streams within our social strategy are split into the six categories below.

have developed social and community improvement plans that provide roadmaps to full compliance with the Social Way (see chart on page 34).

Serious non-compliances against the requirements of the Social Way have almost been eliminated: in 2011, there were only four throughout the Group, across 714 assessment points (less than 1%). There was also a drop in moderate non-compliances, many of these from operations being assessed for the first time. The percentage of sites exceeding Anglo American standards has gone from 24% in 2009 to 64% in 2011, while the percentage of sites at 'compliance' or above has risen from 71% in 2009 to 89% in 2011.

In 2011, there was a strong focus on integrating the requirements of the Social Way into Anglo American's project stage gate reviews and our due diligence procedures for mergers and acquisitions. Through this process, functional experts work with project teams at key stages in the development of a new mine in order to ascertain whether the teams are compliant with technical, financial, environmental and social requirements before they may proceed to the next project stage. We believe that the inclusion of our social standards in this process, which was started in 2010, is already showing results in terms of more thorough preparation for permitting requirements and a better understanding of community concerns and expectations at an early stage in new projects. This has facilitated the earlier identification and management of potential risks, and also contributes to developing and maintaining positive relationships with our host communities.

**The social strategy has a strong focus on using Anglo American's core business to support long term social development.**

Monitoring and evaluation of our social performance continued to receive priority attention during 2011. In addition to assessing our performance through our Group-wide complaints and grievance mechanism, we have made important progress in using our comprehensive set of 32 output key performance indicators (KPIs) for social investments that were piloted and reported on for the first time in 2010. A review of our progress against some of these indicators is provided on page 42. Ensuring and maintaining consistency in reporting against these indicators, and in the use of our complaints and grievance mechanism, remains an important focus area.

01

## QUELLAVECO

**Our Quellaveco copper project in southern Peru is located in a very arid region, with unique challenges concerning ongoing access to water by the future mine and the neighbouring communities and industries.**

**Compounding such challenges is Peru's poor historical mining record, which has left a legacy of mistrust and suspicion in the communities surrounding many mining operations. This is something that we initially thought we had taken properly into account – but, as the project studies approached completion, we realised that ticking all the legal boxes in respect of the permitting process alone would not convey legitimacy to us in the eyes of local people.**

**To counter this, and to gain a proper understanding of the risks involved in order to mitigate them, we have participated in an extensive multi-stakeholder dialogue table to improve understanding and build consensus around the project. As a result of input from that process we have:**

- **Launched a $10 million fund to leverage financing for local projects.**
- **Instituted an initiative to secure a mix of employment, procurement and enterprise development on behalf of local people.**
- **Revised our water scheme by building a bigger dam that can store scarce fresh water that would otherwise be lost in times of flood, which will lead to a higher and more consistent supply of water for both the mine and for the community's agriculture needs – a win-win situation.**

**Above**
**01** Representatives of 28 organisations from Moquegua participating in one of our series of dialogue tables.

**Human rights are a consistent thread throughout the Social Way and our Socio-Economic Assessment Toolbox and are incorporated into our supply chain sustainable development code and supplier audit programme.**

To complement our KPI initiatives, in 2011 we also piloted a new community development peer review process. The reviews draw on internal expertise as well as resources from partners such as CARE International to ensure that our investments in community development are as effective as possible. Following the success of the pilots, the process will be rolled out in 2012.

### Education and training

2011 saw the third intake of our Advanced Social Management Programme, delivered for Anglo American by the universities of Cambridge and Queensland. In total, 40 participants attended the course during the year, including representatives from our NGO partners CARE International and International Alert. Since the introduction of the programme, we have seen strong interest and engagement from our line functions, in addition to a wide range of senior managers in functions such as strategy, supply chain, HR and exploration. We also supported site-based professionals in South Africa who enrolled in the Post-graduate Diploma in Strategic Engagement at the University of Cape Town.

## HUMAN RIGHTS

As a global company we recognise that we have a particular responsibility to ensure effective management of human rights risks. Anglo American supports the Universal Declaration on Human Rights, the Voluntary Principles on Security and Human Rights, the human rights principles set out in ICMM's Sustainability Principles and the United Nations Global Compact. Our Good Citizenship Business Principles also underline our commitment to meeting the requirements of the eight core conventions of the International Labour Organisation on labour rights, which cover discrimination, freedom of association, and child and forced labour.

**For country entry, mergers and acquisitions activity and for new projects, human rights impact assessments or due diligence are undertaken.**

We also welcome the 'Protect, Respect and Remedy' Framework provided in 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 that we have adopted in Anglo American on human rights issues is aligned with the due diligence and redress requirements set out in this framework.

### Management systems

We continue to integrate these evolving human rights requirements into our policies, systems and tools. Human rights considerations are a standard component of the social and environmental impact assessments we undertake on projects. They are also a consistent thread throughout the Social Way and our Socio-Economic Assessment Toolbox (SEAT) (see page 38 for more on SEAT) and are incorporated into our supply chain sustainable development code and supplier audit programme. These documents are reviewed regularly to ensure that we keep in touch with operational realities and international best practice. Our current revision of SEAT will include updated provision for human rights issues to ensure full alignment with the new UN Guiding Principles.

Every employee is briefed on our business principles 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, security staff members receive customised human rights training. All senior and site-based personnel who are responsible for community relations are trained in the Social Way and the use of Anglo American's SEAT process, which includes a human rights screening exercise. For country entry, mergers and acquisitions activity and for new projects, human rights impact assessments or due diligence are conducted. A human rights scoping is undertaken in every case, with further investigation undertaken where required.

### Complaints and grievances mechanism

Group-wide, standardised complaints and grievance procedures were introduced in 2010 and are now mandatory at all operations. The procedure operates via a web-based system and is designed to ensure openness, accountability and respectfulness in our handling of stakeholder complaints. The standardisation of the process not only helps operations to address complaints quickly and professionally, but also helps to identify trends and promote the sharing of experiences between sites. In addition, all stakeholders are also entitled to make use of Anglo American's 'SpeakUp' website, an independently managed whistleblowing facility that fields complaints relating to breaches of our business principles (see page 16).

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02

## INVESTING IN THE MORANBAH COMMUNITY IN AUSTRALIA

**Moranbah in Queensland is a major focus of Anglo American's future investment in Australia and a key component of the Group's global portfolio of premium growth projects. A $2.7 billion growth plan will see the development of two underground longwall mines, Grosvenor and Moranbah South, over the next 10 years, with 2,000 new jobs to be created over the next five years. Recognising our responsibility to partner with neighbours and to contribute positively to the local area, in April 2011 Anglo American announced its $20 million Moranbah 2020 Fund to deliver community infrastructure. This will include providing funding for training facilities, education programmes, cultural facilities, accommodation and public buildings that will support the sustainable development of the town.**

**Accommodation in the Moranbah area is a critical issue and the Moranbah 2020 fund will provide employees with a choice of accommodation, according to personal circumstances. Those who choose to live in the community will be offered a cash incentive towards permanent housing within the Moranbah community. We will also build more than 50 new units and houses in the town, subject to government approval of the planned project.**

**Above**
**01** Board members inspect plans for the Grosvenor project during their visit to Moranbah, Queensland, Australia.

For more information
**turn to page 41**

## PARTNERSHIP WITH INTERNATIONAL ALERT

**In January 2011, Anglo American entered into a three-year partnership with International Alert to promote and implement conflict-sensitive business practice. Established more than 25 years ago, International Alert is one of the world's leading conflict prevention and resolution organisations. Through its advocacy, dialogue, training and research work, the NGO seeks to influence the activities of governments, international institutions and the private sector in many of the world's trouble spots, with the aim of encouraging policies and practices for sustainable peace. It works in more than 20 countries in regions that are experiencing armed conflict, facing the threat of it or trying to deal with its aftermath. Working with the private sector – in particular multinational oil and mining companies – forms an important part of International Alert's goal of promoting a 'conflict-sensitive' approach to work and policies at corporate headquarters and in the field.**

**Given Anglo American's significant presence in many developing countries, and the Group's strategic objective of promoting safe and responsible mining and economic development, there is valuable synergy in forming a partnership. As chief executive Cynthia Carroll puts it: "We take our responsibilities seriously – to prevent conflict and to protect and promote human rights – and have developed systematic processes to achieve this, including through our industry-leading social management process, SEAT. However, we always have more to learn and, as we strive to continue to improve our performance, we are delighted to be able to draw on the expertise of such an experienced NGO as International Alert."**

**In signing the memorandum of understanding with Anglo American, International Alert secretary-general Dan Smith welcomed the partnership: "Our work across Africa and South America has shown us how difficult it can be to undertake mining activity without a negative impact on local communities. We are encouraged by Anglo American's commitment to learning more by working with us."**

**Above**
**02** Chief executive Cynthia Carroll and International Alert secretary-general Dan Smith sign a memorandum of understanding establishing a three year collaboration.

For more information
**turn to page 38**

**ADDED VALUE**

**$4,500m**

Value of wages paid in 2011

**DEVELOPING COUNTRIES**

**84%**

Percentage of wages, supplier spend and taxes that were paid in developing countries in 2011

**ENTERPRISE DEVELOPMENT**

**38,681**

Number of businesses supported by various Anglo American enterprise development initiatives during 2011

**Economic value distribution**
$ million

Suppliers 13,809
Employees 4,500
Reinvested in the Group (capex) 4,257
Company taxes 3,601
Dividends 2,222
Providers of capital (interest) 677

# SOCIO-ECONOMIC DEVELOPMENT

Most of our operations are located in emerging economies, often near communities that have low levels of socio-economic development. As a major global company, this raises particular expectations and responsibilities towards contributing to their socio-economic development. Investing in the long term development and stability of our host communities enhances our own growth opportunities, and contributes significantly to our social licence to operate.

## THE ECONOMIC VALUE WE ADD

It is through Anglo American's core business activities – employing people, paying taxes to governments and making payments to our suppliers – that we make our most significant positive contribution to national and local economies.

The value distributed directly by Anglo American in 2011 amounted to $24,809 million. This figure includes $13,809 million paid to suppliers, $4,500 million to our employees through wages and related expenditure, $3,601 million in taxes and royalties to governments, $2,222 million paid to Anglo American and outside shareholders, and $677 million to providers of capital. A further $4,257 million was reinvested in the Group. Approximately 84% of our total supplier, employee and tax spend was in developing countries.

Through the multiplier effect, the positive economic contribution of our operations extend significantly further than these direct forms of value distribution.

Further details on the nature of our economic value added are provided in our annual report.

## OUR STRATEGY AND SEAT PROCESS

Our primary means for enhancing the development outcomes and capacities of our host communities is through our Socio-Economic Assessment Toolbox (SEAT) process. Launched in 2003, and revised in 2007 and again in 2011, SEAT is intended to improve our operations' understanding of their socio-economic impacts (both positive and negative), enhance our capacity for stakeholder dialogue and the management of social issues, build our ability to support local socio-economic development and foster greater transparency and accountability.

The comprehensive seven-step process enables us to better understand the concerns, needs and priorities of the communities associated with our operations by outlining specific steps that can be taken to improve dialogue, establish partnerships and promote wider development. Engagement with local stakeholders – such as communities, interest groups, NGOs and local government – is central to the SEAT process and influences the design of our community development plans. Operations are required to undertake a SEAT assessment every three years to ensure that any changes in the operation and community are reflected, and to allow time for the management measures set out in the previous SEAT report to be implemented and evaluated.

**Engagement with local stakeholders – such as communities, interest groups, NGOs and local government – is central to the SEAT process and influences the design of our community development plans.**

While the socio-economic development activities of our operations are informed by local needs and opportunities, these activities typically involve enterprise and skills development, local procurement and social investment initiatives.

### Employees
Share of economic benefits: $ million

Africa 2,731
Europe 675
North America 41
South America 529
Asia/Australia 524
**Total 4,500**

### Suppliers
Share of economic benefits: $ million

Africa 7,263
Europe 361
North America 0
South America 5,104
Asia/Australia 1,082
**Total 13,809**

### Taxation
Share of economic benefits: $ million

Africa 1,725
Europe 163
North America 2
South America 1,103
Asia/Australia 607
**Total 3,601**

## ENTERPRISE DEVELOPMENT

We believe that enterprise development is one of the most effective means for ensuring sustainable benefits for our host communities. We have been pioneering approaches to developing small businesses in South Africa since the 1980s and, more recently, have extended these activities into Chile, Brazil and Peru.

### Zimele – South Africa

Anglo American's pioneering Zimele enterprise development programme was established in South Africa 23 years ago with the aim of empowering black entrepreneurs through the creation of small- and medium-sized enterprises (SMEs). Through our commitment to the United Nations Development Programme (UNDP) Business Call to Action in support of the Millennium Development Goals, we are committed to creating and sustaining 11,000 additional jobs (25,000 in total) in up to 1,500 new businesses by 2015, primarily through Zimele.

Zimele consists of five separate funds – the Supply Chain Fund, the Anglo American Khula Mining Fund, the Community Fund, the Olwazini Fund and, most recently, the Zimele Green Fund. While these funds operate on a commercial basis, they are guided by the social purpose of creating economically viable enterprises through the provision of equity/loans, mentoring and access to value-enhancing opportunities. In 2011, these funds concluded 519 transactions and provided $16.3 million in funding for businesses that employed 4,367 people, with a combined turnover of $75.3 million.

**We are committed to creating and/or supporting 11,000 additional jobs (25,000 in total) in up to 1,500 new businesses by 2015.**

The Supply Chain Fund supports historically disadvantaged South African enterprises through the provision of equity and loan finance, as well as hands-on support, business guidance and skills transfer.

In 2011, the fund concluded five transactions, providing $1.8 million in funding and sustaining 266 jobs. The Anglo American Khula Mining Fund, a joint initiative with government-owned Khula Enterprise Finance Limited, provides equity and loan finance to emerging black-owned mining companies, as well as technical support during the exploration and pre-feasibility phases. During 2011, the fund concluded two successful exits.

The Community Fund provides seed and working capital for entrepreneurs and emerging businesses in our host communities and in labour-sending areas. It is funded and staffed by our Thermal Coal, Platinum and Kumba Iron Ore businesses in South Africa, as well as the corporate centre and De Beers. During 2011, the fund concluded 475 transactions, requiring

01

## LANDMARK EMPOWERMENT TRANSACTION FOR ANGLO AMERICAN PLATINUM'S HOST COMMUNITIES

**Our Platinum business is implementing a $480 million community development transaction aimed at providing equity ownership to communities around four of its operations. The company has been exploring ways of enhancing and optimising the benefits that accrue to mine host communities at its Mogalakwena, Dishaba/Tumela (formerly Amandelbult), Twickenham and Rustenburg mines and extending these benefits to include areas that are the sources of labour for the business's mines. The transaction represents a leading standard in broad-based social upliftment, creating a genuine partnership between the mines and host communities, and assisting the affected communities to develop into self-sustaining communities that are not solely dependent on mining.**

**The Lefa La Rona Trust will hold the shares from which the mine host communities and labour-sending areas benefit. Through the Trust, beneficiaries will receive annual dividends to fund their developmental activities. A minimum of $2.75 million per year is guaranteed to be paid to the Lefa La Rona Trust to the extent that the dividend stream is less than $2.75 million. A comprehensive engagement and education process with the various stakeholders involved is a critical part of the process to ensure the successful implementation of the transaction. Platinum has completed the initial phase of the process and will continue further consultation with the mine host communities and affected stakeholders as part of an ongoing programme.**

**Above**
**01** Tlhabane West Primary opened its doors in January 2011, to an intake of 460 children. It is one of six schools recently built or renovated by our Platinum business in the municipality of Rustenburg.

For more information
**turn to page 41**

01

02

03

## ENTREPRENEUR INTERNSHIP PROGRAMME

**As part of our commitment to job creation in South Africa, and broader investment in our communities and supply chains, we have developed an innovative internship programme to support the accelerated development of high-potential entrepreneurs. Our Entrepreneur Internship Programme involves identifying four to six emerging entrepreneurs from within the business and externally, and providing them with a mix of skills training, business exposure and business planning support. Interns will participate in a focused nine-to-12-month internship that will expose them to relevant aspects of Anglo American's business functions and operations, and equip them with the key skills required to establish and successfully grow a business or expand an existing one. By pairing high potential individuals with strong business opportunities, the businesses are expected to grow to become large enterprises that will contribute to our supply chain, pursue export opportunities and further contribute to the South African economy. The first group of entrepreneurs is expected to start new businesses by the end of 2012. By the end of 2011, we had received 364 applications.**

**Above**

**01** The third group of small business owners to participate in a free CARE Brazil training course on entrepreneurial management collect their graduation certificates.

**02** Luis Sambra Ramirez (right) secured a loan from the Emerge programme for his company, Comercial San Javier.

**03** Kagiso Montoeli is the entrepreneur and sole shareholder of Jelly Corner, which sells sweets and snacks. His company is based in Sharpeville, south of Johannesburg, and has been funded by Zimele.

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**www.angloamerican.co.za**

$15 million in funding and creating or maintaining 3,958 jobs. Through the provision of training and very small loans, the Olwazini Fund focuses on helping historically disadvantaged individuals – particularly women, the young and disabled – to establish and operate their own businesses. The fund provides small business loans of up to $2,750 per proposal at preferential interest rates to individuals who successfully complete its training programme. In 2011, the fund concluded 39 transactions, sustaining 143 jobs. Our newest fund, the Zimele Green Fund, will target investment opportunities that mitigate greenhouse gas emissions, reduce energy and water consumption, and improve waste and emissions management (see case study on page 53).

### Emerge – Chile

Launched in 2006, our Emerge programme has surpassed its ambitious goal of supporting more than 7,000 entrepreneurs and SMEs in Chile. Through partnership with Fondo Esperanza, the programme has helped more than 100 medium-sized businesses and over 25,000 small businesses through business skills training and community bank micro-loans. Since inception, 26,251 jobs have been supported through the programme. The community-bank model – in which members run their own businesses and act as co-guarantors by committing to pay back all the loans – has delivered exceptionally high loan repayment rates. In 2011, Emerge was expanded through a new partnership with international enterprise development NGO Technoserve. This initiative aims to expand support to medium-sized businesses, with an additional emphasis on potential suppliers.

### CARE – Brazil

Anglo American's Barro Alto project in Brazil has completed the final year of a three year community development plan in partnership with local NGO, CARE Brazil. Enterprise development forms a strong focus of the partnership, which also included activities to improve public education and social development in the communities surrounding our operation. Through this initiative, local residents have the opportunity to participate in a free training course on entrepreneurial management aimed at developing business opportunities in the region. The third group of small business owners has now completed the course.

## LOCAL CAPACITY DEVELOPMENT

Developing the capacity of host communities forms an important part of our commitment to ensuring the continuing viability of robust, self-sufficient economies after our mines have closed. These activities include a focus on building capacity within local institutions, as well as helping employees and community members to develop skills that they can use post-closure. Following the signing this year of a Memorandum of Understanding between Anglo American and the

Development Bank of Southern Africa, we have supported various initiatives aimed at building the capacity of our host municipalities in South Africa. The first capacity assessments as part of this initiative took place during the final quarter of 2011.

**Developing the capacity of host communities forms an important part of our commitment to ensuring the continuing viability of robust, self-sufficient economies after our mines have closed.**

During 2011 we also provided skills training to more than 3,712 employees in fields applicable beyond the mining sector, such as electrical services, plumbing and carpentry. Anglo American also supported 1,693 employees and community members who attended adult basic education programmes on literacy and numeracy offered by our operations in South Africa.

## LOCAL PROCUREMENT

Our vision is sustainable, responsible local procurement that positively contributes to a resilient supply chain and the economic and social development of the communities in which we operate.

By engaging local businesses in our supply chain, we can make a significant positive contribution to our host communities. Effective local procurement practices can contribute to job creation and skills development, improve efficiencies in our supply chain by lowering logistics costs, and facilitate secure access to critical goods and services.

In 2010, we launched a Group-wide local procurement policy, in recognition of the strategic importance of fostering social development in host communities. Our focus in 2011 has been on building awareness of the policy, developing guidelines and tools, building internal capacity to support the policy and assisting our mining operations to develop their local procurement strategies. We have also increased supplier development initiatives, and are beginning to introduce simpler terms and conditions and payment terms that accommodate the needs of small and medium enterprises.

### Local procurement targets

To achieve sustainable levels of local procurement, targets have been set, measured and monitored. There has been a particular focus of spend with suppliers based close to our operations – localised spend with host communities. Results from 2011 are shown, with a comparison with 2010, in the charts, right. Care needs to be taken when making comparisons as, particularly in capital intensive phases, actual spend with local suppliers may increase, but the percentage decrease owing to the quantum change. For example, the commissioning of Nickel's Barro Alto project in 2011 (as well as some definition changes) resulted in localised spend increasing from $16.3 million in 2010 to $60 million in 2011, but the percentage spend on localised suppliers decreased from 17.5% to 11.7%.

### Developing our suppliers

During 2011 we rolled out targeted initiatives aimed at positively developing the skills and capabilities of our suppliers. In South Africa, for example, we have worked in partnership with non-profit organisation Endeavour South Africa to deliver an intensive four-day 'Entrepreneurship Academy Boot Camp', as well as sponsoring the participation of 18 local entrepreneurs. We have created an Entrepreneur Internship Programme, which will see four to six entrepreneurs joining Anglo American for a nine-to-12-month internship (see case study opposite).

In South Africa, Australia and Peru, we are carrying out surveys to comprehensively understand the supply market located close to some of our operations. We also continue to work with our larger suppliers who have the expertise to upskill and mentor our smaller local suppliers (see case study on page 35). In Chile, we have collaborated with Corfo, the Chilean government's economic development agency, to improve the efficiency, productivity and quality of our suppliers, and to assist them in their compliance with our sustainable development commitments. In Brazil, our Iron Ore business has collaborated with commercial associations, local businesses, mayoral offices and local communities to provide business training to local suppliers. In Peru, our Quellaveco project has provided training to local entrepreneurs.

To further help the growth of local businesses and to stimulate local procurement and job creation, we are in the process of developing various 'supplier clusters'. Situated close to our operations, these clusters will house localised suppliers, as well as joint ventures between large suppliers to Anglo American and local entrepreneurs. Tenants in these clusters will enjoy access to training, mentoring and finance through our supplier and enterprise development programmes, as well as access to local shared services.

### Our local procurement and black economic empowerment (BEE) spend

Local procurement is a particular priority in our South African operations, where it forms an important part of the country's drive to promote BEE. In terms of the South African Mining Charter, companies are required to source a percentage of capital goods (40%), consumables (50%) and services (70%) from companies owned by 'historically disadvantaged South Africans' (HDSAs) by 2014. In 2011, our total BEE procurement spend by managed and independently managed businesses and enterprise development was $3.2 billion (2010: $2.9 billion). Anglo American-managed businesses spent a total of $3 billion (2010: $2.4 billion) with HDSA businesses,

**Spend with suppliers based in host communities 2011**

US $

- Kumba Iron Ore $201 m
- Metallurgical Coal $309 m
- Thermal Coal $83 m
- Copper $143 m
- Nickel $60 m
- Platinum $334 m

**Spend with suppliers based in host communities: 2010 vs 2011**

%

(not including goods and services procured from parastatal companies and municipalities). Based on high level assessments of our South African business units, we are confident that, with strong planning, and a firm commitment to transform our sourcing strategies, the 2014 targets will be met.

In 2011, spend on suppliers based in the host communities close to our operations was $1.13 billion. A breakdown of expenditure by business unit is provided in the performance table on page 41.

## SOCIAL INVESTMENT

Anglo American's corporate social investment (CSI) spend in local communities totalled $128.6 million in 2011, up from $111 million in 2010 and $82.5 million in 2009, and on our spend of $28 million back in 2000. To help manage this growth, we have developed a standardised reporting process for all our social investments. The aim is to facilitate consistent reporting of outputs, and to identify the most effective projects, delivery methods and partners with a view to maximising the value that Anglo American and its host communities get from these investments.

We have identified a set of 32 key performance indicators (KPIs) for the 14 categories of social investment that represent all of the types of projects currently sponsored by Anglo American and its company-funded foundations. These output KPIs have been collated for each social investment project. From 2011 onwards, the data will be collated at project inception. A summary of some of the key benefits against these indicators in 2011 is presented below.

01

### PIONEERING LOCAL PROCUREMENT AND ENTERPRISE DEVELOPMENT TRADE FAIR

**In June 2011, we hosted 1,500 delegates and 84 exhibitors in Johannesburg at Anglo American's first Local Procurement and Enterprise Development Trade Fair. The event allowed exhibitors to showcase their products and services, and network with other suppliers and potential customers. Exhibitors ranged from multinational and local suppliers to local entrepreneurs. The trade fair also hosted the Zimele 'Best Performing Funded Businesses' awards ceremony where top achievers emerged from all sectors.**

**Exhibitors maintained that Zimele has changed the lives of small business owners, allowing them scope and development they could not otherwise have had. More than 40% of our discretionary procurement spend in South Africa is directed to historically disadvantaged businesses.**

**One exhibitor said: "I have found today very helpful because I have met with the right people, put faces to names. Also meeting up with young entrepreneurs inspires us. It's amazing that people want to give us these opportunities, invest in us and help us get to the next level. It's been awesome."**

**Above**
**01** Climate change and energy manager Stan Pillay (left), and water manager Richard Garner (right), meet delegates at the fair.

For more information, visit **www.angloamerican.com**

### Global spend by country

CSI spend: $'000

- South Africa 70,134
- Americas 34,674
- Rest of Africa 12,700
- Other/Unclassified 7,417
- Australia 2,518
- United Kingdom 990
- Rest of Europe 170

### Global spend by type

CSI spend: $'000

- Community development 51,106
- Education and training 28,849
- Health and welfare 16,505
- Other 11,028
- Sports, arts, culture and heritage 7,339
- Disaster and emergency relief 6,006
- Water and sanitation 2,319
- Environment 1,620
- Institutional capacity development 1,440
- Employee matched giving 1,368
- Energy and climate change 1,024

### Social investment output indicators

| | |
|---|---|
| Total number of community development projects delivering benefits to communities in 2011 | 1,380 |
| Total number of business supported | 38,681 |
| Jobs created/sustained through enterprise development initiatives | 47,070 |
| Beneficiaries of education projects | 556,033 |
| Beneficiaries of sports, arts, culture and heritage projects | 248,093 |
| Beneficiaries of community development projects | 2,132,624 |
| Beneficiaries of disaster and emergency relief projects | 11,100 |
| Beneficiaries with improved livelihoods | 2,481,467 |

# PAYMENTS TO GOVERNMENTS

We believe that the overall economic contribution generated as a result of our operations should fairly reflect the balance of the risks and rewards of responsible investment and development. The taxes and other payments collected by governments form an important part of this equation.

**SOCIAL INVESTMENT**

**$128.6m**

Amount spent on corporate social investment in 2011

**TAXATION**

**$5bn**

Amount of taxes borne and collected in 2011

## TAX IN THE MINING INDUSTRY

The focus on tax in the mining industry has increased significantly over the past few years. Governments seek to ensure that they receive adequate compensation from mining companies for extracting a non-renewable resource. Many recognise that this desire has to be balanced with the need to encourage a sustainable mining industry that will deliver long term job generation and wealth for the country.

To encourage long term investment, it is essential that adequate recognition is given in the design of a country's overall tax system to the capital-intensive, highly risky and complex business that mining represents. There are significant costs associated with the successful exploration for and extraction of minerals, and eventual rehabilitation of the affected land in a safe and responsible manner.

**Our contribution goes significantly beyond the corporate income tax paid on our profits.**

A stable, fair and transparent fiscal regime is a fundamental aspect of the legislative framework of a country, facilitating the encouragement of a strong, successful and sustainable mining industry which, in turn, brings with it a vital and broader economic contribution to the growth of the wealth of a country and its citizens.

On the issue of taxation, our contribution goes significantly beyond the corporate income tax paid by a company on its profits. It is essential to understand a company's total tax footprint (which will include many taxes, *inter alia*, corporate income tax, royalties, withholding taxes, payroll taxes, VAT, import and export duties) when trying to assess whether a company is paying an appropriate amount of tax based upon its activities in a country. For example, in some countries in which we operate, mining companies are potentially subject to more than 50 specific individual taxes, of which corporate income tax is just one. The payments we make to governments form a major part of our socio-economic impact, particularly in regions of the developing world where our absence would mean fewer sources of employment, income and, therefore, tax revenues.

Anglo American has a Board-approved tax strategy, which is discharged by a team of professionals acting in accordance with our Guiding Values and Good Citizenship Business Principles.

## TAXES BORNE AND COLLECTED

The taxes borne by the Group amounted to $3.6 billion in 2011. Taxes collected by Anglo American and remitted to government, including payroll taxes and VAT, amounted to $1.4 billion, giving a total tax footprint for the year of $5.0 billion, 77% of which was in developing countries.

The distinction made here between the taxes which are borne by the Group and those which are collected and remitted to government is an important one, as although only those taxes which are borne are a cost to the Group, and therefore directly impact on the earnings, those which we collect form an important part of the revenues generated by our operations, and are often higher than the taxes borne. This is particularly the case in the early and late stages of the lifecycle of a mine.

When reporting the financial results of any particular year, businesses report tax numbers in the profit and loss account and separately report their cash flows. These results will differ, as tax is rarely paid at the same time as the income arises. Governments set the rules as to when tax becomes payable and those rules vary greatly from one country to another.

The corporate tax charge in the Income Statement for the year was $3.1 billion (including an equity share of associates' tax). In 2011, the effective rate of corporate taxation paid was 28.3% (2010: 32.1%) and reflects our geographical mix of statutory tax rates. The cash corporation tax paid by the Group was $2.5 billion. Further analysis and reconciliation of tax data can be found in the Anglo American Annual Report 2011 and at **www.angloamerican.com**

## Payments to governments

$ million

**Taxes borne (outer)**
- South Africa 1,716
- Chile 810
- Australia 597
- Brazil 257
- UK 162
- Venezuela 34
- Zimbabwe 7
- Peru 2
- Canada 2
- Other 14

**Taxes collected (inner)**
- South Africa 780
- Chile 132
- Australia 151
- Brazil 133
- UK 212
- Venezuela 0
- Zimbabwe 1
- Peru 6
- Canada 4
- Other 3

## Collected and borne

$ million

**Taxes borne (outer)**
- Developed 774
- Developing 2,827

**Taxes collected (inner)**
- Developed 370
- Developing 1,053

## Taxes generated over the life of a mine

| | Profitability | Taxes |
|---|---|---|
| Exploration | Operating and capital expenditure | Employee taxes, indirect taxes and taxes paid by suppliers |
| Development | Operating and significant capital expenditure | Employee taxes, indirect taxes and taxes paid by suppliers |
| Early production | Recovery of investment | Plus royalties |
| Full production | Net profit | Plus taxes on profit |
| Closedown | Closure and rehabilitation costs | As per Exploration and Development above |

## WEIGHTED AVERAGE STATUTORY TAX RATE

Our profits (after certain tax adjustments prescribed by local tax legislation) are subject to local corporate income tax rates, and our Group tax charge (as shown in our Consolidated Income Statement) and effective tax rate are a function of the resulting tax charges and the relative amounts of profits generated in each of the countries in which we operate.

The weighted average statutory tax rate represents the profits of the Group, multiplied by these statutory tax rates, ignoring the impact of any tax adjustments, and gives an indication of the effective tax rate (ETR) to be expected, given the countries in which we operate.

For 2011, this weighted average statutory ETR was 32.4%. As in most periods, the headline ETR is impacted by a number of non-recurring adjustments. The principal impact in 2011 relates to the recognition of previously unrecognised tax losses and the release of various withholding tax provisions across the Group, including those held in South Africa. Without these, the Group ETR would have been 31.7%, which is broadly in line with the weighted average rate above.

## TAX TRANSPARENCY

We support the principle of transparency. Anglo American was in the first small group of mining companies to announce its backing for the Extractive Industries Transparency Initiative (EITI), and we have been prominent in our support ever since. The EITI engages government, business and civil society in a tripartite process that involves companies publishing what they pay by way of resource revenues to their host governments, and the governments, in turn, publishing what they receive. Most importantly, the results are reconciled and validated.

We have been actively and constructively engaging with the European Commission on the proposed amendments to the Transparency and Accounting Directives. We support transparency of payments to government as part of the solution to tackling corruption, and have been seeking to assist the Commission to develop a new reporting mechanism which effectively achieves those aims while remaining proportionate. Such a requirement will never achieve all that the EITI methodology sets out to achieve, but we believe that it can form an important complementary measure to the EITI, providing civil society with information about the amounts being received by governments.

## Taxes borne and collected, by country

$ million

| | Borne | Collected | Total |
|---|---|---|---|
| South Africa | 1,716 | 780 | 2,496 |
| Chile | 810 | 132 | 942 |
| Australia | 597 | 151 | 748 |
| Brazil | 257 | 133 | 390 |
| UK | 162 | 212 | 374 |
| Venezuela | 34 | 0 | 34 |
| Zimbabwe | 7 | 1 | 8 |
| Peru | 2 | 6 | 8 |
| Canada | 2 | 4 | 6 |
| Other | 14 | 3 | 17 |
| **Total** | 3,601 | 1,422 | 5,023 |

As we have done for several years, we voluntarily disclose in this report major tax payments we make to government in the countries in which we have significant mining operations. Although we believe that this is valuable in giving all stakeholders the opportunity to see the payments to government we make in these countries, it is important to reiterate that tax payments are only part of the total economic contribution that we bring through our mining operations to both local communities and to the national economy.

**We support the principle of transparency and the Extractive Industries Transparency Initiative (EITI) and would encourage more countries to implement this.**

# PROMOTING A SUSTAINABLE SUPPLY CHAIN

In 2011, Anglo American spent more than $13.8 billion with suppliers. We believe that each dollar spent should be an investment in promoting responsible business practice amongst our suppliers. Promoting a sustainable supply chain also has a mutually beneficial impact on broader society.

## PROMOTING SUSTAINABLE DEVELOPMENT IN OUR SUPPLY CHAIN

Our commitment to encouraging our suppliers to act in a safe, sustainable and responsible manner is given effect through our policy on sustainable development in the Anglo American supply chain and our Supplier Sustainable Development Code. Available in all our main operational and supplier languages, the code provides detailed guidance on our expectations of suppliers in relation to safety, health, labour rights, business ethics, environmental management, human rights and community relations. The policy and code, which govern our procurement decisions, include standards that are mandatory conditions of contract, as well as standards that are strongly encouraged.

In fulfilment of our policy, high-risk suppliers are required to submit a self-assessment questionnaire based on the code. We also conduct site visits and audits of certain suppliers to verify compliance with the code. On the basis of these audit findings, suppliers may be required to develop and implement improvement plans to address areas of non-compliance (see case study). Since 2009, 109 suppliers have been independently audited against our code. To date, 30 improvement plans have been agreed. We track our suppliers' progress against these improvement plans and, where necessary, provide assistance to enable them to become compliant.

**Since 2009, 109 suppliers have been independently audited against our code. To date, 30 improvement plans have been agreed.**

We have also integrated these requirements into our award-winning procurement systems, addressing issues such as sourcing, contract management, spend analysis and supplier performance. This enables us to give preferential treatment to suppliers that share our commitment, and allows a tailored approach for certain groups of suppliers such as those involved in transportation and construction.

Through these supplier engagements we have seen improvements in employee working hours and remuneration, enhanced safety measures, more effective management of environmental risks and valuable improvements in energy and water efficiencies. We have generally been encouraged by the transparency, cooperation and willingness of our suppliers to implement the identified improvement plans.

## FINDINGS OF OUR SUPPLIER AUDITS

During the year we conducted 75 sustainable development audits of our suppliers, 67 of which were initial audits, and eight were follow-up audits. The audits included suppliers from South Africa (42), Brazil (17), China (8), Chile (5) and Australia (3) across all seven of our business units. Since 2009, we have audited 109 suppliers, assessing their performance on health and safety, labour, environmental management and business integrity issues.

Audit findings are rated using the following categorisation:

- Critical non-conformances: a direct risk to the life, limb or welfare of workers.
- Major non-conformances: a potential risk to the life, limb or the welfare of workers.
- Minor non-conformances: low risk and in many cases administrative by nature.

Audit findings have included:

- Inadequate fire prevention measures.
- Inappropriate handling of hazardous materials.
- A lack of policies and systems in place to prevent child labour in offsite suppliers, although no child labour was detected.
- Inappropriate working hours and rest days, as well as concerns relating to remuneration and labour contracts.
- Insufficient policies and systems in place to manage bribery.

The majority of critical non-conformances found related to safety risks and violations of labour rights. Through our audit follow-up processes we have seen an improvement in performance in many of our suppliers, with almost 50% of the critical non-conformances reduced to major and minor rating.

## LOOKING AHEAD

During 2012, we will continue to roll out our supplier management process, undertake audits of identified suppliers and encourage full implementation of agreed improvement plans. A particular focus area will be on encouraging improved social responsibility performance in our contractors.

01

## PROMOTING RESPONSIBILITY IN OUR CHINESE SUPPLY CHAIN

**Anglo American conducts sustainable development assessments of key suppliers to ensure compliance with our policy and code in this area and to identify opportunities for collaboration.**

**As part of our successful China procurement programme, we conducted a sustainable development assessment of Double Arrow's manufacturing facility in Shanghai in June 2009. The assessment was focused on safety and occupational health, labour standards, environmental management and business integrity. This was the first time Double Arrow had been engaged by a customer on these issues. Together with the factory we identified a number of improvement opportunities around safety, occupational health, working hours and remuneration practices.**

**Double Arrow's management took the Anglo American assessment as an opportunity to work with us and align their practices to our policy and code, which are based on compliance with national law as well as key international conventions from the International Labour Organisation and other relevant inter-governmental standard-setting bodies.**

**When we went back to the factory to do a follow-up assessment in September 2010, we found that the factory had implemented some very impressive changes, including the installation of new fire alarms and a system for conducting regular evacuation drills. All workers were paid in excess of the local minimum wage and a series of significant health and safety improvements had been put in place.**

**In April 2011, representatives from our Supply Chain leadership, from South Africa and South America, visited the Double Arrow site and witnessed the commitment of Double Arrow management and staff to safe working conditions.**

**Above**
**01** Supply chain category group manager Hennie du Plessis (right) visits Chinese supplier Double Arrow.

For more information, visit **www.angloamerican.com**

## What it takes:

# FORESIGHT AND INNOVATION

Growing regulatory and social pressure, increasing demand for limited natural resources, and the changing costs of energy and water all highlight the business imperative of responsible environmental management.

The review of our environmental strategies and performance is in four sections:

### WATER

This section describes our water strategy over the next decade, encompassing a commitment to make our operations water-resilient, to invest in technology, and to build infrastructure that will serve not only our sites but surrounding communities.
Go to page 48

### CLIMATE CHANGE AND ENERGY

This section describes our plans for adaptation to regional climate change, introducing stretching targets and implementing emissions reduction and energy saving programmes. We also describe how we seek to engage with governments and business partners to both develop effective climate change policies and to develop and implement carbon reduction technologies, in particular at our coal operations.
Go to page 52

### BIODIVERSITY AND LAND STEWARDSHIP

This section describes our approach to the identification and prioritisation of the main biodiversity risk and opportunity areas for our operations, and the creation of biodiversity action plans. It also includes our mandatory environmental performance requirements and system of biodiversity risk assessments and audits.
Go to page 56

### WASTE AND AIR QUALITY

Here, we look at our strategy and management approach with regard to waste management and air quality. The section describes how we seek to apply the 'avoid, reduce, re-use and recycle' waste management hierarchy in practice, including the regular risk assessments and audits that are conducted at our facilities in terms of the potential environmental risk they pose.
Go to page 58

**"The desalination plant in Chile's Atacama region represents the proactive approach Anglo American is taking to water stewardship and demonstrates an ambition to achieve the best operating results with minimal environmental impact."**

**David Weston** Group director of business performance and projects



**Chile, Mantoverde**
Fishermen working in Corral de los Chanchos Bay, off the town of Chañaral, where our new desalination plant will secure a sustainable water supply while protecting the ocean environment.

Open the flap to find out more

# IT TAKES PLANNING AND RESPECT

01

02

04

03

## A NEW SEAWATER DESALINATION PLANT WILL HELP IMPROVE THE CRITICAL WATER SHORTAGE IN CHILE'S ATACAMA REGION.

Securing a safe and reliable water source in one of the driest regions in the world presents some obvious obstacles. At our Mantoverde copper operation in Chile's Atacama Desert, we're doing our best to overcome these by reducing the strain on an already stretched watershed.

Our plans to develop a desalination plant that will meet 100% of Mantoverde's current and future water needs represents an opportunity to make a real difference in the Atacama region. By eliminating our own requirements from the current watershed, we will reduce the demand on this most vital of resources significantly, while also presenting community investment opportunities through the development of the desalination plant.

Located in the Corral de los Chanchos Bay, in the Chañaral district, the $96 million plant will have a water production rate of 120 litres per second and a predicted life of 20 years. Start-up is scheduled for 2013 and the 20-month planned construction project will provide an estimated 150 jobs.

Environmental protection measures have also been meticulously addressed and constant dialogue with social organisations, neighbours' associations, fishermen's trade unions, public bodies and the municipality of Chañaral has ensured the concerns of the communities have been considered at every stage of development. We can now look forward to an environmentally sound plant that will greatly improve water availability across the region.

Our aim is to maximise the value of water resources while seeking to achieve no long term net harm to the environment or communities where we operate. Our desalination plant in Chile will help us illustrate and maintain that position and further develop our ambition to become a champion in responsible water stewardship.

**Above**
**01/02/03/04** Organisational development engineer Juan Luis Oyaneder engages with the people of Chañaral on a regular basis.

**WATER CONSUMPTION**
(2010: 114.5 $Mm^3$)

**115.3** $Mm^3$

Volume of water for primary process and production activities in 2011

**NON-PRIMARY WATER CONSUMPTION**
(2010: 10.6 $Mm^3$)

**16.3** $Mm^3$

Volume of water for non-primary activities, such as employee villages, in 2011

**WATER RECYCLED**

**66%**

Percentage of our total operational water requirements that were met by recycling/re-using water in 2011

# WATER

Water is an increasingly scarce resource and access to it is a basic human right. The availability of a sustainable water supply is fundamental to our operations and the growth of our business. Our operations are often situated near communities that lack basic water services, or in areas where there is competition between industrial and agricultural users. With more than 80% of our operations and planned projects located in water-stressed basins, this is considered a key business risk. To maintain our licence to operate, we cannot degrade water quality or compromise the rights of other users.

## OUR STRATEGY AND MANAGEMENT APPROACH

The Anglo American water strategy and policy, approved in 2010, reflects our aim to demonstrate leadership within our water basin areas. The strategy is a three stage journey phased over 10 years. It includes a commitment to make our operations water-resilient, invest in water treatment and relevant technology innovation, build water infrastructure for mutual benefit and proactively partner with key stakeholders. Implementation of this strategy is being realised through our initiatives in three focus areas: improving operational excellence, investing in technology, and engaging and partnering with our stakeholders.

The first phase of our journey is 'being disciplined', which has a strong focus on operational excellence, and this is where most of our operations are right now. However, some of our key operations have moved on to the more advanced 'proactive' and 'resilient' stages, which means using advanced technology to reduce their dependence on water resources and working with their communities.

### Operational excellence

In 2011, we finalised and approved a new Group technical standard for water management, and updated our Group water guideline. This new mandatory technical standard includes detailed requirements on target setting, water monitoring, site management and water action plans (WAPs). Our site-level WAPs aim to provide our operations with a clear picture of their internal requirements in the context of legal and water basin-management developments, and are intended to help operations implement

**Water efficiency target-setting process**

**01** Each operation establishes its business-as-usual water consumption projection based on known business growth, changes and demands.

**02** Operations then identify applicable and relevant water savings projects, ranking and scheduling them for implementation in a register. The setting of reduction targets against this projection then depends on the number of projects to be implemented. This is established by considering the levels of investment different savings would require, against the degree of water stress (risk) in that operation's basin. Operations in water stressed regions set targets near the more ambitious end of the scale (light blue line), while operations in areas without water stress set less ambitious targets (light brown line), but are still required to achieve a saving. The target is then agreed with operational and corporate management and the funding for the projects included in the budgeting process.

**03** Business-as-usual projections will be reviewed every year to take into account any significant operational changes that may affect the target delivery. This could result in the inclusion/exclusion of projects to ensure the agreed targets are met. Changes to the target would need specific motivation and management agreement and would only be accepted if the agreed target is found to be unrealistic.

integrated water management. Informed by local water basin priorities, the WAPs track new developments and risk areas, address the implications of climate change, provide for social needs and guide stakeholder engagement activities.

An important focus in 2011 was on setting operational water targets through the implementation of our water efficiency target tool (WETT). The tool, which was piloted at seven sites across the Group before being implemented at all managed operations, forecasts the projected business-as-usual (BAU) water demand of individual operations and establishes a register of water-saving projects, linking the two in order to deliver future performance targets. Through a robust bottom-up process of identifying and assessing water-saving opportunities, and understanding local water risks, we have, for the first time, set quantitative reduction targets for every managed operation.

**An important focus in 2011 was on the implementation across all our business units of our water efficiency target tool (WETT).**

Each water target is expressed as an absolute reduction in total water consumption to be achieved by 2020 against the projected BAU water demand. The level of ambition of the target is informed by the nature of the affected water basin: the more stressed the basin, the more demanding the target. Progress against these targets will be tracked year-on-year and reviewed annually at each operation. (See figure, left.) We have also approved a more detailed set of water parameters for performance monitoring and reporting, which include water abstraction by source, water quality, water discharge by source and water costs.

In addition to driving implementation of the new targets and further embedding WAPs at each of our operations, in 2012 there will be a keen focus on the water quality aspects of these requirements, including a number of second-party water quality audits at operations.

In 2012, we are also scheduled to complete the pilot project aimed at understanding more accurately the value of water to our business, both financially and in the broader sense. The project, which will expand on and integrate with our 'value of sustainability' project (see page 15), will include the assessment of basic water charges, the operational and capital costs associated with managing water, and the external 'value' elements of water in terms of its contribution to ecosystem services and to society more generally. Ultimately, this 'true value of water' will be used to inform decision-making processes relating to projects and water efficiency investments.

### Technology

As part of our technology development activities, we are trying to identify appropriate technology solutions and to agree the timeframes within which to achieve our proposed strategic objective of 'zero net water consumption' 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 appropriate partnership opportunities to assist in delivery of these solutions. Collectively, we are exploring technology options relating to water efficiency, water recovery, pollution prevention and water security.

Examples of current research already under way include by-product recovery from water treatment processes and water recovery from tailings dams.

### Engagement and partnerships

Wherever we operate, we engage with host governments, local authorities, communities, NGOs, businesses and other stakeholders on a range of water-related issues. These engagements range from hosting multi-stakeholder water dialogues at mines, participating in water basin fora, playing an active role in the Carbon Disclosure Project's (CDP) Water Disclosure Project, and working with national and international industry representative bodies such as South Africa's Chamber of Mines and the International Council on Mining & Metals (ICMM) on regional and global water policy issues.

An important development in 2011 was the significant progress made in finalising outstanding water licence agreements for our operations in South Africa. This has been an important engagement with our regulatory partners in order to secure our current and future business in the region.

## OUR PERFORMANCE

Our operations employ a combination of technology, management and process change initiatives aimed at reducing our total water consumption and minimising any negative impacts on water quality.

### Total water use

During 2011, our operations consumed a total of 131.6 million $m^3$ of water. This comprised 115.3 million $m^3$ for primary process and production activities (2010: 114.5 million $m^3$), as well as a further 16.3 million $m^3$ for non-primary activities such as employee villages, sportsgrounds and office facilities (2010: 10.6 million $m^3$). The 0.7% year-on-year increase in consumption for primary activities resulted predominantly from the Barro Alto nickel plant in Brazil commencing production, increased water requirements related to construction of the Minas-Rio iron ore project in Brazil, and dust suppression activities arising from operational changes at the El Soldado copper mine in Chile.

01

## REDUCING WATER USAGE AND SECURING LONG-TERM ACCESS IN PLATINUM

**Our water efficiency target tool (WETT) was piloted at seven sites before being introduced across the Group. The WETT pilot at Platinum achieved a 21% improvement in water efficiency during the first year of its implementation. With the initial focus being on capturing the more visible 'quick wins', it is anticipated that further efficiency gains will be realised. Although initially it was difficult to get widespread buy-in to the project, this improved over time through the visible support of senior management and particularly the active personal engagement of Platinum's WETT project leader, Vinesh Dilsook.**

**Steps have also been taken to increase access to water at the company's Mogalakwena mine in South Africa, the largest open pit platinum mine in the world. The mine currently uses 22 Ml of water a day, 20 Ml of which are 'grey water' processed from sewerage works. To enable further expansion, and access to a further 14 Ml per day until 2018, the mine has been involved in the Eastern Limb bulk water partnership project with government and other businesses. This project aims to increase the capacity of local dams and construct 600 km of water supply pipeline. Half of the new water supplied by this project will be directed to the local community, providing up to two million people with access to clean, safe water for the first time.**

**Above**
**01** Water specialist Vinesh Dilsook (left), pioneer of the water efficiency target tool (WETT), at Platinum, in South Africa with senior environmental manager Hermanus Prinsloo.

For more information
**turn to page 48**

**Total water required, by use in 2011**
%

- Water re-used/recycled in processes 66%
- Water used for primary activities 30%
- Water used for non-primary activities 4%

**Total water abstracted, by source in 2011**
%

- Ground water abstracted 39%
- Surface water abstracted 28%
- Potable water from an external source 17%
- Waste water/second class water abstracted 9%
- Non-potable water from an external source 7%

**Note:** These figures are being reported in aggregated form for the first time by Anglo American and are at this stage indicative rather than an exact representation of our water abstracted by source.

The overall impact of these increases was partially mitigated by the sale of assets during 2010 that would have contributed a further 5.4 million $m^3$ of water to the 2011 total, as well as the disposal of a small number of businesses throughout 2011.

Despite acquisitions, expansions and production increases, and taking into account disposals, a reasonably stable level of water demand has been maintained for the Group as a whole since 2007. In addition to targeting overall water reductions, Group operations aim to re-use and recycle as much water as possible. With this focus, nearly 70% of our operational water requirements were met by recycling/re-using water during 2011.

**In addition to targeting overall water reductions, our operations aim to re-use and recycle as much water as possible.**

Our operations are also seeking to reduce their dependency on high quality water by switching to the use of lower water quality grades, such as treated waste water. For example, Platinum's mines in the Rustenburg complex of South Africa's North West province have signed an offtake agreement with the local municipality for 15 Ml per day of treated effluent from its sewage treatment plant. The mines commissioned a water treatment plant in November 2011 to improve the quality of this treated water even further to meet their needs – thereby replacing potable water use in their industrial activities.

### Water sources affected by withdrawal

Our Iron Ore Brazil, Metallurgical Coal, Thermal Coal, Nickel and Platinum business units have reported no adverse impacts on local water sources arising from their operations' withdrawal of water. Copper and Kumba Iron Ore, however, reported three instances where mine activities were impacting on the availability of groundwater. Copper's Mantoverde mine in Chile is situated in one of the driest regions of the world and is dependent on the already-stressed Copiapó aquifer for all of its water. Mantoverde has approved the development of a water desalination plant that is designed to meet its water needs by 2013, thereby alleviating pressure on the Copiapó aquifer (see case study on page 46/i).

At Kumba's Sishen mine in South Africa's Northern Cape province, substantial volumes of groundwater are abstracted in order to prevent the flooding of mining activities. Although dewatering draws on water resources from the properties of certain landowners, the mine supplies the affected landowners with alternative sources of water when required. To minimise the impact of dewatering, geo-hydrological models are used by the mine to determine the exact volume of water that needs to be abstracted so as to ensure dry mining conditions.

Other initiatives, such as 'artificial aquifer recharge', whereby surplus water is injected into boreholes to supplement ground water supplies in adjacent aquifer systems, are also being investigated to mitigate this impact should they be successful.

Dewatering activities have also recently commenced at Kumba's new neighbouring Kolomela mine, where similar water mitigation measures are being planned for.

### Water quality

The volume and quality of water that are allowed to be discharged by Anglo American's operations are predetermined by each operation's water permit. Unplanned discharges or breaches of legal agreements are reported as environmental incidents. In previous years, incidents were reported on a scale of one to three (with the latter representing major environmental impact). During 2011, we introduced a new five-tiered scale* in order to report in greater detail on the impact of an incident.

Level 1 and 2 incidents are minor in nature and, while remedial action is taken for every incident, they are not reported externally. During 2011, 26 confirmed Level 3 environmental incidents, one Level 4 incident and no Level 5 incidents were reported. Twelve of the Level 3 incidents related to water and included: seven instances of pollution associated with ineffective sewerage containment; four contaminated water dam overflows, and one incident of hydrocarbon contamination. Immediate remedial action was taken to mitigate the impact of all these incidents; however, a number of longer term interventions are still in progress.

The single Level 4 incident reported involved a hydrocarbon spill in Canada, which has since been effectively remediated without lasting damage to the receiving environment.

### Acid rock drainage

While some of Thermal Coal's mines in South Africa's Mpumalanga province are geologically predisposed to acidity, the risk of acid rock drainage (ARD) impact has been mitigated through the development of our water reclamation plant in eMalahleni. This water treatment facility, built in partnership with BHP Billiton and the eMalahleni Municipal Council, currently treats around 25 Ml per day of acid mine water from four mines. Plans have been approved to double the facility's capacity. Two mobile water treatment plants have also been commissioned to address any potential water quality issues should they arise at any of our other mines not currently linked to the eMalahleni plant. In addition to addressing the ARD at its point of impact by treating affected water, mine design and management procedures have been put in place to prevent ARD in the first instance. These include activities such as the concurrent rehabilitation of opencast operations and waste facilities.

* Environmental incidents are unplanned or unwanted events that result in negative environmental impacts. A Level 1 incident results in minor impact; a Level 2 incident results in low impact; a Level 3 incident results in medium impact; a Level 4 incident is considered to be a 'significant incident' that results in high impact; and a Level 5 incident is considered a significant incident that has a permanent impact on the environment.

01

02

## CLIMATE ADAPTATION AND 'RAIN IMMUNISATION'

A critical water-related challenge that we face at our Metallurgical Coal operations in Australia is the significant variability in rainfall. Our operations are located in regions that at times oscillate between severe drought and flood conditions. Current scientific evidence suggests that climate change may result in a further increase in rainfall variability in the long term.

The need to adapt to these extreme weather events was brought home to us by the severe 2010-2011 wet season, during which our operations received more than 1,000 mm of rainfall. Although we had systems in place to redirect and store water, this unusually heavy rain resulted in critical parts of our mining operations becoming inoperable. Coal production was impacted by the closure of access roads, the flooding of opencast pits and underground areas. With the capacity of our pumping and pipe systems being exceeded, and an inability to pump water from the mine into the local water courses under controlled release conditions (owing to environmental regulation in place at the time), our ability to function was severely impacted.

In response to this event we initiated the 'Rain Immunisation Project', a climate adaptation initiative that seeks to decrease the environmental risks and production time loss at Moranbah North, Capcoal, Foxleigh and Dawson. The first phase is now complete. The project includes extensive pump and piping works, improved flood protection infrastructure, road-sheeting works on semi-permanent roads, and upgrades to underground mines, drainage network, storage and dewatering capacity. This work provided the basis for wet weather plans at each of our operations, which also take into account possible drought scenarios.

Through extensive engagement with the Queensland regulator, we have obtained flexibility in our water-release conditions, which makes it easier for our operations to meet local water quality release criteria, particularly in emergency situations. In addition to this, we are currently planning a desalination plant at our Capcoal operation that will treat up to 10 Ml/day of mine-affected water. This will reduce our reliance on external sources of high quality water and it will enable us to release excess clean water to the environment.

**Above**
**01** Construction of flood defences and water storage facilities is a key part of Metallurgical Coal's Rain Immunisation Project.

For more information, visit
**www.angloamerican.com**

## DAWSON MINE TEAM ALLEVIATES FLOOD DISASTER

The devastating flood that in December 2010 hit the small town of Theodore in Queensland, Australia, approximately 50 km from Metallurgical Coal's Dawson mine, prompted a quick response from a committed team of mine employees. As time was of the essence, the team immediately provided support and assistance to victims of the flood, managing a difficult rescue effort, in which all 328 residents were arranged to be evacuated safely by helicopter from Theodore into temporary accommodation provided by Anglo American in the town of Moura over a 36-hour period.

The Dawson team continued to support the community in the weeks and months following the event, including assisting with reconstruction efforts. This selfless and spontaneous team showed just what a large company, working with the local council and two townships, was able to achieve through collaboration. Shortly after the flood, Queensland Premier Anna Bligh and Council Mayor John Hooper visited Dawson mine to thank the team personally for their life-saving efforts and dedication to their community – fitting recognition for a superb effort.

**Above**
**02** Tony Odell, Annette King and Andy McLeod, members of the Dawson Mine flood team, Theodore, Australia.

For more information, visit
**www.angloamerican.com**

### Water used for primary activities 2007–2011

Million m³

**GREENHOUSE GAS EMISSIONS**
(2010: 20.0 Mt)

**18.8** Mt

Amount of $CO_2$ emitted in 2011

**ENERGY CONSUMPTION**
(2010: 100.9 million GJ)

**102.9** M GJ

Amount of energy consumed during 2011

**RENEWABLE ENERGY**

**11.3** M GJ

Amount of energy from renewable sources

# CLIMATE CHANGE AND ENERGY

Climate change presents a significant business challenge. As an energy-intensive company, a major producer of coal, and with a significant operating footprint in many developing communities, Anglo American is exposed to three main strands of climate change risk. The first strand relates to the increase in energy and compliance costs associated with new policy measures, including potentially significant costs from carbon pricing. Secondly, we face changing expectations from our investors, communities, customers and suppliers. Finally, there are increased risks associated with the physical impacts of climate change on our operations and neighbouring communities.

Climate change also presents potential opportunities. In addition to the commercial opportunities offered by environmentally friendly technologies such as fuel cells, we have the chance to show leadership by working with local communities and governments to address the causes and impacts of climate change.

## OUR STRATEGY AND MANAGEMENT APPROACH

Our response to climate change is guided by our climate change strategy and policy. Our strategy seeks to minimise our exposure to emerging climate change regulation, maximise opportunities in our markets, and build adaptation measures against the impacts of regional climate change. The strategy will be implemented in three phases over the next 10 years. Within each phase, implementation will be undertaken through three different focus areas: improving operational excellence, investing in technology, and engaging and partnering with our stakeholders.

### Operational excellence

The emphasis in the first phase of our climate change strategy is on identifying energy-saving and emission-reduction opportunities, setting ambitious emission-reduction targets relating to site-level risks and opportunities, and developing high level plans for adaptation to regional climate change. A key challenge for our business is that the mining conditions we face, such as the grade and accessibility of the ore, are, in general, requiring increased energy inputs per unit of output.

In 2011, we issued a new Group technical standard to manage energy and greenhouse gas (GHG) emissions performance at all our operations, and we are in the process of rolling out our energy and carbon management programme, $ECO_2MAN$.

The new Group technical standard requires sites to identify their energy and GHG emissions-related risks and opportunities, integrate them into operational plans and establish appropriate measurement and reporting processes.

Our $ECO_2MAN$ programme helps us identify and prioritise energy efficiency and GHG savings opportunities and it is tied to our internal and external verification and assurance processes. The programme has been used to guide the development of new energy and GHG emissions savings targets at every managed site.

> **In 2011, we issued a new Group technical standard to manage the GHG and energy performance at all our operations.**

In addition to agreeing these targets, important climate change management activities during this reporting period included undertaking a gap analysis against the new Group technical standard, developing site-specific improvement plans, and including climate change criteria into a new standard on mergers, acquisitions and divestments.

### Technology

As energy use accounts for roughly 75% of our GHG emissions, we are primarily focusing existing activities on identifying and implementing innovative technologies aimed at using energy more efficiently. These include technology solutions to optimise processes and machinery at our operations, such as air compressors, ventilation fans, pumps, draglines, conveyors and electric motors.

In addition to focusing on energy-efficiency technologies, we are investing in developing and deploying technologies that will enable us to run cost-efficient, carbon-neutral mines by 2030. Our technology development vision forms a critical part of our long term business strategy. In the belief that the large scale deployment of carbon capture and storage

(CCS) technologies will have a critical role to play in addressing climate change, we participate in various research initiatives aimed at identifying commercially viable solutions for CCS. These include the US-based FutureGen Industrial Alliance, the Otway $CO_2$ storage project in Australia, and the South African Centre for Carbon Capture and Storage.

In 2011, an important initiative was our investment in the renewable energy Kalahari Project. We have also been partnering with Johnson Matthey on the development of a technology for capturing and using ventilation air methane (VAM) from mine shafts, as well as examining opportunities with them relating to fuel cell technology. Despite experiencing some geological and weather-related setbacks in 2011, the New Denmark coal mine methane-flaring project flared 402 tonnes of $CO_2$e in 2011 and reduced the mine's total $CO_2$e emissions by 1.3% against a business-as-usual baseline. In Australia, we hold a 20% interest in MBD Energy, which is undertaking applied research into an algal synthesiser process that involves entrapping $CO_2$ from power station flue gases.

### Engagement and partnerships

We continue to work with governments and our business peers to inform the development and implementation of efficient, effective and equitable climate change policies. In 2011, we were particularly active in engaging with the South African and Australian governments. In South Africa, we commented on the National Treasury's discussion paper on a carbon tax, submitting detailed comments individually, as well as through the Industry Task Team on Climate Change (ITTCC). Through the ITTCC, we will be contributing substantially to facilitate the development of a comprehensive national fact base that will inform the implementation of an effective climate change policy that is aligned with the country's growth and development objectives. We also actively participated, sponsored and hosted events at the UN COP-17 negotiations in Durban.

**In Australia, we hold a 20% interest in MBD Energy, which is undertaking applied research into an algal synthesiser process that involves entrapping $CO_2$ from power station flue gases.**

Through our Platinum business we are partnering with the fuel cell company Altergy and the South African government to manufacture and market platinum-based emissions-reduction technologies locally and in other sub-Saharan countries. This collaboration marks the launch of the government's strategy to develop a manufacturing-based 'hydrogen economy' and transform and expand uses for the country's national resources.

01

### THE ZIMELE GREEN FUND

**An exciting development in 2011 was the launch in November of the Zimele Green Fund. The fund, which forms part of our broader Zimele initiative, will help support businesses that mitigate carbon, reduce energy and water consumption, and improve waste and emissions management. The initial fund has a commitment of $13.8 million. Four existing environmental projects within Zimele will be transferred to this fund. We believe that the fund has the potential to make a real difference in our host communities by facilitating job creation and skills development, improving adaptation practices, and providing access to low-carbon energy and carbon-financing opportunities.**

**Businesses currently being assisted by Zimele include Masakhane Consulting and Projects, and The Greener Fertilizer. The former, based in Kuruman in South Africa's Northern Cape, is a recycling business, collecting and recycling metal, glass and paper from existing and new mines within a 100 km radius. The business generates around $72,000 per annum, employing nine people. The Greener Fertilizer, based in Sliverton, Gauteng, employs 110 South Africans, many of them blind, and produces fertiliser sticks that are 80% organic. Their products are primarily exported to Germany and their annual turnover is $886,000.**

**Above**

**01** Claire Reid (right) of Reel Gardening discusses her concept with Nosipho Ngcaba (left) Director General of the South African government's Department of Environmental Affairs and Lia Vangelatos, chief investment manager of Zimele.

For more information
**turn to page 39**

**Total $CO_2$ equivalent emissions by source in 2011**

%

**Total $CO_2$ emissions 2007-2011**

million tonnes

**Total energy consumption by source, for core businesses 2011**
%

**Inner circle**
- Energy from total diesel 35%
- Energy from other fossil fuels 16%
- Electrical energy from coal 31%
- Electrical energy from other fossil fuels 3%
- Electrical energy from nuclear power generation 2%
- Electrical energy from renewable sources 11%
- Energy from renewable sources 2%

**Outer circle**
- Direct energy consumption 54%
- Energy from electricity purchased 46%

**Total energy consumed by business unit 2007–2011**
million GJ

- Kumba Iron Ore
- Iron Ore Brazil
- Metallurgical Coal
- Thermal Coal
- Copper
- Nickel
- Platinum
- Other Mining and Industrial businesses
- Corporate offices and Exploration
- Divested businesses

## OUR PERFORMANCE

### Reducing our GHG emissions

In 2011, the Group's Scope 1 and Scope 2 GHG emissions amounted to 18.8 million tonnes (Mt) of carbon dioxide equivalents ($CO_2e$) (2010: 20.0 Mt). This 6% reduction on our 2010 emissions was due largely to the sale of a number of businesses throughout 2011, as well as a revision of process-emission calculation methodologies at Metallurgical Coal. The overall impact of these reductions was mitigated by an increase in GHG emissions at our Nickel business in Brazil following the commissioning of the new Barro Alto plant. Our electricity consumption continues to be the principal source of our GHG emissions (51%), followed by our direct use of fossil fuels (23%), methane emissions from coal mining (14%) and process emissions (12%). We have also assessed our indirect Scope 3 emissions, focusing primarily on emissions arising from customers' use of the thermal and metallurgical coal that we produce, as well as on our downstream and upstream transport. These emissions continue to be dominated by the combustion of our coal by consumers; in 2011 this figure amounted to 176.8 Mt of $CO_2e$.

### Energy consumption

During 2011, we consumed 102.9 million gigajoules (GJ) of energy (2010: 100.9 million GJ). This 2% rise was largely as a consequence of new energy being consumed at the Barro Alto plant and additional diesel consumption at Metallurgical Coal arising from increased production. These increases were mitigated by the sale of businesses in 2010 that would have contributed about 6 million GJ to the 2011 total, as well as the divestment of a number of businesses over the course of 2011.

The proportion of renewable energy in our overall electricity consumption is estimated to be about 23%, and is accounted for mainly by our operations in Chile and Brazil. Our Copper, Nickel and Iron Ore Brazil businesses consume nearly 8 million GJ of renewable energy annually through their electricity consumption. Our Australian and South African operations, which run on heavily coal-dependent electricity grids, have greater difficulty in accessing renewable energy sources. In Australia, our primary alternative energy projects are the methane-fired power stations at the Moranbah North and Capcoal collieries; these generate a combined 77 megawatts (MW) of electricity. In South Africa, our Kumba Iron Ore, Platinum and Thermal Coal businesses have been installing heat pumps in their mine change houses to replace conventional boilers, and we have been exploring the installation of solar water heaters. Although Kumba Iron Ore's energy consumption increased between 2010 and 2011 owing to waste stripping at Sishen and Thabazimbi mines and growth at Kolomela mine, energy savings projects completed during 2011 at those mines saved 54,600 GJ of energy and prevented 12,422 tonnes of $CO_2$ from entering the atmosphere. These projects included the previously mentioned solar water heating initiative, as well as diesel savings and process improvements.

### Adaptation

Our new climate change strategy requires that all operations and projects undertake climate change vulnerability assessments, following which all high-risk sites will undergo detailed climate change impact assessments. This follows detailed assessments conducted by Imperial College, London and the UK Met Office, in 2010 and 2011, on the potential impacts of climate change in a number of potentially high-risk operational regions. These included our Minas-Rio iron ore project in Brazil, and coal and platinum operations situated in the Olifants River catchment in South Africa. This builds on a three year climate change impact assessment study for selected operations which was carried out by Imperial College, London. We have also published a report on the expected impacts of climate change on the Olifants River catchment. A similar study has also been conducted on the area surrounding our Sishen iron ore mine in South Africa's Northern Cape. These results will be shared with government and research institutions.

## LOOKING AHEAD

We will continue to drive implementation of the Group climate change strategy, with a particular focus on tracking progress against the new targets and ensuring compliance with the Group technical standard on carbon and energy performance.

**Our new climate change strategy requires that all operations and projects undertake climate change vulnerability assessments, following which all high-risk sites will undergo detailed climate change impact assessments.**

01

02

## PLATINUM'S ROLE IN A LOW-CARBON ECONOMY

**As the role of platinum in making the transition to a low carbon economy becomes ever more prominent, Anglo American has launched a $13.8 million fund to invest in platinum-based technology companies in South Africa. Our partnership with fuel cell company Altergy and the South African government to manufacture and market fuel cell systems locally and in other sub-Saharan countries is just one example where this funding is already having a positive impact.**

**Platinum-based fuel cells provide a significant economic and environmental development opportunity for the country by facilitating the provision of clean, reliable and cost-effective power. As an inherently low carbon technology, offering high efficiency, versatility and scalability, fuel cells have become a key development area for our Platinum business and the market. This increased focus aims to help accelerate the use of fuel cells in the small and large scale provision of electricity in mobile, stationary and portable applications.**

**While the basic science of fuel cells is well established, their mass deployment and the global market are still in their infancy. South Africa has a dominant position in the ownership of the natural resources needed for fuel cells and, therefore, it has the opportunity to play a part in their global provision and in providing expertise.**

**Our Platinum business is conducting risk assessments on applications of these systems in its operations, including in the powering of mining locomotives, back-up mine communications systems and power systems. By supporting the use of fuel cells in its operations, it is providing a source of demand to stimulate the industry.**

**Above**

**01** Platinum's head of engineering Krish Pillay (right) and Karim Kassan, business development director of manufacturer Ballard (left), explain the fuel cell technology to South Africa's Deputy President Kgalema Motlanthe at UN COP17 in Durban. Platinum's zero emission generator demonstrated clean energy efficiency by generating electricity that was fed into the grid, covering the requirements of the Climate Change Response Expo.

For more information
**turn to page 53**

## THERMAL COAL PROVIDING EMPLOYEES WITH ALTERNATIVE WATER HEATING

**Alternative water heating methods are just one way our Thermal Coal business is increasing engagement and awareness among employees around energy efficiency, while also reducing pressure on South Africa's national grid.**

**Through competitions run at all operations, employees have been encouraged to reflect on energy efficiency and associated emissions and costs. Two winners from each operation will then be appointed as volunteers to test alternative water heating technology in their private homes. The pilot phase involves installing various makes and types of heat pump to test and evaluate the options available.**

**Once the pilot is completed, Thermal Coal will continue with the mass roll-out of heat pumps for approximately 9,000 employees. While installing heat pumps in mine villages will not result in any material gain in emissions saving for Thermal Coal, there is strong potential to register the initiative as a Clean Development Mechanism (CDM) project. As a result, this would generate around 7,600 carbon credits per annum (equivalent to a reduction in emissions of 7,600 tonnes of $CO_2$).**

**Above**

**02** The employee changing facilities at Thermal Coal's Zibulo mine utilise a combined solar panel and heat pump system. The building also maximises the use of natural light and ventilation.

For more information
**turn to page 54**

**BIODIVERSITY ACTION PLANS**

**2** years

Period in which a stand-alone biodiversity action plan must be implemented on new high-risk sites

**BIODIVERSITY REVIEWS**

**6**

Number of biodiversity reviews that have taken place in 2011 (four in conjunction with FFI)

**FULLY REHABILITATED LAND**

**15,008**

Number of hectares of land fully rehabilitated to date

# BIODIVERSITY AND LAND STEWARDSHIP

Biodiversity – the variety of plant and animal life on earth – provides us with a range of vital benefits, collectively known as ecosystem services. The services include the provision of clean water, food and fuel, helping to maintain fertile soils, the decomposition of waste and pollination of plants.

As a mining company owning large areas of land throughout the world, including operations in several environmentally sensitive areas, our impact on biodiversity has a direct bearing on our ability to grow our business. Responsible management of biodiversity can influence our future access to land, our legal and social licence to operate and our access to capital. Effective land stewardship, including the conservation of biodiversity, form a critical part of our overall environmental responsibility. In addition, many of the communities around us rely on the land and ecosystem services for their well-being and livelihoods.

## OUR STRATEGY AND MANAGEMENT APPROACH

We have commenced a review of our biodiversity strategy. Since this was developed in 2002, the regulatory environments in which we operate have tightened to the extent that many now require new developments to achieve 'no net loss of biodiversity' and offsetting of impacts. Stakeholder expectations around the management of biodiversity have also increased. We have commenced a project to determine the business case for biodiversity management, which will connect with our overall 'value of sustainability' project. This will develop a consistent methodology for valuing biodiversity in our projects. From this we will determine whether any Group-wide commitment would have value. As with our other environmental initiatives, delivery of our ongoing strategy is by means of our efforts in three areas: improving operational excellence, investing in technology, and engaging and partnering with our stakeholders.

### Operational excellence

Our approach to land stewardship and biodiversity is governed by various mandatory performance requirements outlined in the Environment Way. Those sites where potential significant risks or opportunities have been identified must develop stand-alone biodiversity action plans (BAPs) within two years of acquisition or commissioning. These plans, which seek to balance ecological considerations and community needs, are based on a detailed understanding of the biodiversity value at each site and include baseline assessments that categorise the types and vulnerabilities of the ecosystems under our management. All of our sites that require BAPs currently have them in place. Guidance on the development of BAPs, and on other aspects of the performance requirement, is provided in our detailed guidance document that was developed and approved in 2011.

A programme of third-party environmental management system audits and biodiversity peer reviews is used to provide operations with guidance on how to improve their performance and achieve full compliance with Anglo American requirements, as well as to promote learning and the sharing of best practices. The review process is guided by a detailed BAP peer review template that is based on international good practice and is often more stringent than local legal requirements. Since this programme began in 2005, a total of 73 such reviews have taken place, including six during 2011.

Since 2010, we have introduced high-level biodiversity risk assessments. Developed by our biodiversity partner, the conservation NGO, Fauna & Flora International (FFI), these are designed to help our operations understand the biodiversity risks and opportunities at their sites, and to build a robust business case to support the active implementation of BAPs.

### Technology

We are committed to identifying technology opportunities to minimise our environmental impact. An important initiative in this area has been the development of a 'biodiversity overlap assessment tool', through which we will be overlaying biodiversity data available from the World Database on Protected Areas (WDPA) with our own site-based data. This will further help us to identify and prioritise the main biodiversity risks and opportunities for our operations and is a first step towards piecing together a global map of Anglo American operations in relation to protected areas.

### Engagement and partnerships

Our bilateral partnership with FFI started in 2008, and has been extended for a further three years. In addition to participating in 16 BAP reviews and providing an independent perspective on our biodiversity management practices, FFI has contributed to the development of our biodiversity strategy, performance requirements, guideline documents, and the updating of our Socio-Economic Assessment Toolbox tool which will enable our operations to integrate biodiversity considerations into their community initiatives.

Since 2002, we have been in partnership with the United Nations Environment Programme – World Conservation Monitoring Centre's Proteus Project. Through this partnership we have access to the WDPA. The main focus of the partnership is to support the improvement of the WDPA, but also to have access to other biodiversity databases and geographic information systems for storing, managing and reporting on biodiversity trends for all the world's protected areas, providing a platform that allows for the easy integration of other conservation datasets.

As a member of ICMM, we have signed up to the ICMM Mining and Protected Areas Position Statement, thus committing ourselves to respecting legally designated protected areas, and to not explore or mine at any World Heritage sites.

## OUR PERFORMANCE

We have 645,588 hectares of land under our management, of which 86,702 hectares have been disturbed by our mining, processing and mineral-waste disposal operations and supporting infrastructure. To reduce any potential closure liabilities, and in the interests of responsible environmental stewardship, we strive to rehabilitate as much disturbed land as possible during a site's operational life. To date, 15,008 hectares of disturbed land have been rehabilitated.

To improve our management of risk and reporting on land stewardship, we have reviewed and updated the land and biodiversity parameters on which our operations are required to report.

In terms of biodiversity management, our most sensitive activities include the Amapá iron ore system in the Amazon rainforest, and the Minas-Rio iron ore system and pipeline in the Atlantic forest and Cerrado biomes, both in Brazil. At Amapá, a comprehensive biodiversity review has been undertaken, while a nursery has been built for indigenous trees that will be planted into rehabilitated parts of the opencast mine. Several ecological interventions have been initiated at Minas-Rio, including a thorough baseline assessment of the land that will be impacted and a study to identify the best way to manage affected flora and fauna.

In Chile, El Soldado copper mine is located in the Cordillera El Melón, which, although not a protected area, hosts a large number of protected tree species, such as Belloto del Norte. In 2010, an agreement was reached with the environmental and forest authorities to develop an offset, including planting 100,000 native trees over a five year period (in addition to the 90,000 trees planted up to now). The aim is to compensate for those trees that would be affected by the operation, as was the case in 2011 when a small number of Belloto del Norte trees were destroyed.

01

## SAKATTI EXPLORATION PROJECT

**Our exploration efforts represent the foundations on which safe, responsible and successful operations are built. In Arctic Finland, our Sakatti exploration project is demonstrating just how successful this combined approach can be.**

**Located in an environmentally sensitive region, the Sakatti project team was recognised at the 2011 Fennoscandian Exploration and Mining Conference for its contribution to the local mining industry and the technological innovation of a new closed-loop drilling system developed in partnership with our drilling contractor, Kati, specifically for the project. The system enables the team to drill in extreme environments – with temperatures often below -20°C – at the same time as reducing waste and water use and significantly minimising the environmental footprint.**

**As well as our commitment to drilling responsibly, we also carry out our activities in consultation with other land users. For example, we discuss our drill plans with the local reindeer herders to understand which areas they will be using for winter grazing. On some occasions in 2011 we have revised our drill locations to ensure we don't disturb their activities. We stopped drilling for a day and covered the rigs with camouflage so as to not distract the reindeer as they were being herded past.**

**"Innovation comes in many different forms," says Mattias Johansson, exploration manager for Fennoscandia. "Sourcing a couple of large camouflage nets in northern Lapland was one of the more unusual items on our shopping list."**

**Tracey Kerr, Group head of exploration, comments: "Safe Discovery is the way we explore. This means having the right people, doing the right things in the right way. The Sakatti team is a great example of how we work in partnership with our contractors and the local community to understand the environmental sensitivities, and then work to deliver innovative solutions that demonstrate our commitment to responsible environmental stewardship and respecting local traditional culture and livelihood needs."**

**Above**

**01** Senior project geologist Stephanie Klatt checking core samples at the Sakatti drill site in northern Finland.

**MINERAL RESIDUE**

**47**

Number of audits of large volume waste facilities conducted in 2011

**WASTE FACILITIES**

**7,270** Ha

Total area occupied by waste facilities in 2011

# WASTE MANAGEMENT AND AIR QUALITY

The mining industry produces significant quantities of mineral waste, which, if not managed effectively, poses potential risks to human health and the environment. Some of our own operations also generate gaseous and particulate emissions that could potentially have a negative impact on local air quality. There is a sound business case for ensuring effective management of these issues: reducing waste and air emissions at source is usually more efficient, reduces potential clean-up costs and contributes to our licence to operate.

## OUR STRATEGY AND MANAGEMENT APPROACH

Our approach to managing waste and air quality emissions is governed through the mandatory performance requirements and associated recommended practices that form part of the Environment Way. In 2011, we issued draft recommended practices on the responsible management of air quality, non-mineral waste and hazardous substances.

We strive wherever possible to apply the 'avoid, reduce, re-use and recycle' waste management hierarchy with the aim of avoiding potentially harmful environmental and social impacts, during both the operational and post-closure phases. Our mining sites are expected to continually research, develop and implement productivity improvement and waste reduction initiatives. Once reduction opportunities are exhausted, we actively explore the re-use of by-products. The separation of waste streams is a requirement within the Environment Way's non-mineral waste performance requirement, as well as in the ISO 14001 environmental management system, to which almost all of our operations are certified.

The potential for impacts on ambient air quality from our mining and processing activities results primarily from particulate emissions (fine and coarse dust), sulphur dioxide ($SO_2$), nitrogen oxides (NOx) and volatile organic compounds (VOCs). Coarse dust and $SO_2$ are primarily local pollutants, with the most significant impacts potentially occurring in close vicinity of the source. The Environment Way includes minimum air quality performance requirements based on European Union Standards and World Health Organisation (WHO) guidelines. These apply throughout the lifecycle of Anglo American projects and operations. Those operations where air quality management is a material issue have carried out air emission inventories to identify the significant emission sources and allow for better management. All our operations have dust monitoring and control programmes in place.

## OUR PERFORMANCE

### Mineral residue

Our most significant waste streams, in terms of volume, are the mineral residues, including tailings, slimes and coarse discard from our processing plants, as well as waste rock dumps constructed on the surface from rock overburden removed during the mining process. We do not include the overburden placed back in the pit. Fifty-four of our 132 large volume mineral residue facilities are currently in operation. The number of active facilities decreased during the year as a result of the divestment of our Zinc businesses, and certain active facilities have now become dormant. The total number of mineral residue facilities has increased as a result of our phosphate, nickel and iron ore operations building new facilities. The principal environmental risks include surface and groundwater contamination, dust generation and spontaneous combustion associated with coal mining residues. These risks are managed through optimal design, operation and regular inspections. Our facilities are assessed and rated according to the potential environmental and structural risk they pose, and inspections are conducted by independent parties according to the level of

**Large-volume waste facilities**

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Number of mineral residue disposal facilities | **132** | 127 | 124 | 126 | 127 |
| Number of facilities in active use | **54** | 57 | 56 | 70 | 73 |
| Total area occupied by facilities (Ha) | **7,270** | 6,527 | 6,821 | 6,573 | 5,934 |
| Total number of audits | **47** | 71 | 85 | 93 | 92 |

Note: The total number of active waste facilities has declined due to divestments and a number of facilities becoming inactive.

risk posed by a specific facility. Facilities that are active or are regarded as high-risk are audited every year, while medium-risk and low-risk facilities are examined at two- and three-year intervals, respectively. During the year, 47 such assessments were conducted.

### Non-mineral waste

We have programmes in place to separate our non-mineral waste streams, and have been setting waste reduction targets at many of our sites. Our Platinum business is working towards reducing its quantities of waste disposal to landfill by 15% by 2014, using 2008 as a baseline. To achieve this target, the company has set waste minimisation as a key performance indicator for waste management contractors. In 2011, Platinum collected 99 tonnes of waste paper, 22 tonnes of glass, 15,615 tonnes of steel and 266 tonnes of plastic for external recycling. A further 5,680 tonnes of other general non-hazardous waste were refurbished for internal re-use. During 2011, additional internal reporting parameters for all key waste streams were introduced.

### Hazardous waste and materials

We do not generate significant volumes of hazardous waste. The main sources come from our laboratories, medical facilities, waste oil and radioactive cells. The disposal of these wastes is carefully managed, both at the operations through internal and third-party audits, and at the receiving waste facilities that are subject to regular second-party audits. These audits are done as part of the Group's drive for continuous improvement under ISO 14001 certification. Systems are in place to ensure compliance with the European Union REACH (registration, evaluation, authorisation and restriction of chemicals) regulations. Anglo American has established a REACH Group office in London to support business units supplying substances into the EU. This office ensures that all substances that are imported into the EU meet the EU's regulatory requirements.

In 2011, we continued to support a PhD student from Imperial College in London in developing an inventory of all hazardous materials in a representative cross-section of our operations. This will be used to inform the development of our Material Safety Data Sheets and our updated recommended practices on the handling of hazardous materials.

### Air quality

Our air emissions primarily have a limited, local impact linked to our smelting operations. Our most material Group-wide air quality issue relates to $SO_2$ emissions around the copper and platinum smelters. These amounted to 41,300 tonnes in 2011 (2010: 36,400 tonnes). This increase was largely a result of improved reporting from other business units.

01

## CONVERTING WASTE INTO WATTS

**Our Thermal Coal business in South Africa has started a public participation process for the construction of a power generation facility that will convert low-quality discard coal from its Greenside, Landau and Kleinkopje collieries into electricity. A third party will design, construct, own and operate the 450 Megawatt (MW) modular plant, which uses circulating fluidised bed technology. We will enter into fuel supply and power purchase agreements with the developer and the electricity generated will be distributed to our operations through the Eskom network.**

**The Khanyisa plant will convert waste product into electricity, reduce the environmental impact of discard coal dumps, and emit lower levels of SOx and NOx emissions than that of existing coal-fired power stations. The initiative will also create jobs and will provide inward foreign investment of around $900 million to contribute to regional development. An environmental and social impact assessment has begun, involving public participation with a broad range of stakeholders. Meetings to date have been attended by local councillors, Eskom and industry representatives, farmers and community members.**

**The proposed site for the project is on Anglo American land situated within Kleinkopje and Greenside collieries' mining rights area outside Witbank. The three mines involved together annually place up to 4.5 Mt of coal on discard dumps. First production of power is expected to start in 2015/2016.**

**Above**
**01** Employees take a break at Greenside colliery in South Africa.

# INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF ANGLO AMERICAN PLC

We have been engaged by the directors of Anglo American plc ('Anglo American') to perform an independent assurance engagement in respect of the 'Identified Sustainability Information' included in Anglo American's Sustainable Development Report 2011 for the year ended 31 December 2011 ('the Sustainable Development Report'). This assurance report is produced in accordance with the terms of our engagement letter dated 13 October 2011. This assurance report is produced in accordance with the terms of our engagement letter dated 13 October 2011.

## SCOPE AND SUBJECT MATTER

The following subject matter related to the Sustainable Development Report – referred to as the Identified Sustainability Information – was selected for an expression of either Reasonable or Limited Assurance as outlined below:

- The alignment of Anglo American's sustainability policies to the International Council of Mining & Metals' (ICMM) 10 Sustainable Development Principles referred to on page 67 (limited assurance)
- Anglo American's reporting of its material sustainable development priorities based on its own review of the business and the views and expectations of its stakeholders referred to on page 13 (limited assurance)
- The description of systems and approaches that Anglo American has implemented to manage its material sustainable development priorities as related to the identified key performance indicators (KPIs) listed and referenced below. The assurance level as indicated for each KPI in brackets below.
- Anglo American's performance on its sustainable development priorities by way of the following selected KPIs as:
  - Total $CO_2$ emissions from processes and fossil fuels in million tonnes on page 65 (reasonable assurance)
  - Total $CO_2$ emissions from electricity purchased in million tonnes on page 65 (reasonable assurance)
  - Total amount of energy used in PJ on page 65 (reasonable assurance)
  - Total amount of water used for primary activities in million $m^3$ on page 65 (limited assurance)
  - Total amount of water used for non-primary activities in million $m^3$ on page 49 (limited assurance)
  - Total number of Level 3, 4 & 5 environmental incidents reported on page 50 (limited assurance)
  - Fatality injury frequency rate (FIFR) on page 62 (reasonable assurance)
  - Total recordable case frequency rate (TRCFR) on page 62 (reasonable assurance)
  - Lost-time injury severity rate (LTISR) on page 24 (reasonable assurance)
  - Total number of new cases of occupational diseases on page 63 (reasonable assurance)
  - Total number of new cases of noise-induced hearing loss on page 63 (reasonable assurance)
  - Percentage enrolment of estimated HIV cases in Anglo American's disease-management programmes in South Africa on page 63 (limited assurance)
  - Total number of employees in South Africa participating in anti-retroviral therapy (ART) on page 63 (limited assurance)
  - Total amount spent on corporate social investment (CSI) projects in US$ on page 66 (limited assurance)
  - Jobs created or sustained through enterprise development initiatives in South Africa and Chile on page 39 and 40, respectively (limited assurance)
  - Anglo American's self-declared Global Reporting Initiative (GRI) G3 application level on the inside of the front cover (limited assurance).

We read the other information included in the Sustainable Development Report and considered whether it is consistent with the Identified Sustainability Information. We considered the implications for our report if we became aware of any apparent misstatements or material inconsistencies with the Identified Sustainability Information. Our responsibilities do not extend to any other information.

## RESPONSIBILITIES OF THE DIRECTORS

The directors of Anglo American are responsible for the content of the Sustainable Development Report, including the development of the corporate reporting policies and procedures as available on its website (**http://www.angloamerican.com/aal/development/approach-and-policies/**) and for the preparation and presentation of the Identified Sustainability Information in accordance with its corporate reporting policies and procedures, and the Global Reporting Initiative's (GRI) new generation (G3.1) guidelines and the ICMM sustainable development framework, collectively referred to as the 'Reporting Criteria'. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the Identified Sustainability Information that is free from material misstatements, whether due to fraud or error.

## RESPONSIBILITY OF PRICEWATERHOUSECOOPERS INC

Our responsibility is to express a conclusion to the Directors, on the selected Identified Sustainability Information contained in the Report for the year ended 31 December 2011, based on our assurance engagement. We consent to the inclusion of this report in the Report to assist Anglo American plc members in assessing whether the directors have discharged their responsibilities by commissioning an independent assurance report from an appropriately qualified organisation in connection with the selected subject matter.

## SUMMARY OF WORK PERFORMED

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board. This Standard requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain either reasonable or limited assurance on the Identified Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Identified Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Identified Sustainability Information. We planned and performed our work so as to obtain all information and explanations that we considered necessary in respect of the Identified Sustainability Information.

Our procedures included a selection of managed operations representing a sample from all Anglo American's business units for performing our on site assurance procedures, and Anglo American's head office in Johannesburg.

Our work consisted of:

- Reviewing processes that Anglo American has in place for determining the Identified Sustainability Information included in the Sustainable Development Report.
- Obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information at the sampled operations.
- Conducting interviews with management at the sampled operations and at corporate head offices.
- Evaluating the data generation and reporting processes against the reporting criteria.
- Performing key controls testing.
- Testing the accuracy of data reported on a sample basis.
- Reviewing the Identified Sustainability Information reported by operations not visited for consistency with previous years and appropriate inclusion to the Group data.

The nature, timing and extent of evidence-gathering procedures for limited assurance are more restricted than for reasonable assurance and therefore less assurance is obtained with limited assurance than for reasonable assurance.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Identified Sustainability Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Anglo American's preparation of the Identified Sustainability Information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

Anglo American's internal corporate reporting policies and procedures (**http://www.angloamerican.com/aal/development/approach-and-policies/policies-standards-commitments/sustainable-development/**), the Global Reporting Initiative's (GRI) new generation (G3.1) guidelines and the ICMM sustainable development framework assurance procedure were applied as criteria for evaluating the Identified Sustainability Information.

## INHERENT LIMITATIONS

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

Conversion factors used to derive emissions and energy used from fuel and electricity consumed, are based upon information and factors derived by independent third parties. Our assurance work has not included examination of the derivation of those factors and other third party information.

## CONCLUSION

Based on the results of our *limited* assurance procedures, nothing has come to our attention causing us to believe that the Identified Sustainability Information selected for *limited* assurance for the year ended 31 December 2011, is not stated in all material respects, in accordance with the Reporting Criteria.

Based on the results of our *reasonable* assurance procedures, in our opinion, the Identified Sustainability Information selected for *reasonable* assurance for the year ended 31 December 2011, is stated, in all material respects, in accordance with the Reporting Criteria.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Director: Wessie van der Westhuizen
Registered Auditor
Johannesburg
15 March 2012

# DATA FOR MANAGED COMPANIES

Year ended 31 December 2011

## Safety

| Business unit | 2011 | 2010 | 2009 | 2008* | 2007* |
|---|---|---|---|---|---|
| **Anglo American plc** | | | | | |
| Work-related fatalities | **17** | 15 | 20 | 28 | 40 |
| Fatal-injury frequency rate (FIFR) | **0.009** | 0.008 | 0.010 | 0.015 | 0.018 |
| Lost-time injury frequency rate (LTIFR) | **0.64** | 0.64 | 0.76 | 1.04 | 1.15 |
| Total recordable case frequency rate | **2.01** | 1.44 | 1.81 | 2.27 | – |
| **Kumba Iron Ore** | | | | | |
| Work-related fatalities | **0** | 3 | 0 | 1 | 1 |
| FIFR | **0** | 0.017 | 0 | 0.009 | 0.008 |
| LTIFR | **0.08** | 0.12 | 0.07 | 0.12 | 0.22 |
| **Iron Ore Brazil** | | | | | |
| Work-related fatalities | **1** | 0 | 1 | – | – |
| FIFR | **0.006** | 0 | 0.012 | – | – |
| LTIFR | **0.01** | 0.02 | 0.02 | – | – |
| **Metallurgical Coal** | | | | | |
| Work-related fatalities | **0** | 1 | 0 | 0 | 1 |
| FIFR | **0** | 0.020 | 0 | 0 | 0.014 |
| LTIFR | **2.44** | 3.39 | 0.82 | 0.41 | 0.68 |
| **Thermal Coal** | | | | | |
| Work-related fatalities | **2** | 0 | 2 | 4 | 3 |
| FIFR | **0.011** | 0 | 0.009 | 0.019 | 0.015 |
| LTIFR | **0.19** | 0.21 | 0.29 | 0.31 | 0.25 |
| **Copper** | | | | | |
| Work-related fatalities | **1** | 0 | 0 | 1 | 1 |
| FIFR | **0.005** | 0 | 0 | 0.010 | 0.011 |
| LTIFR | **0.19** | 0.25 | 0.17 | 0.21 | 0.25 |
| **Nickel** | | | | | |
| Work-related fatalities | **0** | 0 | 0 | 0 | 0 |
| FIFR | **0** | 0 | 0 | 0 | 0 |
| LTIFR | **0.23** | 0.07 | 0.14 | 0.20 | 0.37 |
| **Platinum** | | | | | |
| Work-related fatalities | **12** | 8 | 14 | 18 | 25 |
| FIFR | **0.018** | 0.012 | 0.016 | 0.018 | 0.025 |
| LTIFR | **1.27** | 1.17 | 1.36 | 1.74 | 2.03 |
| **Other Mining and Industrial (OMI) businesses** | | | | | |
| Work-related fatalities | **1** | 3 | 3 | 3 | 8 |
| FIFR | **0.004** | 0.010 | 0.009 | 0.009 | 0.024 |
| LTIFR | **0.20** | 0.33 | 0.36 | 0.39 | 0.49 |

* In 2007 and 2008, our exploration activities were responsible for one fatality each year.

## Fatal incidents by cause

| | 2011 | | 2010 | | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Surface | Underground | Surface | Underground | Surface | Underground | Surface | Underground | Surface | Underground |
| Electricity | **0** | **0** | 0 | 1 | 1 | 0 | 0 | 2 | 0 | 1 |
| Falling | **0** | **0** | 0 | 0 | 1 | 0 | 2 | 2 | 4 | 0 |
| Falling objects | **0** | **1** | 0 | 0 | 1 | 2 | 0 | 0 | 1 | 0 |
| Falls of ground | **0** | **5** | 2 | 3 | 0 | 5 | 1 | 5 | 0 | 11 |
| Fire/Explosion | **1** | **1** | 0 | 1 | 1 | 1 | 0 | 2 | 0 | 1 |
| Moving machinery | **1** | **3** | 0 | 1 | 1 | 0 | 2 | 2 | 0 | 2 |
| Transportation | **1** | **1** | 3 | 1 | 2 | 5 | 5 | 2 | 6 | 5 |
| Other causes | **0** | **0** | 3 | 0 | 0 | 0 | 1 | 1 | 2 | 3 |
| Hydraulic energy | **0** | **1** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other energy | **1** | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mud rush | **0** | **0** | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 4 |
| Materials handling | **0** | **1** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## HIV/AIDS

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Employees in high HIV-burden countries (southern Africa) | **77,075** | 73,129 | 66,661* | 81,450 | 74,722 |
| HIV prevalence rate in Anglo American's southern African operations | **16.7%** | 16.5% | 18.0% | 18.0% | 19.0% |
| Estimated number of HIV-positive employees | **12,864** | 12,066 | 12,057 | 14,468 | 13,886 |
| % HIV counselling and testing participation | **92%** | 94% | 82% | 77% | 72% |
| Employees on HIV wellness programmes | **7,846** | 7,092 | 6,116 | 7,376 | 9,529 |
| % HIV-positive enrolment in HIV wellness programmes | **61%** | 59% | 51% | 51% | 69% |
| Employees on anti-retroviral therapy (ART) | **4,730** | 3,965 | 3,211 | 3,080 | 3,617 |
| % HIV-positive on ART | **37%** | 33% | 27% | 21% | 26% |

* Excludes OMI.

## Tuberculosis

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| New cases of tuberculosis | **906** | 727 | 919 | – | – |
| TB incidence rate per 100,000 employees | **1,175** | 994 | 1,379 | – | – |

## New cases of occupational disease

| | Employees potentially exposed | New cases | Fatalities due to occupational disease |
|---|---|---|---|
| Noise-induced hearing loss | 44,050 | 117 | 0 |
| Musculoskeletal disorder | 95,961 | 34 | 0 |
| Coal-workers' pneumoconiosis | 4,726 | 14 | 0 |
| Occupational tuberculosis | 3,247 | 9 | 0 |
| Other | – | 7 | 0 |
| Occupational dermatitis | 95,935 | 5 | 0 |
| Chronic obstructive airways disease | 10,406 | 4 | 0 |
| Silicosis | 4,623 | 3 | 0 |
| Occupational asthma | 2,991 | 2 | 0 |
| Other pneumoconiosis | 1,042 | 1 | 0 |
| Hand-arm vibration syndrome | 805 | 1 | 0 |
| Occupational cancers | 564 | 0 | 0 |
| **Total** | **N/A** | **197** | **0** |

## Occupational disease incidence rates

| | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| Total occupational disease incidence rate (per 200,000 hours) | **0.205** | 0.284 | 0.483 | 0.126 |
| Noise-induced hearing loss (NIHL) | **0.266** | 0.363 | 0.756 | 0.116 |
| Musculoskeletal disorder (MD) | **0.035** | 0.022 | 0.038 | 2.796 |
| Coal-workers pneumoconiosis (CWP) | **0.296** | 0.457 | 0.141 | 0.040 |
| Occupational tuberculosis (TB) | **0.277** | 0.378 | 0.715 | 0.095 |
| Other occupational disease | **0.007** | 0.007 | 0.003 | 0.002 |
| Occupational dermatitis | **0.005** | 0.002 | 0.009 | 0.003 |
| Chronic obstructive airways disease (COAD) | **0.038** | 0.148 | 0.024 | 0.040 |
| Silicosis | **0.065** | 0 | 0.112 | 0.010 |
| Occupational asthma | **0.067** | 0.049 | 0.026 | 0.082 |
| Pneumoconiosis due to other fibrogenic dust | **0.096** | 0.244 | 0 | 0 |
| Hand-arm vibration syndrome (HAVs) | **0.124** | 2.013 | 2.158 | 0 |
| Occupational cancers | **0** | 0 | 0 | 0 |

## New cases of occupational disease by business unit

| | NIHL | MD | CWP | Occupational TB | Other occupational diseases | Occupational dermatitis | COAD | Silicosis | Occupational asthma | HAVs | Pneumoconiosis due to other fibrogenic dust | Occupational cancers | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Anglo American plc** | | | | | | | | | | | | | |
| 2011 | **117** | **34** | **14** | **9** | **7** | **5** | **4** | **3** | **2** | **1** | **1** | **–** | **197** |
| 2010 | 173 | 21 | 16 | 19 | 7 | 2 | 7 | – | 2 | 18 | 3 | – | 268 |
| 2009 | 367 | 23 | 9 | 32 | 3 | 9 | 2 | 5 | 4 | 35 | – | – | 489 |
| **Kumba Iron Ore** | | | | | | | | | | | | | |
| 2011 | **17** | **–** | **–** | **2** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **19** |
| 2010 | 1 | – | – | – | – | – | – | – | – | – | – | – | 1 |
| 2009 | 5 | – | – | – | – | – | – | – | – | – | – | – | 5 |
| **Iron Ore Brazil** | | | | | | | | | | | | | |
| 2011 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 2010 | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 2009 | – | – | – | – | – | – | – | – | – | – | – | – | – |
| **Metallurgical Coal** | | | | | | | | | | | | | |
| 2011 | **4** | **33** | **–** | **–** | **2** | **2** | **–** | **–** | **–** | **–** | **–** | **–** | **41** |
| 2010 | 3 | 18 | – | – | 2 | 1 | – | – | – | – | – | – | 24 |
| 2009 | 4 | 23 | – | – | 1 | 1 | – | – | – | – | – | – | 29 |
| **Thermal Coal** | | | | | | | | | | | | | |
| 2011 | **10** | **–** | **13** | **–** | **–** | **–** | **2** | **–** | **–** | **–** | **–** | **–** | **25** |
| 2010 | 8 | – | 16 | 6 | – | – | 1 | – | – | – | – | – | 31 |
| 2009 | 6 | – | 9 | 5 | – | 1 | – | – | – | – | – | – | 21 |
| **Copper** | | | | | | | | | | | | | |
| 2011 | **1** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1** |
| 2010 | 11 | 2 | – | – | – | 1 | – | – | – | – | – | – | 14 |
| 2009 | 2 | – | – | – | – | – | – | – | – | – | – | – | 2 |
| **Nickel** | | | | | | | | | | | | | |
| 2011 | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 2010 | – | 1 | – | – | – | – | – | – | – | – | – | – | 1 |
| 2009 | – | – | – | – | – | – | – | – | – | – | – | – | – |
| **Platinum** | | | | | | | | | | | | | |
| 2011 | **53** | **2** | **–** | **–** | **–** | **–** | **1** | **–** | **–** | **–** | **–** | **–** | **56** |
| 2010 | 19 | – | – | 3 | 4 | – | 2 | – | – | – | – | – | 28 |
| 2009 | 42 | – | – | – | – | – | 2 | – | 1 | – | – | – | 45 |
| **Other Mining and Industrial businesses** | | | | | | | | | | | | | |
| 2011 | **32** | **–** | **1** | **7** | **4** | **1** | **1** | **3** | **2** | **1** | **1** | **–** | **53** |
| 2010 | 131 | – | – | 10 | – | – | 4 | – | 2 | 18 | 3 | – | 168 |
| 2009 | 308 | – | – | 27 | – | – | – | 5 | 3 | 35 | – | – | 378 |
| **Corporate and Exploration** | | | | | | | | | | | | | |
| 2011 | **–** | **1** | **–** | **–** | **1** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2** |
| 2010 | – | – | – | – | 1 | – | – | – | – | – | – | – | 1 |
| 2009 | – | – | – | – | 2 | 7 | – | – | – | – | – | – | 9 |

## Environment 2011

| | Scope 1 | | Scope 2 | Scope 1 + 2 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $CO_2$ from fossil fuels and processes (Mt $CO_2$e) | $CO_2$ from methane (Mt $CO_2$e) | $CO_2$ from electricity purchased (Mt $CO_2$e) | Total emissions (Mt $CO_2$e) | Energy from fossil fuels (million GJ) | Energy from renewable fuels consumed (million GJ) | Energy from electricity purchased (million GJ) | Total energy (million GJ) | Water used for primary activities (million $m^3$) |
| Kumba Iron Ore | 0.39 | 0 | 0.52 | 0.91 | 5.23 | 0 | 1.82 | 7.05 | 8.18 |
| Iron Ore Brazil | 0.08 | 0 | 0.01 | 0.08 | 1.03 | 0.20 | 0.58 | 1.81 | 5.27 |
| Metallurgical Coal | 0.82 | 2.30 | 0.57 | 3.69 | 11.35 | 0 | 2.35 | 13.70 | 14.38 |
| Thermal Coal | 1.17 | 0.54 | 0.87 | 2.58 | 2.80 | 0 | 3.03 | 5.83 | 8.26 |
| Copper | 0.64 | 0 | 0.77 | 1.40 | 6.37 | 0 | 6.52 | 12.89 | 28.70 |
| Nickel | 1.16 | 0 | 0.27 | 1.42 | 9.54 | 0.94 | 4.88 | 15.36 | 7.14 |
| Platinum | 0.54 | 0 | 5.45 | 5.99 | 6.12 | 0 | 19.05 | 25.17 | 31.25 |
| OMI | 1.70 | 0.01 | 1.01 | 2.72 | 15.02 | 0.77 | 5.04 | 20.83 | 11.97 |
| Corporate offices and Exploration | 0.01 | 0 | 0.03 | 0.04 | 0.21 | 0 | 0.11 | 0.32 | 0.12 |
| Divested businesses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Anglo American | 6.50 | 2.86 | 9.48 | 18.84 | 57.66 | 1.91 | 43.36 | 102.93 | 115.28 |

## Environment 2010

| | Scope 1 | | Scope 2 | Scope 1 + 2 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $CO_2$ from fossil fuels and processes (Mt $CO_2$e) | $CO_2$ from methane (Mt $CO_2$e) | $CO_2$ from electricity purchased (Mt $CO_2$e) | Total emissions (Mt $CO_2$e) | Energy from fossil fuels (million GJ) | Energy from renewable fuels consumed (million GJ) | Energy from electricity purchased (million GJ) | Total energy (million GJ) | Water used for primary activities (million $m^3$) |
| Kumba Iron Ore | 0.32 | 0 | 0.52 | 0.84 | 4.54 | 0 | 1.83 | 6.37 | 8.78 |
| Iron Ore Brazil | 0.07 | 0 | 0.01 | 0.07 | 0.95 | 0 | 0.48 | 1.43 | 4.25 |
| Metallurgical Coal | 0.59 | 2.94 | 0.60 | 4.14 | 7.95 | 0 | 2.42 | 10.37 | 11.15 |
| Thermal Coal | 0.93 | 0.51 | 0.86 | 2.30 | 2.75 | 0 | 3.02 | 5.77 | 7.54 |
| Copper | 0.90 | 0 | 0.59 | 1.50 | 6.18 | 0 | 5.96 | 12.15 | 26.97 |
| Nickel | 0.78 | 0 | 0.22 | 1.00 | 6.86 | 0.83 | 2.97 | 10.66 | 5.28 |
| Platinum | 0.46 | 0 | 5.31 | 5.77 | 5.60 | 0 | 18.56 | 24.16 | 28.87 |
| OMI | 1.87 | 0.03 | 1.26 | 3.15 | 16.03 | 0.76 | 5.94 | 22.73 | 12.78 |
| Corporate offices and Exploration | 0.01 | 0 | 0.03 | 0.04 | 0.21 | 0 | 0.10 | 0.31 | 0.11 |
| Divested businesses | 0.18 | 0 | 1.00 | 1.18 | 2.63 | 0 | 4.37 | 7.00 | 8.79 |
| Anglo American | 6.12 | 3.47 | 10.40 | 19.99 | 53.70 | 1.58 | 45.65 | 100.93 | 114.51 |

## Environment 2009

| | Scope 1 | | Scope 2 | Scope 1 + 2 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | $CO_2$ from fossil fuels and processes (Mt $CO_2$e) | $CO_2$ from methane (Mt $CO_2$e) | $CO_2$ from electricity purchased (Mt $CO_2$e) | Total emissions (Mt $CO_2$e) | Energy from fossil fuels (million GJ) | Energy from renewable fuels consumed (million GJ) | Energy from electricity purchased (million GJ) | Total energy (million GJ) | Water used for primary activities (million $m^3$) |
| Kumba Iron Ore | 0.24 | 0 | 0.46 | 0.69 | 3.38 | 0 | 1.60 | 4.98 | 7.48 |
| Iron Ore Brazil | 0.06 | 0 | 0.01 | 0.06 | 0.82 | 0 | 0.41 | 1.22 | 3.77 |
| Metallurgical Coal | 0.66 | 2.79 | 0.57 | 4.02 | 8.34 | 0 | 2.28 | 10.62 | 11.40 |
| Thermal Coal | 0.88 | 0.51 | 0.86 | 2.25 | 2.78 | 0 | 3.02 | 5.81 | 7.85 |
| Copper | 0.50 | 0 | 0.71 | 1.21 | 5.98 | 0 | 5.96 | 11.94 | 30.63 |
| Nickel | 0.37 | 0 | 0.18 | 0.55 | 5.36 | 0.89 | 2.62 | 8.87 | 4.90 |
| Platinum | 0.42 | 0 | 4.75 | 5.17 | 5.06 | 0 | 17.10 | 22.17 | 32.53 |
| OMI | 1.98 | 0.02 | 1.03 | 3.03 | 19.17 | 0.60 | 5.08 | 24.85 | 13.34 |
| Corporate offices and Exploration | 0.01 | 0 | 0.03 | 0.04 | 0.17 | 0 | 0.12 | 0.29 | 0.17 |
| Divested businesses | 0.53 | 0 | 1.76 | 2.29 | 7.43 | 0 | 7.88 | 15.31 | 13.33 |
| Anglo American | 5.64 | 3.33 | 10.36 | 19.32 | 58.49 | 1.49 | 46.07 | 106.06 | 125.39 |

## Human resources

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Full-time employees (annual average) | **95,961** | 90,473 | 101,500 | 105,000 | 90,072 |
| Contractors (annual average) | **50,747** | 49,695 | 48,094 | 39,000 | – |
| Women in management (%) | **22** | 21 | 19 | 17 | 15 |
| Historically disadvantaged South Africans in management (%) | **51** | 46 | 46 | 45 | 42 |
| Employees working more than a 48-hour week | **5%** | 5% | 4% | 17% | – |
| Resignations (%) | **2.7** | 2.4 | 2.4 | 3.8 | 4.3 |
| Redundancies (%) | **1.4** | 2.1 | 3.8 | 0.6 | 0.7 |
| Dismissals (%) | **1.1** | 1.3 | 2.0 | 2.6 | 2.5 |
| Other reasons for leaving (%) | **0.3** | 2.8 | 4.9 | 2.0 | 2.5 |

## Social

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| CSI spend (total in $ million) | **129** | 111 | 82.5 | 76.2 | 60.5 |
| CSI spend (% of pre-tax profit) | **1.33** | 1.27 | 2.23 | 1.1 | 0.7 |
| Procurement: BEE spend (rand billion) | **23.3** | 20.9 | 23.5 | 24.6 | 17.3 |
| Businesses supported through enterprise development initiatives | **38,681** | 9,392 | 3,720 | 3012 | N/A |
| Jobs sustained through enterprise development programmes | **47,070** | 17,200 | 12,982 | 13431 | N/A |

### DEFINITIONS OF KEY PERFORMANCE INDICATORS

LTIFR: Rate, per 200,000 hours, of lost-time injuries (LTIs) due to all causes for both employees and contractors. An LTI is a work-related injury resulting in the employee/contractor being unable to attend work or to perform the full duties of his/her regular work, on the next calendar day. Restricted work cases are therefore counted as LTIs.

FIFR: Number of employee and contractor fatal injuries due to all causes per 200,000 hours worked.

Total $CO_2$ emissions from processes: quantity of $CO_2$ emitted from processes (point sources and fugitive emissions) during the reporting period. Emissions due to the combustion of fossil fuels and renewables are excluded, as are emissions resulting from coal used in metallurgical processes and emissions due to the consumption of sulphuric acid and lime.

Total $CO_2$ emissions from fossil fuels: Sum of diesel, petrol, liquid petroleum gas, natural gas, heavy fuel oil, light fuel oil, coal for heat and energy generation, coal for metallurgical processes, coal for directly reduced iron, used oil for combustion, paraffin, petcoke, tailgas and non-renewable waste fuel.

Total $CO_2$ emissions from electricity purchased: Electricity purchased multiplied by operational factors for $CO_2$ from electricity.

Total amount of energy used: Sum of total energy from electricity purchased, total energy from fossil fuels and total energy from renewable fuels.

Total amount of water used for primary activities: Total new or make-up water entering the operation and used for the operation's primary operational activities.

Total amount of water used for non-primary activities: Total new or make-up water entering the operation and used for non-primary activities such as community housing or recreational facilities.

Level 1, 2, 3, 4 and 5 environmental incidents: Environmental incidents are unplanned or unwanted events that result in negative environmental impacts. A Level 1 incident results in minor impact; a Level 2 incident results in low impact; a Level 3 incident results in medium impact; a Level 4 incident is considered to be a 'significant incident', that results in high impact; and a Level 5 incident is considered a significant incident that has a permanent impact on the environment.

New cases of occupational disease: Sum of occupational diseases due to asbestosis, NIHL, silicosis, coal-workers' pneumoconiosis, pneumoconiosis due to other fibrogenic diseases, chronic obstructive airways disease, occupational tuberculosis, occupational asthma, HAVs, musculoskeletal disorders, dermatitis, occupational cancers and other occupational diseases.

Noise-induced hearing loss (NIHL): new cases of NIHL are counted when: the rules for diagnostic criteria for occupational disease in Anglo American have been met; there is a pattern consistent with NIHL on the audiogram; the average hearing loss at frequencies 0.5, 1, 2, 3 and 4 kHz for both ears is greater than 25dBA; there has been a 10 dB change in the average hearing loss since the pre-placement audiogram recorded on employment with Anglo American; and the employee has not previously been counted as NIHL.

Number of employees enrolled in HIV wellness programmes: Number of HIV-positive employees enrolled in HIV wellness programmes specifically designed to counsel and assist them to maintain good physical and mental health, proper nutrition, prevention of opportunistic disease and monitoring of immune status, through regular CD4 counts. The number includes those HIV positive employees that are receiving anti-retroviral therapy, but excludes those who no longer work at the company.

Number of employees in southern Africa participating in anti-retroviral therapy (ART): Number of employees enrolled in the company approved ART programme(s) on the last day of the reporting period.

Corporate social investment (CSI) spend: The sum of donations for charitable purposes and community investment (which include cash and in-kind donations and staff time) as well as investment in commercial initiatives with public benefit (such as enterprise development).

### Notes to the data

- All data include divested/previously managed businesses, up until the point of divestment. Businesses divested during 2011 are: Lisheen zinc and lead mine, Ireland (end January); Yang quarry, China (end July); Tarmac, Turkey (end August); and Tarmac, Romania (end October).
- Data from all managed businesses, whether wholly owned by Anglo American or not, are accounted for on a 100% basis. Proportional contributions from independently managed investments are not accounted for.
- The default conversion factors that are applied to our sources of energy and greenhouse gas emissions have been updated to reflect the 2006 IPCC default factors.

- Anglo American's 2010 LTIFR was previously reported as 0.57, but has since been restated to 0.64 to reflect an alignment in reporting from Metallurgical Coal. Metallurgical coal has been restated from 0.70 in 2010 to 3.39.
- During 2010, we reported 14 fatal incidents. A further incident, which was still under investigation at the time of going to print, has since been recorded, bringing the total figure to 15.
- Anglo American's system of reporting environmental incidents according to three levels of severity has been replaced by a five-level classification system designed to promote more detailed reporting.
- The number of jobs created or sustained through enterprise development initiatives has increased significantly since 2010 due to a large increase in Chile, which is now reporting cumulative figures.

## EXTERNAL PRINCIPLES

### ICMM principles

| | Page reference |
|---|---|
| Implement and maintain ethical business practices and sound systems of corporate governance | 14–17 |
| Integrate sustainable development considerations within the corporate decision-making process | 12–13 |
| Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities | 36 |
| Implement risk management strategies based on valid data and sound science | 12 |
| Seek continual improvement of the company's health and safety performance | 24–31 |
| Seek continual improvement of the company's environmental performance | 48–59 |
| Contribute to conservation of biodiversity and integrated approaches to land use planning | 56–57 |
| Facilitate and encourage responsible product design, uses, re-use, recycling and disposal of the company's products* | – |
| Contribute to the social, economic and institutional development of the communities in which the company operates | 34–44 |
| Implement effective and transparent engagement, communication and independently verified reporting arrangements with Group stakeholders | 13 |

As a longstanding member of the ICMM, we believe that Anglo American's policies, processes and systems are fully aligned to the ICMM's 10 Sustainable Development Principles and the mandatory requirements set out in ICMM Position Statements (taking into account the notes related to product design and mercury risk management below). Related page references are included above and all policies are hosted on **www.angloamerican.com**. We also have fully implemented the ICMM Assurance Protocol's 'Subject Matter 2', which relates to the identification of our risks and opportunities based on our own review of the business and the views and expectations of our stakeholders.

* Anglo American's 'products' are raw materials typically used as inputs into further manufacturing processes. As such, our initiatives on responsible product design are limited to the Tarmac business. Our work on responsible product use relates to the use of coal by our customers (pages 54-55). Safe product use is addressed through the Material Safety Data Sheets associated with our commodities (page 59). Our re-use and recycling initiatives relate to our businesses outside of primary resources: Scaw Metal and Tarmac. Our efforts to reduce the environmental footprint of our operations and products are perhaps the most tangible contribution to sound stewardship of our products throughout their lifecycle. Active participation in the EU REACH process also ensures that we contribute to a better understanding of the risks and benefits of our products.

### ICMM position statements

| | Page reference |
|---|---|
| Mining and Protected areas | 56–57 |
| Mining and Indigenous Peoples | www.angloamerican.com |
| Implementing a global solution to managing a low emissions economy: Policy on Climate Change | 52–55 |
| Mercury Risk Management** | – |
| Transparency of Mineral Revenues | 43–44 |
| Partnerships for Development | 34–42; 67 |

** Anglo American does not own any mines to produce mercury as a primary product, nor does it intend to.

### Global Compact principles

| | Page reference |
|---|---|
| Business should: | |
| Support and respect the protection of internationally proclaimed human rights | 36 |
| Ensure that they are not complicit in human right abuses | 36 |
| Uphold the freedom of association and the effective recognition of the right to collective bargaining | 22 |
| Eliminate all forms of forced and compulsory labour | 22 |
| Ensure effective abolition of child labour | 22 |
| Eliminate discrimination in respect of employment and occupation | 22 |
| Support a precautionary approach to environmental challenges | 48–59 |
| Undertake initiatives to promote greater environmental responsibility | 48–59 |
| Encourage the development diffusion of environmentally friendly technologies | 48–59 |
| Work against corruption in all its forms, including extortion and bribery | 14 |
| Other public commitments include:<br>Extractive Industries Transparency Initiative; Voluntary Principles on Security and Human Rights;<br>Caring for Climate: the Business Leadership Platform; Millennium Development Goals Business Call to Action. | |

Our Global Reporting Initiative (GRI) compliance scorecard and Global Compact Communication on Progress are hosted online **www.angloamerican.com**

## COMMENTS OR QUERIES RELATED TO THIS REPORT

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