

Anglo American Communication on Progress 2012

Statement from our chairman, Sir John Parker

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

Our commitment to the Global Compact is consistent with our long-standing view that when conducted responsibly, mining delivers significant economic and social value, and provides an important contribution to the achievement of social development goals while delivering true value to our shareholders. Embedding the principles of sustainability into every aspect of our business requires rigour and discipline and we remain committed to the highest standards of governance in order to deliver responsible mining.

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

With the arrival of our new Chief Executive, Mark Cutifani in April 2013, we have started our “Driving Value” programme which has the purpose to make us the development partner we aspire to be.

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

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

The detail of our progress on implementing the principles of the Global Compact is set out in this Communication on Progress, supported by the detail contained in our **2011 Sustainable Development Report**.

Human Rights

In line with our commitment to the UN Global Compact, among others, we endeavour to ensure that we not only refrain from abusing human rights, but also seek to promote them. A summary of our approach and performance is included below, with links to further information alongside.

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

While we believe that governments are the primary custodians of positive human rights, our commitment to respecting human rights forms the foundation of our approach to community engagement and development. The social strategy has a strong focus on using Anglo American's core business to support long term social development. **The Anglo American Social Way**, launched in 2009 and embedded across the organisation over the last three years, summarises the commitments we have made to excellence in social performance, while our **Socio-Economic Assessment Toolbox** (SEAT) programme is the primary means by which our operations seek to enhance the development outcomes and capacities of host communities. Our first duty is to behave in a way that respects the human rights of employees, host communities and business partners. While the socio-economic development activities of our operations are informed by local needs, they typically involve **enterprise development, social investment** and capacity development (see **Anglo American 2012 Sustainable Development Report**, page 32-33). We conduct thorough risk assessments, including on issues related to human rights, for all significant investments.

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

In 2011, Anglo American entered into a three-year strategic partnership with **International Alert**, an NGO that, through advocacy, dialogue, training and research, seeks to influence the activities of governments, international institutions and the public sector operating in conflict areas with the aim of achieving sustainable peace and to protect human rights. Alert has also written a tool on security and human rights in the Socio-Economic Assessment Toolbox and has been advising us on implementing the VPSHRs, including our contracting process for security providers and we will be deepening our collaboration on conflict prevention management systems as the partnership progresses. We continue with efforts to raise awareness of the VPSHRs across and beyond the company. It is mandatory that the key tenets of the VPSHRs are embedded in contracts with private security providers.

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

We continue to integrate evolving human rights requirements into our policies, systems and tools in order to assist us in making correct, informed decisions that do not compromise human rights. Human rights are, for example, a standard component of the social and environmental impact assessments we undertake on all our projects they are incorporated into our supply chain sustainable development code and supplier audit programme; and they are a consistent thread throughout the Anglo American Social Way and our Socio-Economic Assessment Toolbox (SEAT).

In 2012, we rolled out an in-house community development peer-review process. Successfully piloted in 2011, the reviews draw on internal expertise, as well as external partners such as CARE International, to ensure that our investments in community development are as effective as possible. During 2010, we were pleased to be recognised by the Institute of Human Rights and Business as one of the first multinational companies to be implementing a complaints mechanism that meets the recommendations of Professor John Ruggie, the UN Secretary General's Special Representative on

Business and Human Rights. This Group-wide, standardised complaints and grievance procedure was introduced in 2010 and is now mandatory at all operations. During 2012, 1,938 incidents were reported via such mechanisms around the Group. Incidents were reviewed and investigated where material.

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

Every employee is briefed on our **Business Principles** and associated human rights requirements when they join the company as part of their induction process. More intensive and specific training is provided to relevant staff based on risk assessments. For instance, supply chain and security staff members receive customised human rights training. During 2012, nearly 4,000 employees and contractors took part in training related to human rights – this included nearly 100% of all security personnel at our Platinum business, who were trained on the **Voluntary Principles on Security and Human Rights**.

Labour relations

Anglo American does not tolerate any form of unfair discrimination, inhumane treatment, forced labour, child labour, harassment or intimidation in the workplace. We are committed to the labour rights principles of the Global Compact, including the right to freedom of association and collective bargaining, the eradication of child and forced labour and non-discrimination. We expect our supply chain to strive to adhere to all of our employment and labour-rights principles.

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

Anglo American’s Business Principles recognise the right of our employees to freedom of association and to collective bargaining – a commitment that is supported in our Group Human Resources Policy, the Anglo American Social Way and the **Anglo American Supplier Sustainable Development Code**. Almost 84% of Anglo American’s permanent employees are represented by work council, trade unions or other similar bodies and are covered by collective bargaining agreements. A significant part of our operational workforce consists of contractors. It is vital, therefore, that the effectiveness of the relationships between us and our contracting companies, and between those companies and their employees, is maintained. In South Africa we collaborate closely with organised labour and the government’s Department of Mineral Resources to improve the safety performance not just of our own operations but of the mining industry as a whole, see the **Sustainable Development Report 2012**, page 42.

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

We prohibit child labour in our operations and continued to report no cases of forced labour or child labour at Anglo American during 2012. Our Business Principles also state that we will develop a responsible approach to ending child labour that ensures the welfare of the children, should we encounter cases in our supply chain. The Anglo Supply Chain Sustainable Development Code

prohibits the use of exploitative child labour and states that the Company will not tolerate forced, bonded or involuntary prison labour.

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

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

It is our policy to provide equitable access to employment opportunities and to employ the best person for any role. We will put in place meaningful support structures based on individual needs for those who may have been previously disadvantaged, to enable every employee to realise their full potential. Diversity is of particular importance in South Africa, which hosts the majority of Anglo American employees, and we continued to make good progress in achieving transformation in our workplace demographics. In 2012 in South Africa, 62% of our managers were 'historically disadvantaged'. We have made arrangements for women to overcome the challenges of working in a male-dominated environment by developing new policies and guidelines, and also by providing training and appropriate facilities for female colleagues in the workplace, including underground.

In early 2012, we became signatories to the **UN Women Women's Empowerment Principles** to build on the work that we already do to improve gender equity. Women currently make up 15% of our total global workforce, up from 10.6% in 2007 and occupy 23% of management positions, up from 15.3% in 2007, see the **Sustainable Development Report 2012**, and page 42. All of our Business Units and Group Functions have set stretch diversity targets to achieve by 2012 and 2014 respectively. We promote professional development and education by supporting professional networks such as **Women in Mining in London**, Johannesburg and **Queensland**, and educational programmes such as Techno-girl, which provides girls aged 15 to 18 in South Africa with practical engineering experience. A range of health initiatives in both Brazil and South Africa focus on helping our communities tackle HIV/AIDS, a disease to which women are especially vulnerable. In our Metallurgical Coal business, all leaders (including the Executive Leadership Team (ELT)) have participated in Inclusive Leadership sessions to assist in understanding unconscious bias and its potential to affect decision making. Each member of the ELT is also acting as a mentor to a female high potential from the business. Furthermore, our Copper business has initiated a recruitment and training programme aimed at bringing more women into core operational mining roles. The 6-month programme targets women with no prior technical experience and on successful completion candidates are offered full time permanent employment.

Environment

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

Principle 7: Support a precautionary approach to environmental challenges.

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

Principle 8: Undertake initiatives to promote greater environmental responsibility.

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

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

An important focus in 2012 was on further implementing our water efficiency target tool (WETT) and our energy and carbon management programme, ECO2MAN which has been used to guide the development of energy and GHG emissions savings targets at every managed operation. Both programmes help us identify and prioritise water, energy and GHG savings opportunities and these are tied to our internal and external verification and assurance processes. Our WETT tool forecasts the projected business-as usual water demand of individual operations and establishes a register of water-saving projects. WETT targets are now included in business unit CEO performance contracts and those of relevant operational personnel. The implementation of WETT across the Group during 2012 led to tangible water savings. ECO2MAN has enabled us to understand how energy management can be used to create additional business value. It provides a structured approach to achieving our objectives and it helps our people understand their responsibilities and accountabilities.

More information on our initiatives to promote greater environmental responsibility is available in the [Anglo American Sustainable Development Report 2012](#) pages 54-63, or by following the links alongside.

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

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

Achieving our long-term milestones in energy and carbon management hinges on identifying and implementing innovative, step-change technologies. We are researching many opportunities with key stakeholders, and we have invested nearly \$200 million to date in low-carbon and energy-efficiency research and technology development, including \$15 million in 2012. Our technology vision is to run cost-efficient, low-carbon (if not carbon-neutral) mines by 2030. Notable examples include research into clean-coal technologies and carbon sequestration. An exciting development in clean energy is the **Platinum business' partnership** with Alteryx, a US-based **fuel cells** company, and the Limpopo provincial government to manufacture and market low-carbon platinum **fuel** cells in South Africa.

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

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

Anti-corruption

Anglo American's Business Principles outline the expectations we have of our employees and our associates; our stance on anti-corruption, including political donations and gifts; and our approach to transparency, anti-competitive behaviour, business assurance and securities trading.

Principle 10: Performance and practical actions

Our Business Principles, supported by our **Business Integrity policy**, prohibit making donations to any political party or politicians, and require that our employees, in giving or receiving gifts and hospitality, abide by our policies and procedures, act in a transparent manner and ensure that they do not seek any improper advantage when conducting business or in their dealings with public officials. Employees are only permitted to receive gifts or hospitality that is modest in nature, and a register is kept of all such events that exceed (locally determined) nominal values. We have established a new business integrity compliance function to underpin implementation of our BI policy and accompanying performance standards.

We do not allow our employees, or those acting on our behalf, to offer, solicit, pay or accept bribes. Assessments of bribery and corruption risks are carried out at business unit level using an internally developed risk assessment tool. Where the residual risk is seen to be unacceptably high, actions are determined to strengthen the control environment. This includes training for employees operating in high-risk roles. By the end of 2012, more than 3,500 employees, including heads of business units, had taken part in over 180 training sessions across 17 countries and more than 2,800 had completed the online refresher course.

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

Anglo American supports the **Extractive Industries Transparency Initiative** (EITI) and **reports annually** on the tax and royalty payments we make in our significant countries of operation (see pages 28-29 of the Anglo American Sustainable Development Report 2012 for example of waste utilisation at our Phosphate operations) .

Our independently managed **SpeakUp facility** provides a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders to report or raise concerns about conduct that is contrary to our values and standards. **SpeakUp** is available 24 hours a day, seven days a week and provides telephone, email and website contacts in the regions in which Anglo American operates. During 2012, we received 285 alerts compared to 299 in 2011. Every alert is evaluated and, where appropriate, investigated.