ANNUAL REPORT 2017

BUILDING ON FIRM FOUNDATIONS
DELIVERING A SUSTAINABLE FUTURE

AngloAmerican

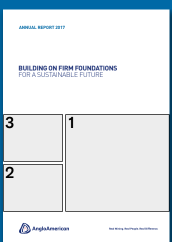
Real Mining. Real People. Real Difference.

BUILDING ON FIRM FOUNDATIONS
DELIVERING A SUSTAINABLE FUTURE

In 2017, Anglo American's centenary year, our relentless focus on driving cost and productivity efficiencies through the operations, and on continuing to upgrade the quality of our portfolio, resulted in a step-change in operational performance and profitability. Our ability to maintain strict capital discipline and drive down net debt has substantially restored our balance sheet.

In 2018, we expect to continue strengthening the balance sheet to ensure sufficient flexibility through the cycle – with our focus on further improving operational performance and consistent cash flow generation. We will build on the firm foundations we have put in place – considering the appropriate balance between cash returns and value accretive growth options from within our substantial undeveloped mineral endowment.

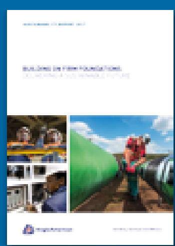
As we look forward to our next 100 years, we aim to lead in an industry that remains vital to the development of modern society. With our innovative approach to sustainability and the application of technologies to reduce the physical impacts of mining, our goal will be – as it always has been – to deliver value to all our stakeholders and continue to make a real and positive difference.



Cover images
1. Portfolio – Los Bronces (50.1% owned) in the Chilean Andes is one of the world's great copper mines. In collaboration with prominent specialists, we have developed a climate-scenario model, which is being fed into a life of mine plan designed to make the operation more climate-resilient.

2. Innovation – At Mogalakwena platinum mine in South Africa's arid Limpopo province, technical lead Dean Bothma inspects fibre-optic sensing equipment, enabling accurate, real-time monitoring of mine water flows. Mogalakwena is a pioneer in using this type of distributed sensing technology, which represents an important step on our journey towards waterless mines.

3. People – At Venetia diamond mine in South Africa are (left to right) process plant monitors Aggy Majadibodu and Riaan Tlou and ore processing superintendent Lindsey Miyen. Women make up nearly 20% of the Group's workforce; many roles formerly the preserve of men are now undertaken by women.



Other sources of information
You can find this report and others, including the Sustainability Report and the Ore Reserves and Mineral Resources Report, on our corporate website.

For more information, visit
www.angloamerican.com/reporting

Basis of reporting
The Anglo American plc Annual Report for the year ended 31 December 2017 is produced in compliance with UK regulations. Additionally, and for the first time, we have compiled this report using the Guiding Principles and Content Elements set out in the International Integrated Reporting Council's <IR> Framework.

Integrated Reporting aims to demonstrate how companies create value sustainably over time, for a range of stakeholders – consistent with our own business approach and strategy. This report, therefore, includes a comprehensive overview of our material matters, in the eyes of our stakeholders, and the impact they have on the value we create. More detailed information on our sustainability performance is provided in our Sustainability Report.

Throughout the Strategic Report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, including underlying earnings, underlying EBIT, underlying EBITDA, underlying earnings per share, net debt, attributable return on capital employed (ROCE) and attributable free cash flow are not defined under IFRS, so they are termed 'Alternative Performance Measures' (APMs).

Management uses these measures to monitor the Group's financial performance alongside IFRS measures because they help illustrate the underlying financial performance and position of the Group. We have defined and explained the purpose of each of these measures on pages 194 to 197, where we provide more detail, including reconciliations to the closest equivalent measure under IFRS.

These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APMs may not be comparable with similarly titled measures and disclosures by other companies.

'Tonnes' are metric tons, 'Mt' denotes million tonnes, 'kt' denotes thousand tonnes, 'Mct' denotes million carats and 'koz' denotes thousand ounces; '$' and 'dollars' denote US dollars and 'cents' denotes US cents.

GROUP PERFORMANCE

UNDERLYING EBITDA◊

$8.8 bn

2017	$8.8 bn
2016	$6.1 bn

OPERATING PROFIT

$5.5 bn

2017	$5.5 bn
2016	$1.7 bn

UNDERLYING EARNINGS PER SHARE◊

$2.57

2017	$2.57
2016	$1.72

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

$3.2 bn

2017	$3.2 bn
2016	$1.6 bn

NET DEBT◊

$4.5 bn

2017	$4.5 bn
2016	$8.5 bn

TOTAL DIVIDENDS PER SHARE

$1.02

2017	$1.02
2016	$0

ATTRIBUTABLE FREE CASH FLOW◊

$4.9 bn

2017	$4.9bn
2016	$2.6 bn

GROUP ATTRIBUTABLE ROCE◊

19%

2017	19%
2016	11%

NUMBER OF FATALITIES

9

2017	9
2016	11

TOTAL RECORDABLE CASE FREQUENCY RATE (TRCFR)

0.63

2017	0.63
2016	0.71

◊ Alternative Performance Measures
Words with this symbol ◊ are defined in the Alternative Performance Measures section of the Annual Report on pages 194-197.

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OUR BUSINESS AT A GLANCE

Anglo American is a globally diversified mining company with a portfolio of world class competitive mining operations and undeveloped resources. As we provide the raw materials on which the world's developed and maturing economies depend, we do so in a way that not only generates sustainable returns for our shareholders but that also strives to make a real and lasting contribution to society.

DIAMONDS

DE BEERS

$1,435 million
Underlying EBITDA◊

16%
Group EBITDA◊

8
Mining assets(1)

33.5 Mcts
Production (100% basis)(2)

For more information
See page 46

COPPER

COPPER

$1,508 million
Underlying EBITDA◊

17%
Group EBITDA◊

3
Mining assets(1)

2
Projects
Finland (Sakatti)
Peru (Quellaveco)

579.3 kt
Production

For more information
See page 49

(1) Number of operating mining assets at 31 December 2017. Reflects the Eskom-tied thermal coal and Union (Platinum) disposals. De Beers' mining assets include Orapa, Letlhakane and Damtshaa which are managed as one operation, the 'Orapa regime'. Namdeb includes Northern Coastal Mines, Southern Coastal Mines and Orange River Mines. The Group's 40% share in Samancor, classified as located in South Africa, is considered to be one asset within the portfolio.
(2) With the exception of Gahcho Kué, which is on an attributable 51% basis.

PGMs	BULK COMMODITIES AND OTHER MINERALS			CORPORATE AND OTHER
PLATINUM	**IRON ORE AND MANGANESE**	**COAL**	**NICKEL**	
$866 million Underlying EBITDA◊	**$2,357 million** Underlying EBITDA◊	**$2,868 million** Underlying EBITDA◊	**$81 million** Underlying EBITDA◊	**$(292) million** Underlying EBITDA◊
10% Group EBITDA◊	**27%** Group EBITDA◊	**32%** Group EBITDA◊	**1%** Group EBITDA◊	**(3)%** Group EBITDA◊
7 Mining assets(1)	**4** Mining assets(1)	**12** Mining assets(1)	**2** Mining assets(1)	**United Kingdom** (Headquarters and Marketing), **Australia, Brazil, Chile, Singapore** (Marketing hub), **South Africa** Corporate office locations
2,397 koz Production platinum	**45.0 Mt** Production iron ore – Kumba	**19.7 Mt** Production metallurgical – export	**43.8 kt** Production	
1,557 koz Production palladium	**16.8 Mt** (wet basis) Production iron ore – Minas-Rio	**29.2 Mt** Production thermal – export		
	3.5 Mt Production manganese ore			
For more information See page 51	For more information See page 54	For more information See page 57	For more information See page 60	For more information See page 62

GEOGRAPHIC OVERVIEW

NUMBER OF EMPLOYEES(3)

	Thousand
Brazil	3
Chile	4
Other South America	1
North America	1
South Africa	52
Other Africa	4
Australia/Asia	2
Europe	2
	69

WAGES AND BENEFITS PAID(4)

	$m
Brazil	185
Chile	368
Other South America	9
North America	97
South Africa	1,860
Other Africa	190
Australia/Asia	348
Europe	313
	3,370

TAXES BORNE AND COLLECTED(5)

	$m
Brazil	168
Chile	395
Other South America	6
North America	66
South Africa	1,278
Other Africa	256
Australia/Asia	764
Europe	174
	3,107

LOCAL PROCUREMENT SPEND(6)

	$m
Brazil	108
Chile	55
Other South America	21
North America	69
South Africa	1,002
Other Africa	768
Australia/Asia	58
Europe	–
	2,081

(3) Average number of employees, excluding contractors and associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.
(4) Includes social security costs of $141 million borne by the Group and $774 million of taxes collected on behalf of employees and paid to government.
(5) Based on numbers disclosed within the Group's income statement and excludes the impact of certain associates and joint ventures.
(6) See page 193 for definition.

FOUNDATIONS BUILT OVER 100 YEARS

"It was a great privilege to be appointed chairman of Anglo American in the Group's centenary year."

Stuart Chambers, Chairman

Anglo American is one of the great names in mining, with considerable relevance both local to its operations and, through its products, to the everyday lives of billions of people.

This is a global business, with a distinct and high quality asset portfolio, which I am determined to see that we develop in the most productive and responsible way, while continuing to strengthen Anglo American's longstanding reputation as a leader in innovative and sustainable mining.

AN IMPROVED TRADING ENVIRONMENT

During 2017, global economic growth quickened to its fastest pace since the financial crisis. In the mining sector, demand turned out to be considerably stronger than had been envisaged some 12 months earlier. This had a positive effect on many of the metals and minerals that Anglo American produces, with notable price increases in copper; the bulk commodities (thermal and metallurgical coal, and iron ore); and certain of the platinum group metals such as palladium and rhodium. Our diamond business, De Beers, is unique amongst our competitors and further highlights our diversification and differentiation from our peers. Stronger trading conditions and an increase in the price index for rough diamonds supported De Beers' production growth.

FINANCIAL AND OPERATING PERFORMANCE

Starting with safety, while we were able to report yet another year of improvement in injury rates in 2017, it is with deep regret that nine lives were lost at our operations. A single fatality is, of course, unacceptable and we still have far to go to reach our target of zero harm. I will expand more on this critical area both below and in our Sustainability Report.

The company's pursuit since 2013 of greater operational efficiency and of upgrading the quality of its asset portfolio is reflected in further improvements in financial and operational performance. Free cash flow increased strongly to $4.9 billion on an attributable basis, with profit for the financial year attributable to equity shareholders doubling to $3.2 billion, and underlying EBITDA improving by 45% to $8.8 billion.

Net debt had reduced by a further $4.0 billion to $4.5 billion at the year end, well below the targeted level for the year. Importantly, we regained our investment grade credit rating and were able to restore dividend payments to shareholders six months earlier than expected, establishing a payout policy at a targeted level of 40% of underlying earnings. As a result of this strong performance, the Board is recommending a final dividend of 54 US cents per share, payable in May 2018, taking total dividends to shareholders in respect of 2017 to $1.02 per share.

Operationally, we are producing greater volumes of product from fewer assets and with fewer people. Despite the disposal of a number of assets that no longer met our portfolio criteria, production was 5% higher than in the previous year, while productivity improvements continue the trend we have seen since 2015. This focus on costs and productivity is a continuous imperative for the business to ensure the sustainability of free cash flow generation and returns.

A customer focused mindset needs to be a priority in any business, and I am pleased to see the approach taken by the Marketing team to drive the appropriate commercial decisions across the value chain. Given their finite nature, it would be irresponsible not to optimise the value in our mineral resources, for the benefit of all our stakeholders.

AN ASSET-LED STRATEGY

Anglo American today is a radically changed business from what it was just five years ago. The portfolio has been materially upgraded, resulting in today's suite of generally larger, longer life, more productive and competitive operations. Combined with the innovative practices and technologies that we develop and deploy across the business, and the people and culture that we nurture, our aim is to deliver industry-leading shareholder returns and lasting value to all our stakeholders.

Underpinning our strategy is our sharp focus on capital allocation – a key and continuous role of the Board as the guardian of shareholders' funds. Coming from outside the mining industry, I am well aware of the mis-steps made by so many companies in the pursuit of growth and it is important that our financial resources are directed towards the best-value outcomes for shareholders.

During 2017, no major new projects were given a green light, though we do expect the opportunity presented by our Quellaveco copper project in Peru to come before the Board for development consideration during 2018.

FUTURESMART MINING™

Innovation on all fronts

I believe that the mining industry, with its important role in society in general, has a bright future, but only if all mining companies are committed to investing effort and resources into a sustainable future. Anglo American has long been recognised as a company that does the right thing and that cares deeply about its people and all those its business touches. We can never rest on our laurels and, as we look to the future, there is no doubt that we will face considerable challenges in safety, energy, water and climate change.

FutureSmart Mining™ is Anglo American's innovation-led approach to sustainable mining – and it is critical for the future of how we do business. It is about finding new ways to make mining safer, more efficient, more sustainable, more harmonised with the needs of host communities, and with a smaller environmental footprint. I am pleased to see the progress that the technical team is making on a number of fronts.

Our Sustainability Strategy

Anglo American has a proud and longstanding reputation as a leader in innovative and sustainable mining. I am delighted that the company will shortly be embarking upon a new and ambitious journey to again push the boundaries of positive change through such innovative thinking, aimed very much at addressing certain of the major challenges we face as an industry and the rightful and increasing expectations of all our stakeholders.

Aligned to the UN's 2030 Sustainable Development Goals, our new Sustainability Strategy will set out a number of ambitious medium to long term targets that will drive the work we are doing around the natural environment, the long term prosperity of our local communities, and the proactive shaping of policy and ethical standards to drive greater trust and transparency amongst our stakeholders – from host governments and communities to civil society and customers.

> "Underpinning our strategy is our sharp focus on capital allocation – a key and continuous role of the Board as the guardian of shareholders' funds."

Keeping people safe

A further aspect of our FutureSmart Mining™ work is focused on keeping our people out of harm's way in underground mines, where safety records have long shown the considerably greater risks compared with open cut operations. For example, and with a number of partners, the Group is developing automated and continuous mining vehicles designed to create far greater rock stability and less variance in the quality of ore extracted, with people well separated from areas of high risk.

The company's safety record in 2017 makes very plain to me why this and other work is so pressing. Although our intense focus on preventing harm in the workplace was reflected in an 11% year-on-year decrease in recordable injury rates, building upon the 51% decrease achieved since 2012, I am deeply saddened that we lost six people in our Platinum business and three in our Coal business, all in South Africa. I can assure you that the Board is working closely with the management team to ensure that momentum is sustained to address the clear challenges we face to prevent further loss of life.

Anglo American has demonstrated that operations – even deep-level underground mines – can go for long periods without incurring a single serious injury. We have shown that our target of zero harm is attainable, and I believe that, if each and every one of us is vigilant in looking out for each other, we are all more likely to get home safely day in, day out, year after year.

GOVERNANCE

Executive remuneration

As a chairman, I know there are few more contentious subjects than executive remuneration. Through our Remuneration Committee, chaired by senior independent director Sir Philip Hampton, the Board had been seeking for some time to address certain investors' concerns about the potential quantum of the total remuneration packages of our executive directors. So, it is reassuring that, at the 2017 AGM, we received overwhelming shareholder support for our revised remuneration policy, which we believe to be fair, performance-based and comparable with our peer group as a major global mining company. We continue to pay close attention to our remuneration structures to try to ensure that they deliver a fair and appropriate outcome for both shareholders and employees.

Board composition

I believe that a board sets the tone for the entire business that it governs. This is why it is so important that the directors are drawn from the widest talent pool, best reflecting our society, as well as bringing the right mix of skills, diversity and experience to match the full scope of the Group's business activities and value chain. I have inherited a capable, high calibre board and I am committed to its ongoing refreshment.

THANKS

Finally, I wish to pay tribute to Sir John Parker, who after more than eight years, stepped down as chairman at the end of October. Sir John is a highly experienced and respected leader, a masterful negotiator and organiser, who could be tough, but was always fair – and unfailingly courteous.

After almost four months as your chairman, I would like to give a personal thank you to Sir John for his words of advice to me as we worked together during the handover period; to Sir Philip Hampton and the non-executive directors for their great support; and to Mark and his management team for their time in helping to bring me up to speed. Lastly, and most importantly, I would like to thank all Anglo American's employees, who continue to work tirelessly, giving their very best, and who I know were so proud to celebrate the company's 100th anniversary during the year.

Our Strategic Report

Our 2017 Strategic Report, from pages 2 to 62, was reviewed and approved by the Board on 21 February 2018.

Stuart Chambers
Chairman

OUR BUSINESS MODEL

Anglo American draws upon a number of key inputs from both its central expertise and its diversified operating businesses that, through expert allocation, development, extraction and marketing, create sustainable value for our shareholders and our diverse range of stakeholders.

GROUP INPUTS

Financial
Our corporate centre allocates our financial resources where they can be put to work most effectively to deliver optimal financial returns for our shareholders.

Know-how
We link our industry-leading technical and marketing knowledge to ensure we invest our efforts and capital in key leverage points in the 'mine to market' value chain.

Other natural resources
Mining and processing activities have long been major users of water and energy. Our technical and social expertise combines to provide advice and hands-on support to the operations to mitigate our water and energy requirements, while also developing new technologies that have the potential to significantly reduce our environmental footprint.

Relationships with our stakeholders
Open and honest engagement with our stakeholders is critical in gaining and maintaining our social and legal licences to operate and, therefore, the sustainability of our business. We engage with a wide range of stakeholders to ensure effective two-way relationships.

Ore Reserves and Mineral Resources
We have an extensive resource base across our businesses and across a wide geographic footprint, providing a suite of options for delivering value over the long term.

Plant and equipment
Our procurement and technical teams form strong relationships with major suppliers to deliver tailored equipment and other solutions to enable best in class operating performance and cost-effectiveness.

HOW WE CREATE SHARED VALUE

People
Our people are the business. We aim to resource the organisation with a capable, engaged and productive workforce and are committed to ensuring no harm comes to any of our people.

MATERIALITY AND RISK

Identifying and understanding our material matters and risks is critical in the development and delivery of our strategy.

For our Material matters
See pages 14-15

GOVERNANCE

Our governance controls ensure we effectively respond to those matters that have the potential to cause financial, operational and reputational harm to our business, while acting ethically and with integrity for the benefit of all our stakeholders.

For our Governance Report
See pages 63-116

People
Our simplified Organisation Model allows our businesses to design structures and roles that provide clear accountability and appropriate authority to get our work done.

OPERATING BUSINESS INPUTS

Financial
Our businesses' strong focus on working capital management, productivity and cost discipline helps to drive sustainable positive cash flows.

Know-how
Our businesses work closely with our Technical function and Marketing business to apply innovative mining methods and technologies to realise even greater value from our resource base, and optimise mine production plans to ensure we provide products to our customers around the world, meeting their specific technical and logistical requirements.

Other natural resources
It is critical that our businesses responsibly manage all the natural resources used in their processes, given the finite nature of mineral resources, scarcity of water and energy sources at some of our operations, and input cost pressures.

Relationships with our stakeholders
Working within our social performance framework, it is the goal of our operations to build and sustain constructive relationships with our communities and host countries that are based on mutual respect, transparency and trust.

Ore Reserves and Mineral Resources
Our exploration teams work with our businesses to discover mineral deposits in a safe and responsible way to replenish the resources that underpin our future success – both to extend the lives of existing mines and to provide longer term near-asset and greenfield options.

Plant and equipment
Our businesses implement local procurement policies that support suppliers based in the host communities close to our operations – making a significant socio-economic contribution and building stronger communities, as well as lowering logistics costs.

OUR UNIQUELY DIVERSIFIED PORTFOLIO

Quality
The high quality and long life of our mineral assets from which we will deliver leading shareholder returns.

OUR PEOPLE-CENTRIC VALUE CHAIN

We will invest in those points in the value chain that provide us with the best return on our investment.

DISCOVER

PLAN AND BUILD

OUR INNOVATIVE CORE PROCESSES

Discovery
Our award winning exploration teams discover mineral deposits in a safe and responsible way to replenish the resources that underpin our future success.

Innovation Model
Our strengthened in-house technology capability provides world class, innovative solutions across our assets, supporting the delivery of step-change operating performance.

Operating Model
The application of our Operating Model drives a more stable, predictable and higher level of operating performance, resulting in improved safety, productivity and lower costs.

Project development
The successful development and execution of our capital projects reduces expenditure and ensures predictability of outcome against our performance objectives.

Value creation
Assets that offer – either in isolation or in combination with other assets in the portfolio – the most attractive long term value-creation potential.

Diversification
The diverse composition and scale of our portfolio create a measured risk profile, allowing us to leverage resources, expertise and relationships to deliver strong returns.

Our Organisation Model ensures we have the right people in the right roles doing the right value-adding work. From the financial, technical, marketing and other expertise provided from the corporate centre, through our entire value chain from mine to market, it is our people that create the sustainable value that all our stakeholders demand and expect.

MINE | PROCESS | MOVE | MARKET | END OF LIFE PLAN

Across every aspect of our business, we are thinking innovatively about how we work to ensure the safety of our people, enhance our sustainability performance, and deliver industry-leading margins and returns.

Marketing
The value from our mineral resources and market positions is optimised by our dedicated Marketing business, driving appropriate commercial decisions across the value chain – from mine to market – including working directly to tailor products to our customers' specific needs.

Sustainability model
Integrating sustainability into core business processes has been a longstanding priority for Anglo American. The corporate centre drives the sustainability agenda and offers expert advice, and hands-on support, to operations facing complex sustainability challenges.

OUTPUTS

Our outputs are the products that meet the growing consumer and other demands of the world's developed and maturing economies. Mining and processing activities also result in the unavoidable disturbance of land and seabed, generation of mineral residue, use of fresh water and energy, as well as atmospheric emissions and water discharges, all of which we strive to minimise through our innovative approach.

GROUP PRODUCTION GROWTH(1)
5%
Increase over 2016

ATTRIBUTABLE FREE CASH FLOW◊
$4.9 billion

TOTAL WATER WITHDRAWALS
306 Mm^3

CO_2 EQUIVALENT EMISSIONS
18.0 Mt

STAKEHOLDER VALUE

As we strive to deliver sustainable returns to our shareholders, we are acutely aware of the potential value creation we can offer to our full range of stakeholders. Through our core business activities – employing people, paying taxes to governments and procuring from host communities – we make a significant and positive contribution to the countries where we operate. Beyond our direct mining activities, we create and sustain jobs, build infrastructure, support education, and help improve healthcare for employees and local communities.

INVESTORS
$1.02
Total dividends paid and proposed per share

SUPPLIERS
$2.1 billion
Local procurement expenditure

GOVERNMENT
$3.1 billion
Taxes borne and collected(2)

LOCAL COMMUNITIES
120,812
Jobs created and maintained through enterprise development programmes since 2008

EMPLOYEES
$3.4 billion
Wages and benefits paid(3)

HOW WE MEASURE THE VALUE WE CREATE

Our seven pillars of value underpin everything we do. Each pillar has defined Key Performance Indicators (KPIs) and targets that we set the business and against which we measure performance, both financial and non-financial.

- SAFETY AND HEALTH
- ENVIRONMENT
- SOCIO-POLITICAL
- PEOPLE
- PRODUCTION
- COST
- FINANCIAL

For our KPIs
See page 34

(1) Pro forma growth in copper equivalent production, excluding disposals.
(2) Based on numbers disclosed within the Group's income statement and excludes the impact of certain associates and joint ventures.
(3) Includes social security costs of $141 million borne by the Group and $774 million of taxes collected on behalf of employees and paid to government.

BUILDING ON FIRM FOUNDATIONS DELIVERING A SUSTAINABLE FUTURE

"We have transformed the nature and quality of our portfolio, contributing to Anglo American's materially improved performance and prospects."

Mark Cutifani, Chief Executive

Our focus on quality assets and the portfolio decisions that we made through the commodities down cycle, along with internal restructuring and work process changes, have built the firm foundations for our broad-based business delivery. Combined with an improved price environment, we have delivered a strong financial result. This reflects a renewed sense of purpose in our people and their determination to deliver results through the cycle.

SAFETY

Our safety record in 2017 is deeply saddening and was our single disappointment. We lost nine of our people in fatal accidents, all in South Africa. Every leader in our business understands it is unacceptable to continue to work where there is a likely consequence of injury. Let me assure you that we have made significant and urgent operational interventions to manage activity risks to end fatal incidents across all operations. Safety is our most critical area of focus, and while we must recognise significant progress over recent years, reducing our safety incident rates by more than 40%, we still have a long way to go on our journey to zero harm.

FINANCIAL PERFORMANCE

Cash flow is our ultimate measure of business performance – while returns on capital assess whether we are using shareholders' funds in a prudent and efficient manner.

We set out to further strengthen the balance sheet in 2017 and we have done so through a combination of wide-ranging self-help work, in terms of productivity and costs and capital discipline, along with receiving better than expected prices for many of our products. In 2017, we generated a 93% increase in attributable free cash flow to $4.9 billion. Underlying EBITDA increased by 45% to $8.8 billion and we improved our underlying EBITDA margin by a further five percentage points. Profit attributable to equity shareholders doubled from $1.6 billion to $3.2 billion. And we ended the year showing a $4 billion reduction in net debt, at $4.5 billion, well ahead of our target – even after dividend payments. Given where we are in the commodity price cycle, we intend to strengthen the balance sheet further in 2018. Our return on capital employed (ROCE) improved to 19%, above our targeted 15% through-the-cycle return. While an individual year is too short a period to assess returns, our focus on ROCE, as set out in 2013, is one of the key measures around which our decisions are made.

In delivering improved free cash flow, we were also in a position to restore dividend payments six months early, while also regaining our investment grade rating. Combined with the proposed final dividend payment of 54 cents per share, payable in May 2018, total dividends paid to shareholders in respect of 2017 will amount to $1.02 per share. As stated previously, dividend payments will be based on a targeted payout level of 40% of underlying earnings through the commodity price cycle.

OPERATING PERFORMANCE

At the heart of the business turnaround is the implementation of our Operating Model. In 2017, we delivered 9% more product, at a 26% lower unit cost, compared to our 2012 baseline. Over five years, that represents an 80% productivity increase – and 28% in 2017 alone. In dollar terms, we exceeded our 2017 cost and volume improvement target, delivering $1.1 billion. Over five years, that is $4.2 billion of annual underlying EBITDA improvement. Such improvements are generally achieved without additional capital, so we continue to improve our ability to generate free cash flow and increase returns from existing capital employed. While we have delivered a material operational turnaround in recent years, we still believe there is significant further improvement ahead. In 2018, we expect a further $800 million of benefit and, by 2022, we are targeting an additional $3-4 billion annual underlying EBITDA run-rate improvement from production volumes, productivity improvements and cost reductions.

PORTFOLIO

The quality, long life and growth potential of our mineral assets are the foundation of our global business. Over the last five years, we have transformed the nature and quality of Anglo American's portfolio, contributing to the materially improved financial and operational performance. We have moved from a total of 68 assets in early 2013 to 36. The discipline of divesting assets that do not meet our return criteria or long term value potential will continue. We will also continue to pursue a prudent portfolio balance where concentration in a single commodity, geography or end-user market is closely scrutinised to ensure we do not overweight capital allocation based on a single consideration.

As we divest less attractive assets, we replace them with assets of a higher quality and cash generation profile, thereby lifting the overall quality of the portfolio. New portfolio contributors include Grosvenor in Metallurgical Coal, Gahcho Kué at De Beers and the Minas-Rio iron ore mine, all in ramp-up mode, while we also progress undeveloped options, ensuring a well-phased organic growth pipeline. Our most advanced option is the Quellaveco copper deposit in southern Peru, which benefits from considerable local community and government support, and that we expect to bring to the Board for consideration during 2018.

INNOVATION – FUTURESMART MINING™

From resource exploration and discovery, and through every step of the value chain to delivering our products into our customers' hands, FutureSmart Mining™ is Anglo American's innovation-led approach to sustainable mining. Working in partnership beyond mining, we are looking well beyond our own industry to re-imagine the future of mining, using open-innovation principles and partnerships to find solutions that will materially improve efficiencies and our competitive positions.

The technologies we are developing will fundamentally change the way we extract and process our products and will provide the next step-change in operating performance – creating significant safety improvements and major energy, water and capital cost savings. From technologies that are available today, to those such as swarm robotics and the use of 'dry water', the future of mining will be very different – to the extent that previously inaccessible or uneconomic orebodies will become mineable, both technically and in an acceptable way to our host communities and countries. We intend to remain at the forefront of this revolution.

Sustainability

Anglo American has a long track record as a leader in sustainable, responsible mining, and a reputation for doing the right thing. We will be introducing what we believe to be a progressive and industry-leading Sustainability Strategy, aligned to the Sustainable Development Goals of the UN, setting out a series of stretch goals relating to our host communities, the natural environment, and the governance of our industry, together with a new collaborative approach to regional economic development.

Engagement – faith groups

Innovation extends to all corners, considering mining's role in meeting the needs of society. Our work with community faith groups as a leading participant in the Mining and Faith Reflections Initiative recognises that many relationships with communities and NGOs are guided by faith-based organisations. A very positive initial dialogue with the Vatican is being broadened into a more ecumenical approach encompassing the Church of England and the Methodist Church, amongst others. With greater mutual understanding, we are better placed as true partners in developing our businesses and communities towards a better future.

Marketing

Equally important is how we think differently about maximising the value from our mineral resources and market positions. Today, we better understand and address our customers' specific needs through direct long term relationships, while also leveraging our capabilities in the financial and physical markets for mutual benefit. Our progress to ensure that the prices we secure for our products reflect their quality and security of supply is evident in the expansion of our underlying EBITDA margin over the last five years.

PEOPLE

Ours is a people business – whether they are our employees, our stakeholders in all their many forms, or our shareholders. Our people are not assets; they are more than assets and represent the heart and soul of our business. We have embedded our Organisation Model across the Group, providing clarity of accountabilities and minimisation of work duplication, thereby increasing our aggregate effectiveness and efficiencies. And, we are working hard to create working environments and an inclusive and diverse culture that encourage the high performance and innovative thinking that our business requires to retain its commercial and competitive advantage.

CAPITAL ALLOCATION

Our value-based approach to capital allocation ensures we have a business that: delivers sustainable free cash flow with returns well above our weighted average cost of capital; that delivers returns of cash to shareholders in the form of dividends; and that can grow where we see opportunities to materially improve our delivery of cash flow and returns over the longer term. Our targeted 40% dividend payout ratio recognises the importance of disciplined decision-making through the cycle, while potential growth investments must of course demonstrate their value. We are then clear that in the event of there being excess cash, this is returned to shareholders.

OUTLOOK

With a relatively broad-based global growth outlook, the expectation is for continued growth in most major economies in 2018. However, we are suitably conservative in our planning assumptions and we will continue to drive improvements across the business to deliver free cash flow and to continue our balance sheet strengthening. As we look ahead, it is clear that today's more resilient Anglo American is well positioned to benefit as we hold our focus on the quality of our portfolio, improving individual asset quality, maintaining future growth optionality, and a continuous improvement approach to operational performance and our commercial positions.

THANK YOU

Anglo American's centenary milestone in 2017 is great testimony to generations of people associated with us. As chief executive, I thank all our employees for their diligence, motivation, care for each other, and their loyalty. I also thank our diverse range of stakeholders for their support, and those people and organisations that, over a wide spectrum of fields, partner Anglo American in some form.

I am also grateful for the guidance of the Board in a year which saw a change in both chairman and finance director. At the end of October, Sir John Parker stepped down as chairman after more than eight years in the role. Sir John was at the helm through the most challenging period I have seen in my 40+ years in the mining industry, and I would like to thank him personally for his wise counsel. And my thanks also to René Médori, our finance director of 12 years – we wish him the very best in his new ventures.

Together with the management team, we are working closely with Stuart Chambers, our new chairman, and the Board as we build upon the firm foundations we have created to fulfil this great company's full potential.

Mark Cutifani
Chief Executive

Strategic report

THE PURPOSE TO REWARD JOURNEY

Our purpose

Mining has a smarter, safer future. Using more precise extraction technologies, less energy and water, we are reducing our physical footprint for every ounce, carat and kilogram of precious metal or mineral. We are combining smart innovation with the utmost consideration for our people, their families, local communities, our customers, and the world at large – to better connect the resources in the ground to the people who need and value them. And we are working together to develop better jobs, better education and better businesses, building brighter and healthier futures around our operations in our host countries and ultimately for billions of people around the world who depend on our products every day. Anglo American is re-imagining mining to improve people's lives.

Our strategy

Our strategy is to secure, develop and operate a **portfolio** of high quality and long life resource assets, from which we will deliver leading shareholder returns. We achieve this through **innovative** practices and technologies – in the hands of our world class **people** – towards a common purpose.

Portfolio (A)

The quality and long life of our mineral assets are the foundation of our global business. We focus on securing and operating assets that offer the most attractive long term value-creation potential, as measured by sustainable cash flow and returns.

The scale and diversity of our portfolio allows us to leverage our financial resources, technical expertise, and supplier relationships towards delivery on our potential and to the benefit of our customers, creating a measured risk profile and supporting strong returns.

For more on Portfolio
See pages 16-19

Innovation (B)

Across every aspect of our business, we are thinking innovatively about how we ensure the safety of our people, enhance our sustainability performance, and deliver superior value for all our stakeholders.

From exploration to delivering our products to our customers, FutureSmart Mining™ is our innovation-led approach to sustainable mining. This approach, coupled with the operational improvements being delivered from our unique Operating Model, is fundamentally changing the way we extract, process and market our products, and will provide the next step-change in operating and financial performance.

For more on Innovation
See pages 20-28

People (C)

Our people are critical to all that we do. The partnerships we build locally and globally are central to maintaining our regulatory and social licences to operate and our sustained commercial success.

We create inclusive and diverse working environments that encourage and support high performance and innovative thinking.

Our Organisation Model ensures we have the right people in the right roles doing the right value-adding work at the right time, with clear accountabilities that minimise work duplication and increase capability and effectiveness.

For more on People
See pages 29-31

Capital allocation

Underpinning our strategy, we have a value-focused approach to capital allocation, with clear prioritisation: maintain asset integrity; ensure a strong balance sheet; and pay dividends to our shareholders, determined on an earnings-based payout ratio. Discretionary capital is then allocated towards growth investments that are subject to a demanding risk framework and that meet our stringent value criteria and, in the event of there being excess cash, this is returned to shareholders.

For more on Capital allocation
See pages 32-33

Delivering our strategy

We track our strategic progress on an ongoing basis using KPIs that are based on our seven pillars of value:

Pillar of value	Description
Safety and Health	To do no harm to our workforce
Environment	To minimise our impact on the environment
Socio-political	To partner in the benefits of mining with local communities and government
People	To create a sustainable competitive advantage through capable people and an effective, performance driven organisation

Pillar of value	Description
Production	To sustainably produce valuable product
Cost	To be competitive by operating as efficiently as possible
Financial	To deliver sustainable returns to our shareholders

For our KPIs
See pages 34-35

Our values

Our values guide everything we do

Safety · Care and respect · Integrity · Accountability · Collaboration · Innovation

Reward

Anglo American's directors' remuneration policy is designed to encourage delivery of the Group's strategy and creation of stakeholder value in a responsible and sustainable manner.

The main elements of the remuneration package are basic salary, annual bonus and long term incentive plan (LTIP).

Full details are set out in the Directors' remuneration report on
pages 88-115

Annual bonus

Annual bonus performance measures include:

- 50% on underlying earnings per share (EPS). EPS is one of the Group's key financial measures of performance and is set on an annual basis to ensure targets are demanding yet realistic
- The remaining measures include project delivery, business improvement, stakeholder engagement and talent management
- A modifier is applied depending on the extent to which safety and sustainability targets are met
- To help ensure sustainable long term performance, 60% of any annual bonus is deferred into shares for a minimum of three years and is subject to clawback.

Long term incentive plan (LTIP)

The LTIP performance measures are aligned to our strategic objectives over a three-year performance period. Vested LTIP awards are subject to clawback and must be held for an additional two years to encourage alignment of executive and shareholder interests.

The LTIP performance measures and weightings are:

- 70% subject to Group Total Shareholder Return (TSR), with two-thirds relative to the Euromoney Global Mining Index and one-third relative to the constituent of the FTSE 100 index
- 30% subject to a balanced scorecard of financial and strategic objectives, including environmental and health targets.

MARKETPLACE REVIEW

A CAUTIOUSLY POSITIVE OUTLOOK

The world economy recovered slightly in 2017, providing the basis for a more positive outlook for the first time in five years. According to the IMF, global GDP growth was 3.6% for 2017, moderately higher than its April forecast of 3.5%. The IMF has also increased its growth forecast slightly for 2018, from 3.6% to 3.7%.

Over the course of the year, there were broad-based upward revisions in the Eurozone, Japan, emerging Asia, emerging Europe and Russia – where growth outcomes in the first half were better than expected – more than offsetting downward revisions for the US and the UK. China continued to surprise on the upside, relative to commentators' expectations, as a number of measures proved to be positive for the economy.

Commodity prices also fared well, with prices for the majority of Anglo American's products performing better than the market had expected.

CHINA'S SLOWDOWN

While concerns continue to be raised around China and its economy, the authorities' policy of gently moderating growth appears to be working. The IMF forecast growth rate for the country increased further to 6.8% in 2017 (2016: 6.7%), reflecting stronger economic growth in the first half of the year, as well as robust external demand for China's products and services. The IMF's growth forecast reflects a slower rebalancing of activity away from investment towards services and consumption, despite higher projected debt potentially limiting the scope for further fiscal stimulus. According to the IMF, if recent efforts to curb the expansion of credit are accelerated, this would help further to reduce the remaining risk of a sharp growth slowdown in China, which would have adverse international repercussions.

China's 19th Party Congress in October marked the start of the 'New Era' for Xi Jinping and the Communist Party. By 2020, Beijing seems likely to prioritise financial deleveraging, poverty reduction and environmental protection, with less focus on economic-growth targets. An exit from large-scale fiscal stimulus and a slowing housing market may add some downward economic pressure.

GLOBAL POLITICAL AND POLICY ENVIRONMENT

Growth in most of the advanced economies accelerated during the first half of 2017, relative to the second half of 2016, with both domestic and external demand contributing to the improved statistics. The US is estimated to have grown by 2.2% in the year, with Japan and South Korea by 1.5% and 3.0%, respectively. The Eurozone is expected to have expanded by 2.1%, with Germany, France and Italy having estimated growth rates of 2.1%, 1.6% and 1.5%, respectively. The one exception was the UK, where growth is estimated to have reduced to 1.7%.

GDP growth estimates
Annual GDP percentage growth

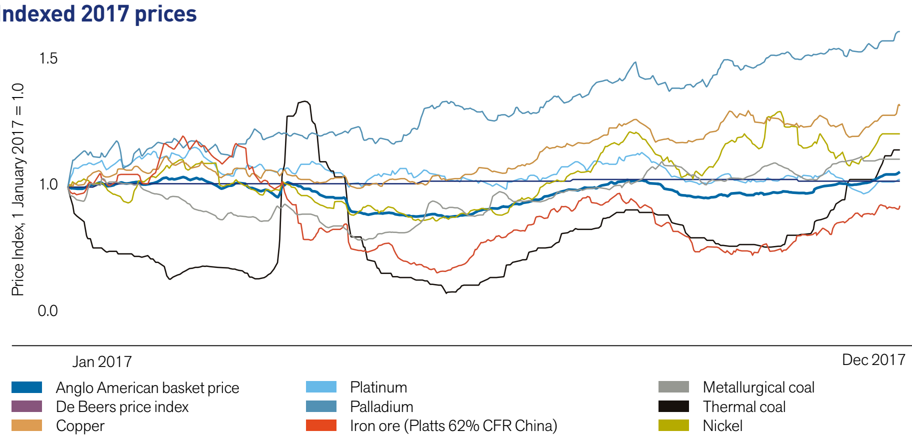
		%
World	2015	3.4
	2016	3.2
	2017	3.6
Eurozone	2015	2.0
	2016	1.8
	2017	2.1
China	2015	6.9
	2016	6.7
	2017	6.8
India	2015	8.0
	2016	7.1
	2017	6.7
South Korea	2015	2.8
	2016	2.8
	2017	3.0
Japan	2015	1.1
	2016	1.0
	2017	1.5
United States	2015	2.9
	2016	1.5
	2017	2.2

Source: IMF WEO October 2017

The US faced significant policy uncertainty during 2017, associated with the Trump administration's slow reform implementation and lags in the renegotiation of the North American Free Trade Agreement with Mexico and Canada. The progress on tax reform, which has the potential for positive near term growth effects, has been slow. Meanwhile, tax legislations and debt ceiling issues are unresolved and will likely lead to further debate between the parties.

In South Africa, the Mining Charter was gazetted. The Chamber of Mines brought an application to judicially review and set aside this latest Charter. The Chamber also sought to interdict the Minister of Mineral Resources from implementing the Charter, pending finalisation of the Review Application. In order to avoid the hearing of the interdict application, the Minister gave a written undertaking that his department will not implement or apply the provisions of the Charter in any way, pending final resolution of the judicial review. On 17 February 2018, the Chamber of Mines and the Department of Mineral Resources jointly agreed to postpone the court application in respect of the Reviewed Mining Charter, that was due to be heard in the High Court on 19 to 21 February. Anglo American believes that the postponement will provide the opportunity to engage in order to reach an amicable solution for the benefit of all stakeholders.

Indexed 2017 prices



Change in average annual price (2017 vs 2016)

Anglo American	16%
Palladium	42%
Metallurgical coal	31%
Thermal coal	31%
Copper	27%
Iron ore	22%
Nickel	8%
De Beers price index	3%
Platinum	(4)%

Source: Anglo American Commodity Research

In India, the IMF economic growth projection for 2017 was revised down to 6.7% (2016: 7.1%), reflecting lingering disruptions associated with the currency exchange initiative introduced in November 2016, as well as transition costs related to the launch of the national Goods and Services Tax (GST) in July 2017. The GST promises the fiscal unification of India's vast domestic market, and is among several reforms being implemented that may result in a more positive growth outlook.

COMMODITY REVIEW

Diamonds

Early signs are that global consumer demand for **diamond** jewellery registered positive growth in 2017 in US dollar terms, following a marginal increase in 2016. Sustained diamond jewellery demand growth in the US was once again the main contributor to this positive outcome. Demand for diamond jewellery by Chinese consumers grew marginally in local currency and dollar terms. In contrast, consumer demand for diamonds softened in India and the Gulf states, both in local currency and dollar terms, while Japan's consumer demand growth was flat in local currency and lower in dollars.

Diamond producers' primary stocks are estimated to have reduced considerably during the first half of 2017, as sentiment in the midstream improved and rough and polished inventories normalised for businesses in this segment of the value chain. However, as a result of US retailers tightly managing their inventories and the earlier timing of Diwali in India, there was a slight seasonal build-up of polished inventory in the midstream going into the fourth quarter. Overall, early indications are that additional consumer marketing undertaken during the main selling season had a positive effect on polished demand in the US, China and India in the final quarter of the year, leading to a beneficial effect on overall polished inventories.

Base metals

Global refined **copper** consumption grew by 2% in 2017, with China, which now accounts for almost 48% of global refined demand, continuing to display robust demand growth (+3%), notably from the infrastructure, home appliance and machinery sectors.

Copper prices averaged 280 c/lb in 2017 (2016: 221 c/lb), reflecting a tighter market, as disruptions to supply during the first half of the year more than offset ramp-ups of new supply. This led to the first annual decline in copper mine output since 2011. The tight market, coupled with renewed investor confidence, saw prices surge in the fourth quarter, reaching $7,000/tonne for the first time in three years. The higher average prices also brought greater scrap volumes to the market, helping to offset some of the primary supply shortfall.

Over the long term, the market is expected to remain tight. Demand for refined copper continues to grow, with potential upside from electric vehicles (EVs), their associated infrastructure, and the renewable-energy sector. Supply is expected to continue to struggle to meet growing demand, given the limited project pipeline, declining grades and more challenging mining conditions.

Nickel demand increased by 5%, driven primarily by increases in global stainless steel output, which rose by 6%. On the supply side, threatened mine closures in the Philippines had less of an impact on ore supply than was initially expected, while a partial lifting of a ban on ore exports from Indonesia, together with a ramp-up of new Indonesian nickel pig iron production, saw refined production recover some of the losses seen during 2015 and 2016. This was not enough, however, to prevent an overall deficit in the refined nickel market, which helped to lift prices to an average of 472 c/lb, 8% higher than in 2016.

Overall, the nickel market saw a second consecutive year of deficit, though LME stocks remained at high levels. Looking ahead, demand for nickel may experience a potentially significant boost from batteries for EVs, which is expected to keep the nickel market in focus over the years ahead.

Precious metals

Primary **platinum** supply in 2017 declined by 2%, owing mainly to lower Russian shipments, as sales from inventory, and output from alluvial deposits declined. In South Africa, supply remained relatively flat, despite processing facility issues experienced by some in the industry. The modest decline in primary platinum supply was, to a large extent, offset by increased secondary supply (+3%) as autocatalyst recycling increased to record levels.

Gross platinum demand was 5% lower, mainly as a result of a steep decline (-14%) in platinum demand from Chinese jewellery manufacturers and Japanese investment bar sales returning to more normal levels. Autocatalyst demand remained robust, with increased light-duty diesel vehicle production outside Europe and higher demand from the heavy-duty diesel sector offsetting the decline of light-duty diesel vehicle production within Europe. Demand from the industrial sector returned to record levels (+7%), with the electrical (+12%), glass (+24%) and petroleum (+13%) demand segments experiencing double digit growth.

Average platinum prices were 4% lower as the market moved into surplus, owing to lower gross platinum demand and increased secondary supply, despite the modest decline in primary production.

Primary **palladium** supply declined by 2%, reflecting lower shipments from Russia. In contrast, secondary supply increased strongly (+17%). Outflows from Exchange Traded Funds (ETFs) continued in 2017 and, over the past three years, more than 1.5 million ounces of metal has returned to the market, providing much needed market liquidity in a time of strong autocatalyst demand. Palladium autocatalyst demand reached new highs and grew 6%, with the strongest growth occurring in North America, as new emissions legislation resulted in higher loadings, and with China also posting significant gains. In the industrial sector, growth in demand from the chemicals sector more than offset declines in demand in both the electrical and dental sectors.

While all palladium supply rose by 3%, gross demand was 10% higher than in the prior year, resulting in the market remaining in deficit. The persistent market deficits of the past six years have had a significant impact on the palladium market, with the price trading at around $1,000/ounce by the end of 2017, at a premium to platinum for the first time in 16 years, and averaging 42% higher than in 2016.

In the near future, platinum markets are expected to remain balanced, with limited potential for demand growth or upside for mine output from South Africa or elsewhere. Palladium is expected to remain in deficit for the foreseeable future as petrol engine automotive demand continues its upward trend, with limited opportunity for an increase in primary production. With palladium trading above platinum, it is becoming more likely that platinum is substituted back into petrol autocatalysts. The timing and extent of such a move remains uncertain, but is not expected in the short term owing to practical and regulatory hurdles.

Bulk commodities

Global steel demand is estimated to have increased by around 2% in 2017, supported by healthy demand conditions in a number of markets. In China, consumption remained robust, rising by an estimated 2-3%, driven by an extended upswing in the property cycle and continued growth in infrastructure investment. The government's crackdown on polluting and inefficient industry has eliminated an estimated 120 Mt of basic oxygen furnace (BOF) and electric arc furnace (EAF) capacity, and all illegal induction furnace capacity, over the past three years.

These reforms, as well as additional seasonal closures over winter, sharply increased profit margins, encouraging the remaining BOF and EAF producers to increase productivity through the use of higher-quality raw materials and higher scrap rates.

Such changes also reduced China's ability to maintain exports at the record levels of recent years, allowing other regions to plug the gap. In 2017, crude steel output, excluding China, rose by an estimated 5%, or 40 Mt in 2017, much of this growth being supported by scrap and direct-reduced iron-based steel production from the US, Turkey, Iran, India and Vietnam.

Iron ore prices fared significantly better than in 2016, with the CFR China 62% Fe benchmark averaging $71/dmt, (2016: $58/dmt), though with significant volatility throughout the year. On the supply side, the net addition of around 40 Mt of low-cost Australian and Brazilian iron ore displaced both higher-cost seaborne and domestic Chinese supply. Grade-related price spreads widened significantly as steelmakers preferred high-grade iron ore as they focused on increased productivity owing to high costs of coking coal, high steelmaking margins, and environmental restrictions.

The **metallurgical coal** market experienced another year of supply tightness and pronounced price volatility. The focus on safety in the Chinese domestic coal sector – and accompanying shutdowns – continued into 2017, while structural reforms, which aim to eliminate excess capacity and restore sector profitability, remain on track. Meanwhile, Australian export volumes were disrupted by a series of events, including Cyclone Debbie, mine shutdowns and port queues. Chinese and Australian disruptions have necessitated increased supply from other regions to fill the gap, including from the US, Mozambique, Indonesia and Mongolia. As with iron ore, price differentials between higher- and lower-grade coals have widened, reflecting steelmakers' drive for productivity, as well as relative tightness at the premium end of the market.

The **thermal coal** market also saw the positive price effects of the Chinese domestic market rationalisation, which supported both coal imports into China and the seaborne price. On the supply side, Australia was stable, while Indonesia was constrained by mining issues arising from ongoing wet weather. The Atlantic region saw coal prices supported by higher electricity prices, partly driven by nuclear outages in France.

OUTLOOK

Although commodity markets and prices are becoming more positive, the sustainability of certain commodities' very positive recent performance remains uncertain, with risks to the Asian outlook in particular. Demand for niche-grade materials is starting to provide an opportunity for some commodity producers, which may persist for some time. However, as supply struggles to either catch up with demand growth, or adjust downwards in line with any reduction in demand, it is likely that there will be ongoing commodity price volatility that reflects the normal dynamics of the industry.

OUR MATERIAL MATTERS

UNDERSTANDING WHAT IS IMPORTANT TO OUR STAKEHOLDERS AND OUR BUSINESS

In line with best-practice corporate reporting, Anglo American's Annual Report includes a comprehensive assessment of not only the principal risks facing the business, but also those matters that our stakeholders and we believe have a material bearing on the success of the business over time.

By engaging with our stakeholders and being aware of their perspectives, and by understanding the risks we face, we are better placed to make informed decisions that help support the delivery of our strategy.

STAKEHOLDER ENGAGEMENT

Our licence to operate depends on constructive relationships with a wide and diverse range of stakeholders. Effective stakeholder engagement helps us to better communicate our business performance, decisions and activities that may have a material impact on, or are of significant interest to our stakeholders.

Anglo American's stakeholders include our customers, host communities, employees and unions, partners, governments, multinational organisations, broader civil society, trade associations and suppliers, in addition to our shareholders who own the business. In some instances we participate in multi-stakeholder initiatives where, by definition, multiple stakeholder groups are involved to provide a more collaborative and holistic view on the issues facing the industry.

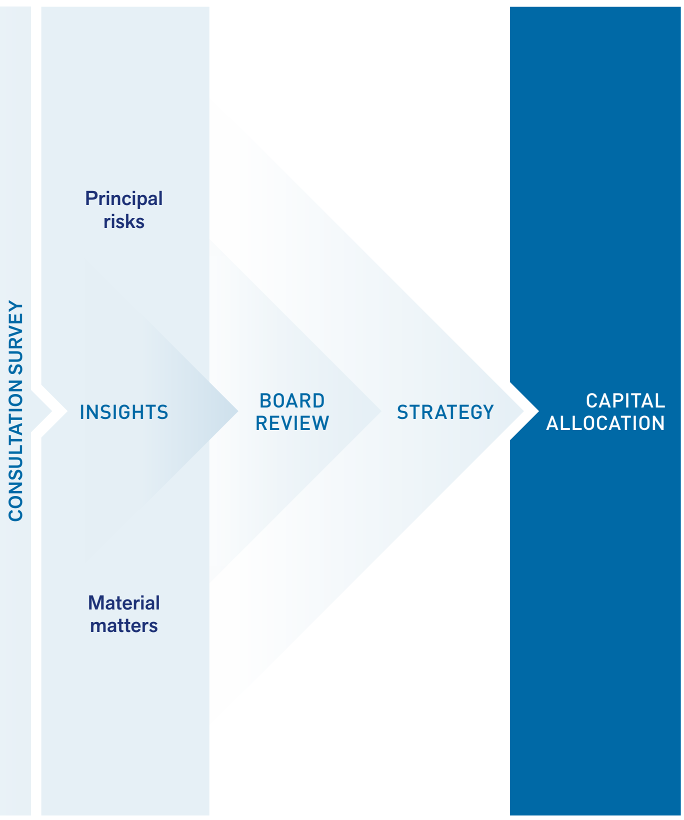
OUR APPROACH TO DETERMINING WHAT IS IMPORTANT

Identifying and evaluating matters that are of common material interest to our stakeholders and to our business, and understanding how they may affect our ability to create value over time, are integral to our planning processes and help support the delivery of Anglo American's strategy.

Our process for determining those matters involves three steps: consultation, analysis and approval.

The consultation process in 2017 involved extensive desktop research, including: review of the Group Risk Register; global media coverage and analyst reports on Anglo American and the mining sector; and analysis of minuted Board and executive discussions. We also conducted an external consultation survey with a wide range of stakeholders, including investors, communities, customers, suppliers, governments, civil society and industry groups. We will continue to conduct such engagement on a regular basis.

STAKEHOLDER GROUPS	ENGAGEMENT OPPORTUNITIES
Investors	Annual General Meeting, investor roadshows, one-on-one meetings, results webcasts and investor days
Communities	Socio-Economic Assessment Toolbox (SEAT), surveys, community accountability forums, and complaints and grievance procedures
Governments and multilateral institutions	Ongoing engagement across all levels of government (national, regional and local) and multilateral organisations (e.g. UN, EU, World Bank) in relation to policy and legislation of relevance to responsible business practices
Employees and trade unions	Face-to-face dialogue between employees and line managers, employee surveys, dialogue through established industrial relations channels and meetings with unions
Suppliers and contractors	Focused supplier events, strategic supplier relationship management, local procurement and small business development initiatives
Civil society (NGOs, faith groups, academia)	One-on-one interactions, stakeholder partnerships and initiatives
Customers	Commodity and product-specific marketing and one-on-one meetings
Industry/business associations	Association memberships, industry events, peer-to-peer meetings



MATERIAL MATTERS IN 2017

The matters identified through our materiality process were naturally numerous and wide-ranging. These were then analysed and prioritised by senior management, and then reviewed and approved by the Board.

In order for us to report against these material matters effectively, highlight connectivity and demonstrate how they affect the delivery of our strategy, we have set them out under the headings listed in the table below.

For our Principal risks
See pages 42-45

Each material matter covers a number of topics and issues, and some also intersect with specific principal risks facing the Group, as identified in the Group Risk Register. Principal risks are those risks, or combination of risks, that would threaten the business model, future performance, solvency or liquidity of Anglo American. An analysis of the Group's principal risks, including mitigation strategies, can be found on pages 42-45 of this report.

Matters identified as material to our stakeholders and our business include:

MATERIAL MATTERS	AREAS OF IMPACT
Safety and Health Protecting the safety and health of employees and contractors is a fundamental human rights issue facing Anglo American and the mining industry. While protecting our workforce from harm is a moral imperative, our focus on 'zero harm' also constitutes a direct investment in the productivity of the business. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that mitigates operational stoppages, and reduces potential legal liabilities. Safety is also considered a principal risk. Further details on this principal risk can be found on page 44.	Strategic element: B C Pillars of value:
Environmental impacts and climate change Responsible environmental management, including the management of water consumption and discharge, is a major factor in legal compliance and permitting, but also plays a significant role in improving the balance of value from mining for our local stakeholders. Understanding the effects of climate change on our business and how it may impact our value chain is important as we strive to maximise the opportunities associated with the transition to a low-carbon future.	Strategic element: A B Pillars of value:
Meeting our commitments to governments and society Acting in an ethical and responsible manner is fundamental to Anglo American realising the significant business benefits gained from building trusted and constructive relationships with our stakeholders. Working closely with host communities and governments to undertake integrated planning and share the benefits of mining helps Anglo American to avoid and mitigate adverse social impacts (including after a mine closes), optimise development opportunities and maintain our socio-political licence to operate.	Strategic element: A B C Pillars of value:
Workforce culture and capability To deliver on our business objectives, we rely on a capable and engaged workforce that behaves in a manner that is consistent with Anglo American's values and Code of Conduct. We aim to foster a high performance culture, through an organisation structure that is fit for purpose, resourcing this structure with the best capability and empowering our people to deliver results.	Strategic element: C Pillars of value:
Operational and cost performance The mining sector continues to face operating cost inflation, including labour costs, energy costs and the impact of ore grade deterioration. In order to deliver our profitable growth strategy and to maintain our competitive position, Anglo American must deliver its financial improvement targets and minimise the number of unplanned operational stoppages that affect production. This is also considered a principal risk. Further details on this principal risk can be found on page 45.	Strategic element: A B C Pillars of value:
Political and regulatory Anglo American operates or has projects in a number of countries where there is political instability and where the regulatory environment for the mining industry is uncertain. These factors are also considered principal risks. Further details on this principal risk can be found on page 42.	Strategic element: A B C Pillars of value:
Macro-economic environment Economic slowdown in those countries that are major consumers of the Group's products could have a negative impact on demand for those products. Demand may also be negatively affected by product substitution and/or fundamental shifts in market forces. These factors are also considered principal risks. The Marketplace review on pages 11 to 13 gives more detail on the macro-economic environment facing the Group.	Strategic element: A B Pillars of value:

PILLARS OF VALUE

- **Safety and Health**
- **Environment**
- **Socio-political**
- **People**
- **Production**
- **Cost**
- **Financial**

For more on our pillars of value
See page 10

STRATEGIC ELEMENT

- A **Portfolio**
- B **Innovation**
- C **People**

PORTFOLIO

The quality and long life of our mineral assets are the foundation of our global and diversified business. We focus on securing and operating assets that offer – either in isolation or in combination with other assets in the portfolio – the most attractive long term value-creation potential, as measured by sustainable cash flow and returns.

HIGHLIGHTS

TRANSFORMED AND UPGRADED PORTFOLIO – NUMBER OF ASSETS REDUCED FROM 68 IN 2013 TO

36

UNDERLYING EBITDA IN 2017 FROM RECENTLY COMMISSIONED PROJECTS

$686 million

GROUP ROCE INCREASED TO

19%

KEY PRIORITIES

- Feasibility study for the world class Quellaveco copper project to be presented to the Board in 2018, for development consideration
- Continue the development of Jwaneng's 'Cut-8' expansion and Venetia's underground extension (De Beers).

MATERIAL MATTERS

DISCUSSED IN THIS SECTION:

- **Macro-economic environment**
- **Operational and cost performance**
- **Meeting our commitments to government and society**
- **Political and regulatory**

PILLARS OF VALUE

Financial
Environment
Socio-political

For our KPIs
See page 34

Anglo American is a global diversified mining company. Our portfolio of world class competitive mining operations and undeveloped resources – spanning diamonds (through De Beers), copper, platinum and other precious metals, iron ore, coal and nickel – provides the raw materials to meet the growing consumer-driven demands of the world's developed and maturing economies.

The diversification and scale of our portfolio allows us to leverage our financial resources, technical expertise, and supplier relationships towards delivery on our potential and to the benefit of our customers. The diverse composition of the portfolio also creates a measured risk profile and supports strong returns by balancing and optimising the concentration of our investments across:

- Products (supply)
- End-markets (demand)
- Geographies (political, regulatory and other country-specific considerations).

BUILDING STRATEGIC ADVANTAGE

The primary source of competitive advantage in the mining industry is to own high quality, low cost, long life assets of scale, with positions that can be further enhanced if those assets deliver products into structurally attractive markets.

In assessing our asset portfolio, we consider:

- The stand-alone quality of individual assets, including their relative cost position and resource and growth potential
- Our global competitive position within the individual product groups
- The additional value potential generated through our dedicated marketing expertise.

De Beers

De Beers has the global leadership position in diamonds, producing around a third of the world's rough diamonds, by value. Within its portfolio, De Beers (Anglo American: 85% interest), in partnership with the Government of the Republic of Botswana, has one of the richest diamond mines, by value, in the world at Jwaneng and one of the largest Diamond Resources, by volume, at Orapa. The new Gahcho Kué mine (51% De Beers owned), in Canada's Northwest Territories, entered commercial production in March 2017.

Our major diamond mining assets have large, long life and scalable resources and we are continuing to invest in our existing operations to extend our mining activities. The 'Cut-8' expansion of Jwaneng will increase the depth of the mine from 400 metres to 650 metres, while in South Africa, Venetia is being extended underground, extending the life of mine to 2046[(1)].

The lack of many significant economic kimberlite discoveries over many years, combined with the ongoing growth in consumer demand for diamond jewellery in both mature and developing markets, points to strong prospects for the diamond business.

Through its differentiated rough diamond distribution model, which comprises term contract Sightholders, accredited buyers and auction sales customers, De Beers has a range of insights into its customers' demand patterns. De Beers seeks to stimulate consumer demand for diamonds through its Forevermark™ and De Beers Jewellers brands and through its participation in the Diamond Producers Association.

[(1)] The current Mining Right expires in 2038. An application to renew the Mining Right will be submitted at the appropriate time. There is a reasonable expectation that such renewal will not be withheld.

Copper

Anglo American has a world-class asset position in copper, with the potential to establish a leading position built around its interests in two of the world's largest copper mines – Los Bronces (a 50.1% owned subsidiary) and Collahuasi (44% owned joint operation), with Reserve Lives of 23 years and 69 years, respectively. The resource base of these assets underpins our future near-asset opportunities, in addition to a number of future potential projects, including our feasibility phase Quellaveco project in southern Peru – one of the world's largest untapped copper orebodies – and the polymetallic Sakatti deposit in Finland.

The copper industry, although expected to be broadly balanced in the medium term, is expected to struggle to meet longer term demand growth, including from electric vehicles and renewable energy, as declining grades and more challenging physical and environmental conditions, along with tougher licensing and permitting requirements, will all affect the industry's ability to deliver new copper supply.

RESTRUCTURING OUR METALLURGICAL COAL BUSINESS FOR SUCCESS

The restructuring of our Metallurgical Coal business in Australia has resulted in a significantly improved product mix. Over the past seven years, production of higher-value hard coking coal has increased from 51% to 80%. Featured is coal handling and preparation plant operator at the Moranbah-Grosvenor complex, Derek Webley.

Material matters

Operational and cost improvements required to deliver sustainable cash flow and returns across the cycle. Delivered via:

- Productivity improvements at longwall operations
- Restructuring and divestment of lower margin assets
- Successful commissioning of Grosvenor metallurgical coal project.

Over the past few years, Anglo American has delivered a comprehensive restructuring of Metallurgical Coal, the Group's high margin coal business based in Queensland, Australia. The restructuring has taken a number of forms, with a focus on driving material margin improvement:

- Improvements at Grasstree and Moranbah longwall mines (both hard coking coal (HCC) producers) have resulted in a 66% improvement in run of mine productivity over the past seven years. These two mines are now Australia's most productive coal longwall operators. A third longwall mine was added to the portfolio when Grosvenor, also an HCC producer, delivered its first coal in May 2016, seven months ahead of schedule and more than $100 million below its total capital budget. Despite encountering challenging geological conditions during its commissioning, these have been largely overcome and the mine is currently ramping up after its first longwall move
- Divestments over the past two years have included pulverised coal injection (PCI) producer Foxleigh and Callide (a domestic and export thermal coal producer), while mining activities have ceased at Drayton (an export thermal producer) and we expect to complete the sale of the operation in the near future
- The Dawson and Capcoal open cut operations, that produce HCC, PCI and thermal coal, have been substantially restructured to reduce volumes, take out the highest cost capacity and increase margins.

These initiatives have led to the proportion of HCC in Metallurgical Coal's export-production mix climbing from 51% in 2010 to 80% in 2017, while completion of the ramp-up at Grosvenor will see this proportion increase further. Metallurgical Coal now has a significantly improved product mix, which has increased its profit margin by $29/tonne since 2010, while stringent containment of unit costs has seen seven years of inflation more than offset by productivity improvements and restructuring.

Platinum Group Metals (PGMs)

Our Platinum business (held through a 78% interest in Anglo American Platinum Limited) is the world's leading PGM producer, extracting and processing around 40% of all newly mined platinum. It occupies the pre-eminent position, in terms of production, mining, processing and refining assets, and the quality and size of its resource base, in the world's largest PGM deposit – the Bushveld Complex in South Africa. It also has a significant stake in one of the world's largest PGM deposits outside of South Africa, on the Great Dyke in Zimbabwe. Our flagship platinum mine, Mogalakwena, is the highest-margin primary platinum producer in the industry and, as the only large open pit PGM mine globally, is at the centre of a more flexible, competitive and lower risk business.

Platinum is continuing its ongoing repositioning around a leaner, best in class operating footprint at the Mogalakwena and Amandelbult mines in South Africa, and Unki mine in Zimbabwe, alongside its joint venture interests in the Kroondal, Mototolo and Modikwa mines in South Africa.

Demand for PGMs is forecast to increase over time, given the ongoing trend towards cleaner-emission vehicles, driven by increasingly stringent global emissions legislation. Increasing demand by the automotive industry is likely to be augmented by growing opportunities for emerging new applications, including hybrid and hydrogen fuel cell electric vehicles, while emerging countries such as India offer the potential of developing, from a relatively low base, into significant platinum jewellery markets.

Our business is well positioned to proactively stimulate demand for platinum, including through targeted campaigns in emerging jewellery markets; creating new investment demand for the metal as a store of value; and through direct investment in a number of companies developing new technologies that are expected to drive industrial demand for PGMs.

Iron ore and manganese

Iron ore

Anglo American's iron ore operations provide customers with niche, high iron content ore, a large percentage of which is direct-charge product for blast furnaces. In South Africa, we have a majority share (69.7%) in Kumba Iron Ore, where the Sishen and Kolomela mines produce leading quality lump ore and also a premium fine ore. The lump iron ore produced from Kumba's operations is in particular demand, and commands a premium price, owing to its excellent physical strength and high iron content.

In Brazil, we have developed the integrated Minas-Rio operation (100% ownership), consisting of an open pit mine and beneficiation plant in Minas Gerais, which produces a high quality pellet feed product, offering a high iron content and low levels of contaminants. The iron ore produced is transported through a 529 kilometre pipeline to the Ferroport iron ore handling and shipping facilities at the port of Açu, in which Anglo American has a 50% shareholding.

Manganese

In manganese, we have a 40% share in Samancor Holdings, with operations based in South Africa and Australia.

Coal

Australia – Metallurgical coal

Our Tier 1 coal assets include the Moranbah North (88% ownership) and Grosvenor (100% ownership) metallurgical coal mines, both located in Queensland. The mines are underground longwall operations and produce hard coking coal. We are the world's third largest exporter of metallurgical coal and our coal operations in Australia serve customers throughout Asia and the Indian sub-continent, Europe and South America. More stringent environmental and safety regulations in China have led to the closure of a number of coal mines there, resulting in increased demand and prices for high quality coking coal, such as that produced in our Australian mines.

South Africa

Excluding the Eskom-tied operations, we own and operate five thermal coal mines in South Africa, and jointly manage the Mafube mine with Exxaro. In South Africa, we supply both the export and domestic energy markets and, from the Richards Bay Coal Terminal, we export throughout the Atlantic, Mediterranean and Asia-Pacific regions.

Colombia

In Colombia, Anglo American, BHP and Glencore each have a one-third shareholding in Cerrejón, one of the country's largest thermal coal exporters.

Nickel

Our Nickel business is well placed to serve the global stainless steel industry, which depends on nickel and drives demand for it, and to benefit from demand for batteries for electric vehicles. Our assets (both 100% owned) are in Brazil, with two ferronickel production sites: Barro Alto and Codemin, in the state of Goiás.

Portfolio restructuring in the year

We will continue to refine and upgrade our asset portfolio as a matter of course in order to ensure that our capital is deployed effectively to generate enhanced and sustainable returns for our shareholders.

Anglo American has restructured significantly over the last four years and, as a result, upgraded the overall quality of its portfolio of mining assets since 2013, moving from 68 assets to 36 at the end of 2017. This transformation has been achieved through extensive operational self-help and other efficiency work, together with the sale, placing onto care and maintenance and closure of assets, resulting in a step-change in Anglo American's operational performance, profitability and cash flow generation.

Disposals announced and completed

During 2017, we completed the disposal of our 83.3% interest in the Dartbrook coal mine (Metallurgical Coal) to Australian Pacific Coal Limited, our 42.5% interest in the Pandora mine (Platinum) and certain Amandelbult resources (Platinum). In February 2018, we completed the disposal of Platinum's 85% interest in Union Mine and 50.1% interest in Masa Chrome Company Proprietary Limited in South Africa to a subsidiary of Siyanda Resources Proprietary Limited.

Anglo American entered into several sale agreements, the completions of which are subject to, among other things, regulatory approvals, including our 88.2% interest in the Drayton thermal coal mine and Drayton South project in Australia to Malabar Coal Limited. The sale of the Eskom-tied domestic thermal coal operations in South Africa to a wholly owned subsidiary of Seriti Resources Holdings Proprietary Limited is expected to complete on 1 March 2018. In addition, in January 2018, we agreed the sale of the New Largo thermal coal project and Old New Largo closed colliery in South Africa to New Largo Coal Proprietary Limited, which is owned by Seriti Resources Holdings Proprietary Limited, Coalzar Proprietary Limited and the Industrial Development Corporation.

Other portfolio changes
The Group has ceased, or is ceasing, production at a number of operations. Operations that have been closed or placed onto care and maintenance in recent years include: Snap Lake (De Beers) and Peace River Coal (Metallurgical Coal), both in Canada; and Twickenham platinum mine and Thabazimbi (Iron Ore), both in South Africa. Also in South Africa, the Bokoni mine (Platinum) was placed onto care and maintenance by Platinum's joint venture partner, Atlatsa Resources, during the year.

Damtshaa diamond mine in Botswana, which was placed onto care and maintenance from 1 January 2016, successfully achieved a restart in the fourth quarter of 2017, in preparation for 2018 production.

Having exceeded its original diamond production forecast over its expected lifespan, De Beers' Victor mine in Canada is due to close in 2019, when the open pit will have been depleted.

Projects

Projects ramping up
A number of projects across the Group have been delivered since 2016, and are contributing to operating cash flows, including Barro Alto (Nickel), Grosvenor (Metallurgical Coal), Gahcho Kué (De Beers) and Minas-Rio (Iron Ore). Together, these assets contributed $686 million of underlying EBITDA in 2017.

Future project options
Strict value criteria are applied to the assessment of Anglo American's portfolio of future growth options. Where appropriate, we aim to seek partners for the development of major greenfield projects and are likely to not commit to more than one such project at any given time. The Group will continue to maintain optionality to progress with value accretive projects, should market conditions and capital availability permit.

Although no new major capital projects were approved during 2017, we continue to retain and advance select studies, abiding by our established social commitments and managing the costs of maintaining those options appropriately.

One such option is the Quellaveco project in southern Peru – one of the world's largest untapped copper orebodies. The project's feasibility study is expected to be presented to the Board for development consideration in 2018.

(1) Please refer to the Ore Reserves and Mineral Resources Report 2017 for additional details.

QUELLAVECO

Quellaveco is one of the world's most significant undeveloped copper deposits. With Ore Reserves estimated at 1.3 billion tonnes, containing 7.5 million tonnes of copper[(1)], it is expected to operate in the lower half of the industry cost curve. Anglo American owns 81.9% of Quellaveco, with the balance owned by Mitsubishi Corporation. Given that Quellaveco is a major greenfield development, Anglo American intends to further syndicate its shareholding to support a broader funding capacity and project risk profile.

The project involves the mining of this extensive copper and molybdenum deposit which is located at an altitude of around 3,500 metres in the Moquegua Region of southern Peru. The Quellaveco site is 34 kilometres east of the town of Moquegua and 165 kilometres northeast of the proposed port facility near Ilo. The operation will use open pit mining and processing by flotation to produce copper concentrate, as well as molybdenum and silver by-products. The copper concentrate will then be transported to the coast for export.

We have made considerable progress re-scoping Quellaveco to enhance its economic case, while maintaining our social commitments.

The project has obtained all the major permits required for construction and operation, and has a high level of acceptance from the community and the local, regional and national governments. This level of socio-political acceptance has been achieved and maintained by meeting a series of commitments arising from an extensive 'Dialogue Table' process, as well as a number of ongoing social projects in the surrounding communities. The Dialogue Table was a unique initiative launched by the Regional Government of Moquegua in which local and national stakeholders, authorities, and representatives from Anglo American worked together during an 18-month process to reach agreements on three main areas: water resources, environment and social responsibility.

It is expected that the feasibility study for Quellaveco will be reviewed by Anglo American's Board in 2018, for development consideration.

During the Board's visit to Peru in October 2017, directors were given a tour of the Quellaveco project site by project vice president Domenico Pelliccia (second from right). The Board expects to review the project's feasibility study during 2018.

INNOVATION

Across every aspect of our business, we are thinking innovatively about how we work to ensure the safety of our people, enhance our sustainability performance, and deliver industry-leading margins and returns. We are developing a replicable model of differentiated practices and capabilities that is designed to deliver superior value to all our stakeholders from assets that are in our hands.

HIGHLIGHTS

GROUP PRODUCTION GROWTH◊ – COPPER EQUIVALENT BASIS

5%

VALUE OF COST AND VOLUME IMPROVEMENTS◊ IN THE YEAR

$1.1 billion

CUMULATIVE AVOIDED ENERGY COSTS OVER THE PAST THREE YEARS

$260 million

KEY PRIORITIES

- Continue to advance the implementation of the Operating Model across our assets to realise further cost and productivity improvements
- Eliminate fatal injuries through the implementation of the Operational Risk Management programme
- Conduct baseline assessments to support ambitious new greenhouse gas, energy, water and biodiversity targets articulated in the Anglo American Sustainability Strategy.

MATERIAL MATTERS

DISCUSSED IN THIS SECTION:

- **Safety and Health**
- **Environmental impacts and climate change**
- **Operational and cost performance**
- **Meeting our commitments to government and society**
- **Political and regulatory**

PILLARS OF VALUE

Production
Cost
Safety and Health
Environment
Socio-political

For our KPIs
See page 34

From resource exploration and discovery, to delivering our products into our customers' hands, FutureSmart Mining™ is our innovation-led approach to sustainable mining. The technologies that we are developing and deploying to fundamentally change the way we extract and process our products, as well as identify potential, will provide the next step-change in operating performance – creating significant safety improvements, and major energy, water and capital cost savings.

SUSTAINABLE VALUE THROUGH INNOVATION

Through FutureSmart Mining™, we are looking for opportunities that will deliver value quickly, while at the same time developing longer term solutions that will offer benefits, not only across our own operations, but across the entire mining value chain. We apply open innovation principles to bring together stakeholders with different perspectives to reframe challenges and co-create solutions that will benefit the entire industry.

Two key areas where our technology-led innovation is already making a real difference are energy and water efficiency. Comminution (the grinding and crushing of rock) is the largest consumer of energy in mineral processing. Through FutureSmart Mining™, we are investing in novel mineral processing technologies that are more energy-efficient than conventional methods. For example, our tests show that there is a possibility of reducing comminution energy by 30% over current methods. We also invest in the development of low-emission technologies using PGMs – notably platinum-based hydrogen fuel cell technology. To accelerate the development of mining fuel cell electric vehicles and trains, we are exploring innovative ways to store hydrogen using liquid organic hydrogen carrier technology.

Our ambition is, where possible, to completely remove fresh water from our mineral processing. An important area of focus is low-cost dry-tailings disposal because water sent to tailings often represents a mine's largest water loss. Fine-particle slurries in particular are difficult to dewater and current dry disposal options have prohibitive capital and operating costs. We are exploring low-cost methods to minimise the amount of water sent to tailings.

For Anglo American, innovation extends beyond the mine. It considers the entire mining ecosystem – from exploration, right through to mine closure and rehabilitation – and considers the perspectives of all our stakeholders, at every stage.

We believe that one day all mines will be both carbon- and water-neutral (as well as low cost and scalable), with a minimal footprint that is harmonised with the needs of our host communities – and that FutureSmart Mining™ is our pathway to that future.

DELIVERING STABLE OPERATING FOUNDATIONS

Our unique Operating Model is designed to support the transformation of asset performance. The focus on stable and predictable delivery provides a foundation for continuous and sustainable operating improvement. This approach has resulted in step-change advances in safety and productivity, and lower costs, and is embedded throughout the business.

The Operating Model is a people- and systems-intensive framework that is designed to deliver and embed change. It provides our people with a common language and way of working across the business, bringing clarity to the work we do and ensuring that roles and accountabilities are clearly defined across the operations.

The framework is built around three key components:

- Operational planning ensures that we have confidence in the targets we set and in our ability to develop the operating tactical plans to meet business expectations
- Work management focuses on driving the right behaviours and routines across the approval, planning, scheduling, resourcing and execution of work programmes
- Feedback ensures that the measures we use are well-defined and -controlled and that appropriate improvement processes are applied.

While there are three components to the Operating Model, to date the focus has largely been on work management. The Operating Model follows a phased implementation journey, starting at the project set-up phase and ending with the stabilisation and sustaining phases. By the end of 2017, various components of the Operating Model had been fully or partially implemented at 14 operations.

TOWARDS A WATERLESS MINE

At Mogalakwena platinum mine, in South Africa's water-stressed Limpopo province, technical lead Dean Bothma inspects fibre-optic sensing equipment, enabling accurate, real-time monitoring of all water flows mine-wide. This is the world's first permanent installation using this type of distributed sensing technology.

Material matters
Working to eliminate our use of fresh water in mining processes; benefiting our operations, the environment and our host communities by:

- Measuring and managing water evaporation at our current tailings storage facilities
- Minimising the volume of water used in mineral production
- Working towards dry, stackable tailings.

Anglo American aims to eliminate the use of fresh water from mining processes. Our work towards a waterless mine focuses on evaporation measurement and dry tailings disposal, exploring innovative approaches to dry separation, and non-aqueous processing.

Mining operations store water in dams to ensure a reliable water supply and enable recycling, but evaporation accounts for 10% to 25% of water lost. We are testing a new technology developed by Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO) to more accurately measure and manage evaporation rates.

Significant water losses are also incurred in tailings disposal. Fine particle slurries are particularly difficult to dewater and current dry disposal options have prohibitive capital and operating costs. In partnership with an innovation leader, we are conducting promising research, testing bespoke polymers to separate water from fine slurries. This lower-cost dewatering technology creates dry, stackable tailings.

To minimise the amount of water sent to tailings in the first place, we are also exploring innovative methods for more targeted comminution (crushing and grinding ore to the required particle size), dewatering waste far earlier in the process. Early estimates indicate the potential for a 30% to 40% reduction in water used per unit of mineral production.

We are confident these dry processing techniques will allow us to re-use 80% of process water, moving us closer towards the waterless mine.

At our diamond operations, roll-out of our Operating Model is at various stages. At **Jwaneng**, in Botswana, the work management component is in the stabilisation phase. Also in Botswana, at **Letlhakane's** tailings retreatment plant, work management implementation has moved into the site-readiness phase where all systems in support of the Operating Model are tested and accepted. In South Africa, at **Venetia** mine, implementation of the Operating Model commenced in the second half of 2017, and is now focused on operational planning. At **Gahcho Kué** in Canada, implementation of the Operating Model is well advanced, with the integrated execution schedule for mining going live in the last quarter. Work is currently under way to define the scope for work management in mine maintenance (heavy mining equipment).

At our **Los Bronces** copper operation in Chile, work management in the mine was stabilised during the third quarter of 2017, with accountability for sustaining it being been handed over to the line management team. The focus in the final quarter was on operational planning.

At Platinum in South Africa, implementation of the Operating Model at **Amandelbult** complex started in early 2017, with work management and feedback under way at its **Dishaba** and **Tumela** mines. **Mogalakwena** has implemented all components of the Operating Model. Operational planning is currently in the stabilisation phase, with work management being sustained by the line management team at the North and South concentrators, as well as the mine. At the converting plant, implementation of the work management component is in the sustaining phase. **Rustenburg Base Metals Refinery**'s implementation of work management is currently in the gap-analysis phase and some sections of the refinery are in critical-issue resolution. At **Waterval smelter**, implementation of the Operating Model is in the project set-up phase.

At Kumba's iron ore operations in South Africa, **Sishen** has been focusing on a review of the service and production strategies for the plant, as well as subsequent refinement of the work-scheduling system, which has identified significant opportunities to improve the planning process. Meanwhile, at **Kolomela**, the Operating Model continues to deliver above scheduled-work and compliance targets as part of the work management component.

At **Minas-Rio** in Brazil, work management for mine maintenance (heavy mining equipment) has been handed over to the line management team. Work is well advanced in incorporating all mine production work into an integrated mining execution schedule. Work management implementation in the beneficiation plant is progressing well and commenced in 2017 at the pipeline and port facilities, where operational planning for the mining complex is under way.

At Metallurgical Coal in Australia, the Operating Model is in the pre-start phase of implementation. Each of the operations is concentrating on developing the business-structure performance models that form part of operational planning, with the full project expected to start during 2018.

(1) Metallurgical and export thermal coal production from South Africa and Cerrejón.

COST AND PRODUCTIVITY IMPROVEMENTS

We have continued to lift the performance of our assets through the implementation of our Operating Model and, as a result, have delivered $1.1 billion of cost and volume improvements in 2017, beyond the target we set of $1.0 billion.

Across the Group, production increased by 5% on a copper equivalent basis, driven by improved performances at De Beers (+22%), Kumba Iron Ore (+8%) and Iron Ore Brazil (+4%), partly offset by lower production at the Coal operations (-4%)[(1)].

At De Beers, rough diamond production increased by 22% to 33.5 million carats (2016: 27.3 million carats), reflecting stronger trading conditions and the contribution from the Gahcho Kué mine in Canada, which entered commercial production in March 2017.

Kumba delivered a strong operational performance, increasing iron ore production by 8% to 45.0 Mt (2016: 41.5 Mt), following improvements in mining productivity resulting from fleet efficiencies and higher plant yields. In Brazil, our Minas-Rio iron ore operation produced 16.8 Mt (wet basis), 4% higher (2016: 16.1 Mt), as the operation continued to ramp up its current operating capacity.

Copper production was in line with the prior year at 579,300 tonnes (2016: 577,100 tonnes), with solid performances at Los Bronces and Collahuasi partly offset by the impact of lost production at El Soldado, owing to the temporary suspension of mining operations in the first half.

Our Metallurgical Coal business in Australia produced 19.7 Mt of metallurgical coal, 6% lower than the prior year (2016: 20.9 Mt). This was driven by the divestment of Foxleigh mine (PCI producer), although was largely offset by a strong performance at the underground longwall operations, which produced 12.3 Mt, 14% higher than the prior year (2016: 10.8 Mt). Coal South Africa's export thermal coal production declined by 3% to 18.6 Mt (2016: 19.1 Mt), mainly owing to operational challenges at Khwezela mine, and the planned transition to a new pit at Mafube. The Coal South Africa operations were also affected by self-enforced safety stoppages, following three fatalities in the year.

Group copper equivalent unit costs increased by 7%, driven mainly by stronger producer currencies. Excluding the impact of foreign exchange, the cost increase was 2%. Lower unit costs were realised at Platinum in rand terms, as a result of ongoing cost-saving initiatives, and at De Beers, where higher production and efficiency drives helped reduce unit costs. These efficiencies were offset, however, by higher costs across the Coal business which, in addition to experiencing Khwezela's operational challenges, encountered lower volumes at Dawson and the effects of the extended longwall move at Grosvenor (both Metallurgical Coal).

While we have delivered a material operational turnaround in recent years, we believe there is still significant value to be delivered from the continued implementation of our Operating Model. In 2018, we expect to deliver a further $800 million of benefit and are targeting, by 2022, an additional $3-4 billion annual underlying EBITDA run-rate improvement.

EMPLOYEE SAFETY AND HEALTH

Protecting the safety and health of employees and contractors at work is one of the most fundamental human rights issues facing Anglo American and other mining companies. While protecting our workforce from harm is a moral imperative for us, our focus on 'zero harm' also constitutes a direct investment in the productivity of the business. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that prevents operational stoppages, and reduces potential legal liabilities.

Ensuring a safe working environment

In 2017, we regret to report that nine employees and contractors lost their lives in work-related activities at South African operations managed by Anglo American. Ensuring safety at South African mines remains a particular issue across the industry. We continue to focus on further strengthening our safety culture and controls at more challenging mines so that we eliminate workplace fatalities.

Our intense focus on preventing harm in the workplace was reflected in an encouraging decrease in the number and severity of injuries recorded at our operations compared with 2016. This included an 8% decline in our lost-time injury (LTI) frequency rate and an 11% reduction in our total recordable case frequency rate. Average days lost per LTI reduced by 15%.

All incidents resulting in loss of life or a critical injury are subject to rigorous investigation and management action to prevent similar incidents happening again.

Throughout 2017, all operations continued to implement safety improvement plans, with a focus on effective management of critical controls required to manage significant safety risks, learning from high potential incidents and high potential hazards, culture and safe behaviour programmes, and leadership engagement and accountability. These will remain priorities in 2018, with the aim of ensuring that each of our sites follows a consistent approach. We have also made interventions aimed at further integrating safety within our Operating Model, thereby improving the planning and scheduling of work and tasks. Targets relating to the delivery of Operational Risk Management (ORM) form part of management incentives, and there is a growing recognition that safety and productivity are complementary. Anglo American's safety results affect the performance-based remuneration of all employees in the business.

Promoting health and well-being

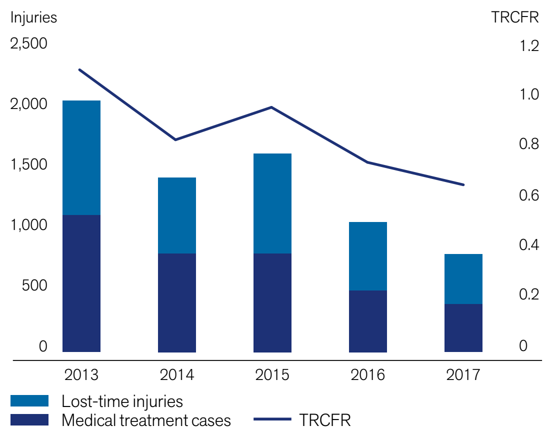
Our health-related activities focus on mitigating occupational health risks in the workplace, supporting the overall health and well-being of our workforce, and promoting community health initiatives in the areas where we operate. In 2017, we updated our occupational health strategy, setting clear objectives and targets for our health outcomes in 2022. Our primary goal is to ensure that there are no new cases of occupational disease as a result of exposure to health hazards at Anglo American.

The number of new cases of occupational disease reported was 96 (2016: 111). A reduction in cases owing to the divestment of Platinum's Rustenburg operations in South Africa was countered by new cases of noise-induced hearing loss and coal workers' pneumoconiosis because of improved reporting.

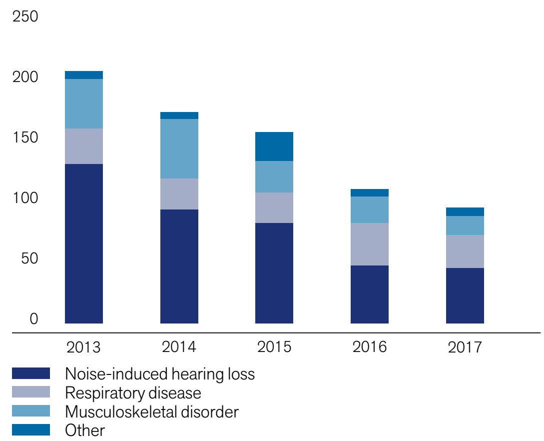
Our workplace tuberculosis (TB) and HIV/AIDS programmes continue to show encouraging results. As at the end of 2017, 83% of employees knew their HIV status. While this fell short of our target of 90%, 76,000 members of our workforce (including contractors) participated in testing. Our TB incidence rate among employees in South Africa decreased again in 2017, and on average, remains well below the 2017 South African national rate of 781 per 100,000.

The number of employees who have died from TB (four) and AIDS (12) has decreased considerably in recent years. The reduction is a result of changes in the business portfolio, as well as improved anti-retroviral uptake, active case management and HIV/TB awareness campaigns.

Lost-time injuries, medical treatment cases and total recordable case frequency rate 2013–2017



New cases of occupational disease 2013–2017



MARKETING PRODUCTS FOR FULL VALUE

Our Marketing Model maximises the value from our mineral resources and market positions. We do this by seeking to fully understand and address our customers' specific needs and through leveraging our capabilities in the financial and physical markets to drive the right commercial decisions across the value chain – from mine to market.

In 2017, our Marketing business continued to make good progress on its strategy, which is designed to create maximum value across the entire mining value chain. These activities contribute to the Group in a number of ways: improving EBIT; enhancing cash flow through tighter working capital management; better risk- and control management; and stimulating sustainable demand, in particular for PGMs, through an innovative market development and investment programme.

Focusing on our principal strategic levers to generate additional EBIT across the Group, we continued to deliver value through:

- **Sales and marketing excellence:** In 2017, we grew our customer base in number and by geography. Throughout the year we sold all available production while proactively managing a number of supply challenges, including finding new markets for different grades of material, the purchase of third-party volumes to blend with our own material in order to fulfil commitments and, in some instances, renegotiating customer requirements. Close customer relationships continue to be central to our success, as is our ongoing focus on marketing intelligence and analytics. These activities again generated a large proportion of Marketing's value for the Group.
- **Value chain optimisation:** Integrated sales and operations planning (ISOP) is Marketing's process for planning the movement of product from mines' finished-goods stockpiles until delivery to the end-customer. ISOP is embedded across all our products and helps to ensure we make the most of our mineral resources in the light of market and contractual conditions and material available, while capitalising on our logistics capabilities and shipping services.

  In addition to these activities, we again expanded our shipping activities, shipping record volumes across our bulk-commodity portfolio on a CFR basis and increasing our third-party cargoes.
- **Expanding our customer offering through trading and third-party sourcing:** Creating our own capability to access financial and third-party physical markets, thereby broadening our customer proposition.

  Building on previous strong performance and increasing experience, we have expanded our trading and third-party sourcing activities in thermal coal, copper and iron ore, and developed our financial toolkit to enable new value opportunities, manage risks and optimise our use of working capital.

Good progress is being made with market development and new market investment activities, and, in particular, the work to support the commercialisation of fuel cell electric vehicles and related hydrogen technology. In 2017, we became one of the founding members of the Hydrogen Council – a global initiative of 28 leading energy, transport and industry companies with a united vision and ambition for hydrogen technologies to foster the energy transition to a lower carbon future.

With our planned growth and the continued increase in external regulatory requirements, risk management remains a top priority in ensuring the risk factors that affect Marketing – including price, credit, operational, and regulatory – are transparent and comprehensively managed, thereby helping to maximise value for the Group.

A WIN-WIN IN SHIPPING

When the Cape Orchid loaded its first shipment of Kumba iron ore through the dedicated export terminal at Saldanha Bay in September 2015, this was a major event for South Africa – and for Anglo American.

The vessel, which can carry up to 170,000 tonnes of iron ore, is jointly owned by South African and Japanese business interests and is the first merchant ship to be registered under the South African flag since 1985, and the first non-government, South African-flagged ship for more than a decade to take local cadets on board.

As the Cape Orchid's first customer, and through chartering other South African-flagged ships, Anglo American has signalled its intent to assist in reviving the country's presence in the global maritime economy, a sector in which South Africa's participation had been declining for many years. At the same time, and through an emphasis on employing local people where we can, we are contributing to job creation and training, particularly in the Northern Cape where jobs are scarce.

Using ships such as the Cape Orchid, and the second South African flagged vessel, the 186,000 dwt Cape Enterprise, enables Anglo American to take advantage of a lower cost structure for vessels under the South African registry entering the country. By attracting more ships into the South African registry, the direct consequence is achieving job growth and development in the local maritime economy. More broadly, such a policy is directly in line with our own goals as a business to unlock more value, both for the Group and our other stakeholders, throughout our mining journey from mine to end-customer.

The Cape Orchid, which can carry up to 170,000 tonnes of iron ore, is one of the vessels used by Anglo American to ship the commodity from South Africa to Asia. Chartering South Africa-registered vessels is creating value over and above commercial returns – notably, fostering employment and training opportunities in the Northern Cape, one of South Africa's poorer provinces.

SUPPLY CHAIN

Over the past decade, Supply Chain has evolved from a decentralised, business unit focused model to an integrated model with a functional focus. The integration of procurement teams across the function ensures that we collaborate and share knowledge at a global level. This gives us the advantage of consistency in processes, economies of scale and greater scope for efficiencies and value opportunities based on centralised procurement.

Supply Chain is the primary interface with Anglo American's supplier base, who are key stakeholders in the business. Through collaboration with the Group's Technical and Sustainability function, Supply Chain works with suppliers to develop and deliver the latest technological innovations in all areas of the mining value chain. The function has recently embarked on a three-year journey called 'Innovate Supply' that aims to achieve breakthrough outcomes in safety, people, sustainability, digitisation and interface with the business.

Supplier innovation

Working with key suppliers to develop joint technology roadmaps is a core activity for Supply Chain. Together with the Technical team, a number of initiatives, including drill automation, payload optimisation, fuel consumption reduction and blast-accuracy management systems, have been implemented, with an estimated value potential of more than $130 million.

Value creation and cost reduction

Value creation and cost reduction remain a focus for Supply Chain, with the major drivers of these benefits being the global and regional supply framework agreements established with key partners and our concentration on a number of initiatives designed to reduce life-cycle costs of fixed plant, mobile equipment and operational services. The focus on working capital continues to deliver significant value.

Inclusive procurement and responsible sourcing

An inclusive supply chain is central to our value-creation strategy and we strive to deliver inclusive procurement that goes beyond legislation and makes a real, positive difference to our host communities.

Anglo American's 'Responsible Sourcing Standard for Suppliers' articulates easy to understand performance requirements for all the Group's suppliers. Through supplier self-assessments, audits and our supplier engagement programme, we identify and address supply chain risks and areas for improvement. Since 2016, suppliers across our various global procurement categories, who collectively account for more than 22% of our total supplier expenditure, have been requested to complete self-assessments against the standard. Where risks have been flagged, the respective suppliers were requested to undertake third-party audits.

A challenge for companies and suppliers is that there is no common approach to responsible sourcing among major mining companies, leading to duplication of effort for both customers and suppliers. We are examining the lessons from other sectors where good practice standards exist to see if there may be more efficient and robust approaches.

DISCOVERY

Building on the Group's strategy and long track record of exploration success, Anglo American has launched a fundamentally revitalised discovery strategy that is enhancing our position as a discoverer of superior-value deposits that have the potential to transform the production profile of the Group over time, and which play a vital part in delivering a sustainable future.

The key elements of our discovery strategy are:

Quality discovery portfolio

We aim to build and maintain a robust discovery portfolio, including:

- Near-asset projects: a focus on the extensive mineral tenure around Anglo American's existing operations
- Greenfield projects: identifying and securing extensive mineral tenure covering strategic, highly prospective, search space in established and frontier settings.

We are focused on the discovery of mineral deposits that are capable of delivering sustainable and superior returns on a material scale, and which provide greater optionality for the business.

Scientific innovation

By applying a leading technical understanding of the concepts of geoscience throughout its scales, we aim to identify and explore the Earth's most prospective ground. A combination of established and novel proprietary technologies is crucial to Anglo American's track record of mineral discoveries in new settings and beneath the cover of overlying material such as rock or sands.

People and thought leadership

The Geosciences discipline within Anglo American is now consolidated across the Group, including near-asset and greenfield discovery, projects, and operations. This seamless organisation of the discipline supports a greater technical understanding of our world class assets. This is a strategic advantage that is being applied to gain maximum benefit in both near-asset and greenfield discovery work.

ENVIRONMENTAL IMPACTS AND CLIMATE CHANGE

Many of the environmental impacts of mining are borne by communities around our mining operations, while others have to be considered in the context of the contribution to global challenges such as climate change. Anglo American's sustainability strategy sets out our commitment to demonstrating leadership in environmental stewardship.

By 2030, we aim to:

- Reduce greenhouse gas (GHG) emissions by 30% against a 2016 baseline and improve energy efficiency by 30%
- Achieve a 50% net reduction in freshwater abstraction in water-scarce regions and recycle more than 85% of the water we use
- Deliver net-positive biodiversity outcomes wherever we operate.

FIBRE OPTIC CABLE MONITORING OF TAILINGS DAMS

Fibre optic cable technology is already being used at our operations in Chile to enable near-real-time measurement and monitoring of tailings dam conditions, including structural movements, seepage levels and the degree of settlement taking place. Featured in the control room at Los Bronces' Las Tórtolas operation is tailings dam operator Carlos Onetto.

Anglo American is using innovative fibre optic cable technology to monitor and safeguard the integrity of its tailings dams.

The technology is already deployed in Chile and is being introduced in Brazil and South Africa. It will be tested in different environments and applications before it is rolled out across 78 tailings storage facilities worldwide.

The fibre optic cable monitoring initiative is part of Anglo American's FutureSmart Mining™ approach to the innovative use of targeted technology to make mines safer, more efficient and cost-effective.

HOW IT WORKS

Fibre optic cable technology enables near-real-time measurement of parameters such as temperature and strain. Based on data processing and interpretation, we can evaluate structural movements, seepage levels, and settlements in dams – the latter up to sub-millimetre accuracy.

Real-time analysis data improves the monitoring of dam integrity by immediately alerting operations to potential problems, ensuring a faster remedial response.

Interpretation of data can then be used to better understand potential structural movements, long term deformation, and creep in dams and their foundations. It can identify seepage or leakage detected through subtle changes in temperature.

Safe management of tailings dams is critical for Anglo American as failure or leakage can be catastrophic for local communities and the environment.

Tailings dams are also getting bigger as declining yields require more ore to be mined to deliver the same amount of product.

At the Minas-Rio mine in Brazil, fibre optic cable technology will be used to monitor and identify large structural deformations in a concrete box culvert that is part of the tailings dam spillway. The culvert will, in coming years, be subjected to large loads as the dam is raised. Understanding its performance and being able to measure structural deformations will be crucial to monitoring risks associated with maintaining the spillway's integrity.

Managing our environmental impacts

The principal environmental risks facing our business are associated with water security and quality, climate change and extreme weather, and mine closure. We report extensively on our approach and performance related to these and other material sustainability issues in our Sustainability Report.

Environmental incidents

A steady decline over the past four years in the number of environmental incidents reported indicates continued improvement in the management of environmental controls across operations. In 2017, no high impact Level 4 or Level 5 incidents were reported for the third consecutive year. Two Level 3 (medium impact) environmental incidents (2016: four Level 3 incidents) were reported, though these resulted in no lasting harm to the environment.

Water

A large proportion of our operations are in regions with water-related risks. Risks to the business include security and long term sustainability of supply; excess water management, which can lead to unplanned discharges; and the impact of mining activities on water quality and the rights of other users within the catchment. While our risk profile improved in 2017, at least five sites are experiencing severe water scarcity and nearly 50% of all sites are located in regions that are water-stressed. Since a high number of our assets are located in southern Africa, we have developed a collaborative water strategy for the region, which was launched in 2017.

Anglo American is investing in advanced technology and partnerships to contribute positively to water preservation and work towards our vision of becoming a net water provider in our communities and operating waterless mines in water-scarce regions.

In 2017, we continued to implement and embed our new water management standard and associated reporting requirements. The standard guides a risk-based, regional approach to water management, in line with global best practice and the ICMM water reporting guidelines.

Tailings storage facilities

Tailings storage facilities are classified as one of Anglo American's principal risks and are subject to rigorous scrutiny and risk management.

Over the past three years, we have rolled out a new mineral residue management technical standard, which is now in the final stages of implementation for all the Group's tailings dams and water retaining dams. The standard will move the level of care for such facilities beyond compliance and towards internationally recognised best practice.

Additional measures to proactively identify risks include reviews of tailings facilities at Platinum's independently managed joint ventures and the upstream tailings dams in our portfolio. Critical controls at all facilities are audited internally by rotation, and each business unit is addressing priority issues that are identified. External, independent technical review panels are in place at most of our operations where there are mineral residue facilities with high consequence ratings; such review panels will be in place across the Group by mid-2018.

Climate change

Anglo American is seeking to respond to society's expectations for greater transparency around climate change, expressed by initiatives such as the 'Aiming for A' coalition and the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

Climate change governance

The Sustainability Committee of the Board regularly reviews progress against our climate change strategy, including specific progress against the Aiming for A resolution. The chief executive's performance scorecard includes GHG-reduction and energy efficiency metrics, while a GHG-reduction target is included in the long term incentive scheme for executive level personnel.

Strategy

We expect that climate change will affect our business in three principal ways: regulation, taxation and the cost of 'decarbonising' energy systems (if passed on to consumers) will have a financial impact; demand for PGMs and copper – critical products in enabling alternative energy technologies – will increase, while coal is likely to feature less prominently in the long term global energy mix; and the physical and social impacts of a changing climate may affect our operations and host communities.

There is also potential for a range of carbon pricing and offset/incentive policies to emerge in the medium term. Carbon pricing scenarios are factored into project investment decisions, and climate change risk and adaptation assessments have been conducted at vulnerable operations.

Anglo American has taken decisive steps for more than a decade to contribute to the global effort to reduce emissions, while continuing to provide the materials that modern life requires. Our climate change policy, launched in 2011, and updated in 2017, is available on the Anglo American website.

Two key processes guide how we manage climate change risks: the ORM programme for operations, and the Investment Development Model for projects. The ORM guides operations on how to assess risk at each level of activity, with tools to help identify priority unwanted events, and the controls we need to put in place and monitor to prevent those events.

Targets and performance

Anglo American's vision of carbon-neutral mining is supported by the following targets:

- By 2020, achieve an 8% improvement in energy use and a 22% saving in GHG emissions against projected 'business as usual' (BAU) consumption
- By 2030, reduce our absolute energy intensity by 30% and reduce GHG emissions by 30%, relative to 2016 levels.

In 2017, Anglo American operations were responsible for 18.0 Mt of CO_2-equivalent emissions (CO_2e), (2016: 17.9 Mt CO_2e) as GHG reductions resulting from divestments were offset by an increase in production, and associated coal-mine methane emissions, at Metallurgical Coal operations.

GHG-emission savings in 2017 amounted to 4.8 Mt CO_2e – a 21% reduction relative to the BAU projection. The Group's total energy consumption declined to 97 million GJ (2016: 106 million GJ). Divestments and energy efficiency projects were the primary causes for the decrease.

Approximately 320 energy efficiency and business-improvement projects saved 6.4 million GJ in energy consumption (a 6% reduction relative to the projected consumption in a BAU scenario) in 2017.

The cumulative avoided energy costs under the ECO_2MAN programme over the past three years are estimated at $260 million based on 2017 energy prices. The energy efficiency projects we have implemented have a typical payback time of three years.

MEETING OUR COMMITMENTS TO GOVERNMENT AND SOCIETY

As a major mining company, with the majority of our operations in developing countries, we are committed to supporting our host governments to achieve their development goals. We endeavour to design and execute our projects according to the highest social standards, and to ensure that our presence in host countries leaves a positive lasting legacy.

This commitment is essential in order to effectively manage social risks and to maintain and strengthen our socio-political licence to operate.

Managing our social performance

Our Social Way defines Anglo American's governing framework for social performance. It provides clear requirements for all Anglo American-managed sites to ensure that policies and systems are in place to engage with affected communities so that we avoid, prevent and mitigate adverse social impacts, and optimise development opportunities. Each site is assessed annually against the Social Way requirements and is required to implement an improvement plan for requirements that are not met in full; progress is monitored at executive level on a quarterly basis. Regrettably, in 2017, two operations each had serious non-compliances (2016: 0), which involved inadequate human rights due diligence on security provision and insufficient evidence regarding emergency response planning procedures. The failure to adhere to required processes resulted in no negative human rights impacts and the matter is being addressed as a priority.

Our industry-leading Socio-Economic Assessment Toolbox (SEAT) is used to improve operations' understanding of their positive and negative socio-economic effects, enhance stakeholder dialogue and the management of social issues, build our ability to support local socio-economic development, and foster greater transparency and accountability. The current version of the SEAT toolkit, which has been in place since 2012, is being updated to align with international best practice and the Social Way.

Social instability leading to community unrest remains a challenge in South Africa, and particularly for our operations in Limpopo province, which hosts several key platinum and diamond assets. To address this, we continue to seek to engage and work collaboratively with employees, trade unions and the South African government, and with communities around our mines. We place a particular strategic focus on mitigating social conflict and promoting socio-economic development across Limpopo.

Over the past two years we have been improving social incident and grievance management to enhance accuracy and consistency across the Group in identifying, reporting and classifying social complaints and grievances. Level 3-5 (moderate to significant) social incidents are reported to the Board and included in the chief executive's quarterly performance scorecard.

Engagement with faith groups

With the rapid pace of societal change, we recognise the need for our industry to engage with an ever wider range of stakeholders to understand the role we can play in long term sustainable development. Several years ago we initiated an exploratory dialogue with the global faith community to seek their perspective on this topic. What started as a very positive initial dialogue with the Vatican has now broadened into an ecumenical engagement that continues at international, national, and local levels in a number of key geographies.

Human rights

Our Human Rights policy and framework guide our approach to identifying and addressing our salient human rights risks, which are also integrated into the Social Way and SEAT tools. Operation-level due-diligence processes are a requirement of the Social Way and have now been conducted at all sites. These assessments will be reviewed annually. The independent peace-building organisation International Alert has been a strategic partner in strengthening our governance of human rights and security since 2010.

In accordance with the UK's Modern Slavery Act 2015, we have published a Group statement on our website to demonstrate our approach to preventing modern slavery and human trafficking in our operations and supply chain.

Socio-economic contribution

Developing thriving communities is a pillar of Anglo American's sustainability strategy. Our targets include creating three indirect jobs for every direct job (at regional level) by 2025, and five indirect jobs for every direct job by 2030.

Our integrated approach aims to enhance the productivity of the private and public sectors in the communities in which we operate. We have a strong focus on leveraging our value chains and expertise, concentrated on promoting local and preferential procurement, enterprise development and youth and workforce development, working with local institutions to strengthen their capacity, maximising the socio-economic benefits from our own infrastructure, and delivering social investment that supports those most in need.

In 2017, $2.1 billion (23%) of supplier expenditure was with host communities (2016: $2.0 billion, 23%), while, since 2008, our enterprise development programmes in Botswana, Brazil, Chile, South Africa and Peru have supported 64,291 businesses and created/sustained 120,812 jobs.

In 2017, Anglo American's corporate social investment (CSI) expenditure in local communities, including by the Anglo American Chairman's Fund and Zimele, totalled $87.9 million (2016: $84.1 million). This figure represents 1.7% of underlying EBIT, less underlying EBIT of associates and joint ventures. Health and education are strategic focus areas in our sustainability strategy and CSI programme.

For more information on our policies, standards and principles, visit **www.angloamerican.com/sustainability/approach-and-policies**

Mine closure and rehabilitation

We design, plan and operate our mines with closure in mind, and plan for post-closure long term sustainability in consultation with communities and other stakeholders. In doing so, we aim to reduce long term risks and liabilities to our business from an environmental and socio-economic perspective, and to ensure that we leave a positive legacy when our mines conclude their operational lives.

Our Mine Closure Toolbox provides a structured approach to closure planning and management. It aims to ensure that the full spectrum of opportunities, risks and liabilities is effectively identified, that plans are fully costed, and that provision is made on the balance sheet for closure.

We are progressively integrating mine closure planning with our operational strategies. This involves assessing and identifying opportunities to make operational changes that require no, or only modest, additional expenditure, and which result in significantly reduced operational costs and closure liabilities. A particular focus is placed on progressive or concurrent rehabilitation.

Global CSI expenditure by region

	$'000	%
Africa	**55,615**	**63**
Americas	**30,334**	**34**
Australia	**363**	**1**
United Kingdom	**444**	**1**
Rest of World	**1,192**	**1**
Total	**87,948**	

Global CSI expenditure by type

	$'000	%
Community development	**47,762**	**54**
Education and training	**16,809**	**19**
Water and sanitation	**11,079**	**13**
Health and welfare	**4,116**	**5**
Sports, art, culture and heritage	**2,859**	**3**
Other	**2,217**	**3**
Institutional capacity development	**1,332**	**2**
Environment	**1,249**	**1**
Employee-matched giving and fundraising	**260**	**0**
Disaster and emergency relief	**243**	**0**
Energy and climate change	**22**	**0**
Total	**87,948**	

PEOPLE

We create a sustainable competitive advantage by resourcing the Group with a capable and engaged workforce within a culture that fosters safety, inclusion, innovation and performance.

HIGHLIGHTS	KEY PRIORITIES	MATERIAL ISSUES
LEADERSHIP TRAINED IN ANGLO AMERICAN'S CODE OF CONDUCT **>3,400** GRADUATES, BURSARS, APPRENTICES AND TRAINEES SUPPORTED **2,209**	• Implement a consistent Organisation Model to maximise the effectiveness of our Operating Model • Proactively identify, develop and promote talent across the business • Enhance analytical and workforce planning capabilities to anticipate changes in the nature of work • Promote an inclusive culture that fosters safety, diversity, innovation and performance.	DISCUSSED IN THIS SECTION: • **Workforce culture and capability** • **Meeting our commitments to government and society** • **Political and regulatory** **PILLARS OF VALUE** **People** **Socio-political** For our KPIs **See page 34**

Our people are critical to all that we do. The partnerships we build, both within Anglo American and with our stakeholders – locally and globally, are central to maintaining our regulatory and social licences to operate and our sustained commercial success. Our continued delivery builds trust with our shareholders to ensure their ongoing investment support.

For our people, we create working environments and an inclusive and diverse culture that encourages and supports high performance and innovative thinking.

Our Organisation Model ensures we have the right people in the right roles doing the right value-adding work at the right time, with clear accountabilities minimising work duplication, and increasing organisation capability and effectiveness.

WORKFORCE CULTURE AND CAPABILITY

Effective and efficient organisation design

Anglo American's organisation design is built around strong, product-focused operating units, supported by functions that provide value-adding expert leadership and ensure effective governance in order to continuously improve business performance.

This design aims to maximise the effectiveness of Anglo American's Operating Model, promote the sharing of resources and consistent best-in-class standards across operations, while investing in functional capacity in the strategic areas that will offer the best business returns.

Resourcing the organisation with the best capability

Equipping Anglo American with an engaged and productive workforce is essential for our success. We aim to attract the best people in the industry and to facilitate professional and personal development for our core disciplines. In assessing current and prospective employees' capability, we consider: technical skills and knowledge acquired through experience and practice; mental processing ability; social process skills; and the degree of drive and commitment a person displays.

Managing talent and developing skills

To resource our structure with the best capability, we need to have the right people in the right roles, and to align workforce aspirations with our organisational goals.

We have developed a talent identification tool and process that has been applied systematically across the Group during 2017. This consistent approach to assessing and calibrating talent has enabled us to map our capability and to better understand our risks and readiness for succession. We have identified and allocated employees into different talent pools for development, with the aim of enabling personal growth and increasing capability.

Providing development and training opportunities is vital in encouraging our people to grow in their work. We have a range of external and internal development programmes in use across the Group, investing more than $69 million on training in 2017. In an increasingly competitive market for skills, we continue to invest in developing a pipeline of future talent through our support of 2,209 graduates, bursars, apprentices and trainees.

Anglo American has numerous initiatives focused on supporting education and development, from schools through to tertiary institutions, as well as programmes targeted at building skills and leadership capability. To strengthen our leadership pipeline, we are implementing a framework for developing management and leadership skills across the Group.

We have identified the need to develop a more structured and integrated practice model for managing learning and development across the Group. The foundational element of this new learning management system will be training in our Code of Conduct, safety and operational risk management.

Given the changing nature of work, we recognise the need to be proactive in anticipating the implications of future technical innovation in terms of work content, capabilities required and employment numbers. As a result, we are developing a more risk-based approach to long term workforce planning.

Building a purpose-led culture

We aspire to build and instil an engaging organisational culture that fosters safety, diversity, innovation and performance – making us the employer of choice within the mining sector. Our organisational culture is shaped by leaders who demonstrate company values and lead their teams with a sense of purpose.

An inclusive and diverse environment

Anglo American embraces inclusion and diversity in all its forms and complies with relevant legal obligations across host jurisdictions. We seek a workforce that reflects our geographical footprint and we provide similar opportunities for broader development within the regions where we operate. A diverse workforce is a source of competitive advantage, bringing greater variety of thought to tackle the complex, global challenges we face.

DOING THE RIGHT THING – PUTTING OUR VALUES INTO ACTION

Employees at Anglo American's headquarters in London were part of our extensive employee engagement programme to cascade and embed our new Code of Conduct successfully. The Code provides employees with a single point of reference to guide them in making the right choices, and drives the behaviours that will support our high performance culture.

Material issues

Developing a capable and engaged workforce that behaves in a manner consistent with Anglo American's values and Code of Conduct:

- Training more than 3,400 leaders to help employees understand the new Code of Conduct
- Providing a toolkit of innovative materials to create simple and creative messaging that can be understood by all of our employees, regardless of cultural, educational or literacy background.

During 2017, more than 3,400 leaders were trained to facilitate Anglo American's new Code of Conduct engagement sessions with employees at all levels in the organisation. Helping employees to understand what it means to act ethically in Anglo American, and supporting them in this process, is all the more critical in challenging market conditions where there are strong tensions between the pressure to deliver targets and choosing to do the right thing.

The engagement programme for the Code of Conduct has encompassed all of our employees across a range of different cultural, educational and literacy backgrounds. The approach has been to train team leaders to facilitate discussions on ethical dilemmas and personal action commitments with their employees. The dilemmas have been based on everyday challenging situations that employees may encounter, such as what to do when they feel that safety or integrity may be compromised. During the discussions, employees were encouraged to refer to the new Code of Conduct as guidance in making the right choice or in knowing where to go to ask for more support.

The toolkit supporting leaders in the 'cascade' campaign included a range of innovative materials from animations to interactive documents. Anglo American was proud to win the 'Best employee engagement programme' award in relation to its efforts in this regard at the 2017 'CorpComms' Corporate Communications Awards.

Various initiatives are under way to measure the success of the engagement programme. In Anglo American's 2017 'Have your say' employee engagement survey, 94% of respondents agreed that the new Code of Conduct was guiding the right behaviours.

We continually develop our workforce to ensure that we have this diversity among our future leaders. The talent mapping exercise we undertook in 2017 has provided a better insight into the future diversity make-up of the organisation. In certain areas of the business we focus on particular aspects of diversity. De Beers, for example, is leading the way on improving gender diversity. As a UN Women partner, De Beers has committed to achieving parity in the appointment of women and men into leadership roles, investing in female micro-entrepreneurs and science, technology, engineering and maths (STEM) students in its diamond producing countries, and ensuring De Beers' brands are a positive force for supporting gender equality through all its marketing campaigns. In South Africa, ethnic and racial diversity is highlighted as an area of focus.

On the back of the progress made by De Beers on gender diversity, Anglo American is developing a broader inclusion and diversity strategy. This includes unconscious-bias training for senior managers and embedding appropriate targets within our recruitment, talent and succession planning processes to ensure that management positions or critical role appointments are made from a diverse range of candidates.

By year end, women made up 19% of our overall workforce (2016: 18%) and 26% of managers (2016: 25%). The proportion of permanent employees under 30 years of age was 13%, while those between the ages of 30 and 50 accounted for 68% of the workforce, and the remaining 19% were over 50 years of age. In South Africa, historically disadvantaged South Africans made up 66% of management positions.

Anglo American has reported its gender pay gap as at the required snapshot date of 5 April 2017, in line with UK legal requirements.

For more information on our UK Gender Pay Gap
See page 115 and the Anglo American website

Encouraging sound industrial relations

Approximately 72% of our current permanent workforce is represented by works councils, trade unions or other similar bodies and covered by collective bargaining agreements. We seek to improve relations with our employees and their representative bodies, and see trade unions as key partners in promoting the broader welfare of our employees. In 2017, Group-wide, there were no instances of industrial action lasting longer than a week.

Supporting labour rights

As expressed in our Human Rights Policy, and as signatories to the United Nations Global Compact, we are committed to the labour rights principles set out in the International Labour Organization core conventions, including the right to freedom of association and collective bargaining, non-discrimination, and the eradication of child and forced labour. Observance of these rights is required of all our operations and suppliers, irrespective of location.

At our operations, we have policies and processes in place to ensure that we do not employ any under-age or forced labour. No incidents of employing under-age or forced labour were reported in 2017.

Reward structures which differentiate performance

Rewarding successful business outcomes is central to achieving our desired culture. It is critical that we provide appropriate remuneration to attract, retain and motivate the right calibre of employee in the regions where we operate.

We implement a performance management and remuneration framework that is designed to reward our people on the basis of their performance, giving equal emphasis to delivery and behaviour through short term incentives. In 2017, we reviewed and revised our approach to rewarding different levels within the organisation for safety performance. Senior leaders within the organisation are incentivised with longer term awards, which are provided upon meeting pre-determined objectives that are in line with those of shareholders.

In total, 19% of employees received formal performance and development reviews.

Code of Conduct

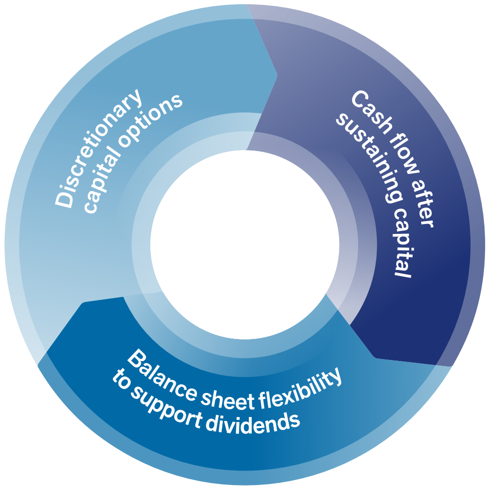
The Anglo American Code of Conduct explains the boundaries within which we must work every day and brings together in one place our material ethical principles and policies. It has at its core our shared values, which describe how we must behave consistently to continue to earn the trust that gives us our licence to operate.

Our Business Integrity Policy and Performance Standards support our anti-corruption commitment by making it clear that we will neither give, nor accept, bribes, nor permit others to do so in our name, either in our dealings with public officials or with our suppliers and customers. The policy sets out the standards of conduct required at every level of Anglo American, including our subsidiaries, joint ventures and associates, in combating corrupt behaviour of all types. It also sets out the requirements of those with whom we do business and those who work on our behalf.

Our ethical business conduct team oversees implementation of the policy by working with senior managers in our business units and corporate functions, and assisting them to put in place adequate procedures for managing corruption risks (including extensive face-to-face training of employees in high-risk roles).

Our internal audit team provides assurance on anti-corruption controls on an annual basis and all stakeholders are able to confidentially report breaches, or potential breaches, of the Business Integrity Policy through our independently managed 'Speak Up' facility.

CAPITAL ALLOCATION



A STRONG FOCUS ON CAPITAL DISCIPLINE

Underpinning our strategy, we have a value-focused approach to capital allocation with clear prioritisation: maintain asset integrity; ensure a strong balance sheet; and pay dividends to our shareholders, determined on an earnings-based payout ratio.

Discretionary capital is then allocated towards growth investments that are subject to a demanding risk framework and that meet our stringent value criteria and, in the event of there being excess cash, this is returned to shareholders.

Value-disciplined capital allocation throughout the cycle is critical to protecting and enhancing our shareholders' capital, given the long term and capital intensive nature of our business.

Over the past two years we have focused primarily on strengthening the Group's balance sheet. During 2017, this was facilitated by significant cash generation from operations, driven by further ongoing cost reduction and productivity improvements, as well as favourable prices for many of our products, particularly the bulk commodities and copper.

We will continue to allocate the appropriate capital expenditure across our portfolio of assets, to both sustain our business and to protect and enhance value. We aim to maintain a stronger balance sheet than in the past, to provide greater financial stability and to allow us to better manage the effects of volatility in the prices for our products through the cycle.

CASH FLOW AFTER SUSTAINING CAPITAL

Anglo American seeks to improve operating free cash flow through five key levers: driving greater productivity and lowering input costs across all operations (including through deployment of the Operating Model); reducing overhead expenditure (including through implementation of the Organisation Model); timely delivery of new projects (primarily, De Beers' Venetia underground mine in South Africa and Debmarine Namibia's SS Nujoma vessel during 2017); maximising revenue (including through further innovations in our Marketing business); and optimising our investment in working capital.

We continue to focus on capital discipline and stay-in-business capital efficiency, while maintaining the operational integrity of all our assets. A sustainable level of total capital expenditure for the current portfolio of assets, excluding growth projects, is between $2.6 and $2.9 billion per year.

BALANCE SHEET FLEXIBILITY TO SUPPORT DIVIDENDS

Our near term objective is to continue to reduce net debt further and ensure the Group's net debt/EBITDA ratio remains well below 1.5, not just at current elevated price levels, but through the cycle. Our clear commitment to a sustainable dividend remains a critical part of the overall capital allocation approach, and a dividend policy of a targeted 40% payout ratio based on underlying earnings, paid each half year, has been adopted.

Net debt at 31 December 2017 was $4.5 billion, significantly lower than the year-end target of $7.0 billion, resulting in a net debt/EBITDA ratio of 0.5. The $4.0 billion reduction in net debt since 31 December 2016 was primarily driven by strong operating cash inflows of $8.4 billion and capital expenditure of $2.2 billion[1].

In 2017, the average maturity of our debt portfolio has been extended through a combination of buying back bonds with near-term maturities and issuing longer-dated bonds. During the year, the Group completed the repurchase of $3.1 billion[2] of US-, euro- and sterling-denominated bonds with maturities from April 2018 to November 2020, and issued corporate bonds of $3.0 billion[3], with 5 to 10 year tenors. These transactions, as well as $1.9 billion of bond maturities during 2017, have reduced short term refinancing requirements and increased the weighted average maturity of outstanding bonds by approximately one year, to 4.4 years.

On 7 February 2018, Anglo American gave notice that it will redeem in full its outstanding $750 million, 9.375% US bond, due April 2019, on 9 March 2018.

As a result of the significant progress made, Anglo American had regained its investment grade credit rating from all ratings agencies by September 2017; Anglo American plc's current ratings are BBB- and Baa3 by S&P Global Ratings and Moody's Investors Service, respectively, both with a stable outlook.

Our materially improved balance sheet supported the decision to resume dividend payments at the half year, six months earlier than expected, and a dividend based on 40% of first half underlying earnings was paid in September 2017.

(1) Excludes capitalised operating cash flows.
(2) Including the cost of unwinding associated derivatives.
(3) $2.3 billion in the US bond markets; €0.6 billion in the European bond markets.

The payout ratio based dividend policy provides shareholders with exposure to improvements in product prices, while retaining cash flow flexibility during periods of weaker pricing. In line with the policy, the Board proposes a final dividend of 40% of second half underlying earnings, equal to 54 US cents per share, bringing the total dividends paid and proposed in the year to $1.02 per share.

DISCRETIONARY CAPITAL OPTIONS

We will continue to upgrade the quality of our diverse portfolio, through improving overall and individual asset quality, maintaining future organic growth optionality and seeking the appropriate geographic and product supply/demand balance.

Strict value criteria are applied to the assessment of future options. Where appropriate, we will seek partners on major greenfield projects, and are likely to avoid committing to multiple such projects at the same time. The Group will continue to maintain optionality to progress with value-accretive projects, should market conditions and capital availability permit.

Projects will be carefully considered as we allocate capital and any excess cash will either be invested for profitable growth or considered for additional returns to shareholders.

During 2017, we received $52 million from divestment transactions[1]. The disposals of our 83.3% interest in the Dartbrook thermal coal mine in Australia, our 42.5% interest in the Pandora mine (Platinum) and of certain Amandelbult complex Mineral Resources (Platinum) were completed.

A number of disposal transactions were agreed, including: in February 2017, the sale of our 85% interest in the Union platinum mine in South Africa to a subsidiary of Siyanda Resources (completed in February 2018); in April 2017, the sale of our Eskom-tied domestic thermal coal operations in South Africa to a wholly owned subsidiary of Seriti Resources Holdings Proprietary Limited (expected to complete on 1 March 2018); and in May 2017, the sale of our 88.2% interest in the Australian Drayton thermal coal mine and Drayton South project to Malabar Coal Limited. In January 2018, we agreed the sale of our 73% interest in the New Largo thermal coal project and Old Largo closed colliery in South Africa to New Largo Coal Proprietary Limited.

In South Africa, the Bokoni mine (Platinum) was placed onto care and maintenance during the year.

We continue to retain and advance select studies, maintaining our established social commitments and managing the costs of maintaining these options appropriately. Our approach to studies and evaluation has a strong emphasis on assessing a broad range of options early on in the study phase, so that we can mitigate risk, identify opportunities and minimise sunk costs. This position is enhanced by the application of innovative concepts and new technologies stemming from our FutureSmart Mining™ approach in order to build and maintain a portfolio of high-value replacement and organic options.

Our 81.9% investment in the open cut Quellaveco copper project in Peru remains one such key option for the Group, with feasibility costs of $0.1 billion[2] spent in 2017. We also have a number of smaller scale, high return capital expenditure opportunities to improve the existing business, in addition to larger scale growth opportunities. For example, Debmarine Namibia, a 50/50 joint venture between the Government of the Republic of Namibia and De Beers, is in the feasibility stage of planning the construction of a custom-built diamond mining vessel, which will work alongside the five owned mining vessels in the Debmarine Namibia fleet, recovering diamonds off Namibia's Atlantic coastline.

(1) Proceeds from divestments are net of cash payments of $126 million, principally in respect of disposals completed in prior years.
(2) The Group's 81.9% share of capital expenditure.

Evaluation expenditure increased to $125 million in 2017 (2016: $105 million) and expenditure on exploration activities decreased by 4% to $103 million (2016: $107 million).

GROUP CAPITAL EXPENDITURE◊

Capital expenditure decreased to $2.2 billion (2016: $2.4 billion), due to rigorous capital discipline applied to all project investments, coupled with the commissioning of the Minas-Rio, Gahcho Kué and Grosvenor projects – all previously projects in execution, for which capitalisation has ceased.

Stay-in-business capital expenditure increased to $1.3 billion (2016: $1.0 billion), primarily owing to the inclusion of expenditure at these newly commissioned assets and stronger producer currencies.

Capital expenditure on our expansionary projects during the year was focused on the ongoing development of De Beers' Venetia underground mine in South Africa. The project is now well under way, with the underground operation expected to be the mine's principal source of ore during 2023, extending the life of mine to 2046.

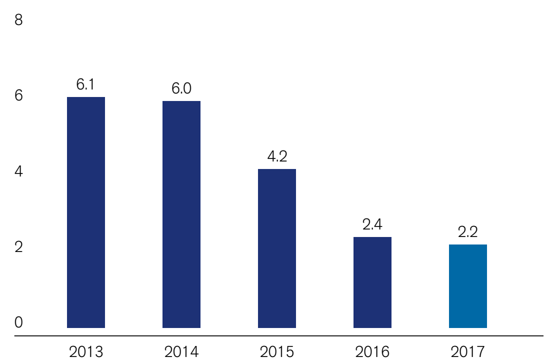
In 2018, we expect capital expenditure to increase to between $2.6 and $2.8 billion.

Capital expenditure◊

$ million	2017	2016
Expansionary	**384**	967
Stay-in-business	**1,310**	1,042
Development and stripping	**586**	551
Proceeds from disposal of property, plant and equipment	**(52)**	(23)
Total	**2,228**	2,537
Capitalised operating cash flows	**(78)**	(150)
Total capital expenditure	**2,150**	2,387

Group historical capital expenditure◊ 2013–2017

$ billion



◊ See page 195 for the definition of capital expenditure.

KEY PERFORMANCE INDICATORS

PILLARS OF VALUE	STRATEGIC ELEMENT	KEY PERFORMANCE INDICATORS (KPIs)	
Safety and Health	B Innovation C People	Work-related fatal injuries[(1)]	Target: Zero harm
		Total recordable case frequency rate (TRCFR)[(1)]	Target: 15% year-on-year reduction
		New cases of occupational disease (NCOD)[(1)]	Target: Year-on-year reduction
Environment	B Innovation	Energy consumption[(1)]	Target: 8% saving by 2020
		Greenhouse gas (GHG) emissions[(1)]	Target: 22% saving by 2020
		Total water withdrawals[(1)]	Target: 14% saving by 2020
		Level 3-5 environmental incidents[(1)]	Target: Year-on-year reduction
Socio-political	B Innovation	Social Way implementation[(2)]	Target: Eliminate non-compliance
People	C People	Voluntary labour turnover[(1)]	
		Gender diversity[(1)]	
		South Africa transformation[(1)]	
Production	A Portfolio B Innovation	Production volumes	
Cost	A Portfolio B Innovation	Unit cost of production	
Financial	A Portfolio B Innovation	Attributable return on capital employed (ROCE)◊	
		Underlying earnings per share (EPS)◊	
		Attributable free cash flow◊	

(1) The results and targets in the KPI table above include subsidiaries and joint operations over which Anglo American has management control.
(2) The 2016 and 2017 Social Way data does not include operations that were divested, closed, or for which sale agreements were concluded during the period. Sites targeted for divestment were granted exemptions on selected requirements; these requirements were not assessed during 2017.

For full description and calculation methodology **See pages 192-193**	2015	2016	2017
Number of work-related fatal injuries	6	11	**9**
TRCFR	0.93	0.71	**0.63**
NCOD	159	111	**96**
Measured in million gigajoules (GJ)	106	106	**97**
Measured in million tonnes of CO_2 equivalent emissions	18.3	17.9	**18.0**
Measured in million m^3	339	296	**306**
Number of level 3-5 environmental incidents	6	4	**2**
Serious non-compliance (%)	1	0	**1**
Moderate non-compliance (%)	33	16	**11**
Compliant (%)	46	51	**56**
Good practice (%)	16	26	**24**
Best practice (%)	4	7	**8**
Expressed as % of total permanent employees	1.9	2.2	**2.3**
Women as a percentage of management (%)	25	25	**26**
Women as a percentage of total workforce (%)	18	18	**19**
Historically disadvantaged South Africans as a percentage of management (%)	60	62	**66**
De Beers – million carats	28.7	27.3	**33.5**
Copper – thousand tonnes	709	577	**579**
Platinum – thousand ounces	2,337	2,382	**2,397**
Iron ore (Kumba) – million tonnes	44.9	41.5	**45.0**
Iron ore (Minas-Rio) – million tonnes	9.2	16.1	**16.8**
Metallurgical coal (Export coking and PCI) – million tonnes	21.2	20.9	**19.7**
Thermal coal (Export) – million tonnes	29.3	29.7	**29.2**
Nickel – thousand tonnes	30.3	44.5	**43.8**
De Beers – $/carat	83	67	**63**
Copper – C1 unit cost, c/lb	154	137	**147**
Platinum – $/ounce	1,508	1,330	**1,443**
Kumba – $/tonne	31	27	**31**
Iron Ore Brazil – $/tonne	60	28	**30**
Metallurgical Coal – $/tonne	55	51	**61**
Coal – South Africa – $/tonne	39	34	**44**
Nickel – C1 unit cost, c/lb	431	350	**365**
Group attributable ROCE◊ (%)	5	11	**19**
Group underlying EPS◊ ($)	0.64	1.72	**2.57**
Group attributable free cash flow◊ ($ million)	(982)	2,562	**4,943**

GROUP FINANCIAL REVIEW

Anglo American's profit attributable to equity shareholders doubled to $3.2 billion (2016: $1.6 billion). Underlying earnings were $3.3 billion (2016: $2.2 billion), while operating profit was $5.5 billion (2016: $1.7 billion).

Group underlying EBITDA increased by 45% to $8.8 billion (2016: $6.1 billion), benefiting from strong bulk commodity and copper prices. Cost and volume improvements across the Group benefited underlying EBITDA by $1.1 billion, exceeding the $1.0 billion target for the year, driven by the ongoing ramp-up of Minas-Rio and strong sales volumes at De Beers in the first quarter. There were also productivity improvements at Kumba, with increased fleet efficiency and higher plant yields, while Platinum made a solid recovery from the operational challenges experienced in 2016. The impact of the Group's ongoing cost-efficiency programme also played a significant role in exceeding our improvement target for the year.

The Group delivered a strong operational performance and increased copper equivalent production by 5%, despite challenges arising from adverse weather conditions in Australia, and an extended longwall move at Grosvenor (Metallurgical Coal).

Group copper equivalent unit costs increased by 7%, principally driven by stronger producer currencies. When the impact of foreign exchange movement is excluded, this increase was only 2%; below the Group's weighted average CPI for the year of 4%.

Attributable ROCE increased to 19% (2016: 11%), owing to the 73% improvement in attributable underlying EBIT to $5.1 billion.

Net debt (including related derivatives) reduced to $4.5 billion, $4.0 billion lower than at 31 December 2016. The reduction was driven by $4.9 billion of attributable free cash flow, reflecting the strong underlying EBITDA and working capital inflows, partly offset by the payment of dividends to Group shareholders.

Our materially improved balance sheet supported the resumption of the dividend at the half year. Based on a payout ratio dividend policy, 48 US cents per share was paid in September 2017. In line with this policy, the Board proposes a final dividend of 40% of second half underlying earnings equal to 54 US cents per share, bringing the total dividends paid and proposed for the year to $1.02 per share.

FINANCIAL PERFORMANCE

Financial performance

	2017	2016
Underlying EBITDA◊ ($ billion)	8.8	6.1
Underlying earnings◊ ($ billion)	3.3	2.2
Profit for the financial year attributable to equity shareholders of the Company ($ billion)	3.2	1.6
Underlying earnings per share◊ ($)	2.57	1.72
Earnings per share ($)	2.48	1.24
Dividend per share ($)	1.02	–
Group attributable ROCE◊	19%	11%

UNDERLYING EBITDA◊

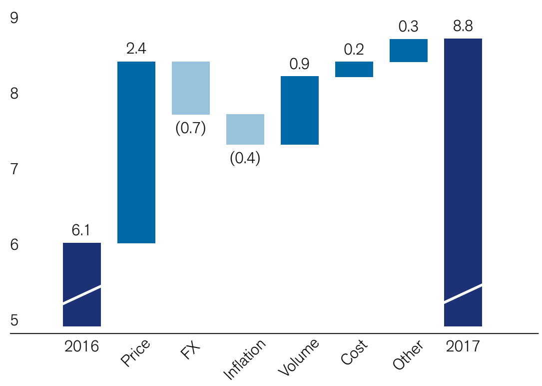
Group underlying EBITDA increased by 45% to $8.8 billion (2016: $6.1 billion), with a five percentage point increase in EBITDA margin from 26% to 31%, driven by strong pricing, particularly in bulk commodities and copper, continued productivity improvements and cost control across the portfolio.

Underlying EBITDA◊ by segment

$ million	2017	2016
De Beers	1,435	1,406
Copper	1,508	903
Platinum	866	532
Iron Ore and Manganese	2,357	1,536
Coal	2,868	1,646
Nickel	81	57
Corporate and other	(292)	(5)
Total	8,823	6,075

Underlying EBITDA◊ reconciliation 2016–2017

$ billion



The reconciliation of underlying EBITDA from $6.1 billion in 2016 to $8.8 billion in 2017 allows an understanding of the controllable factors (e.g. cost and volume) and those largely outside of management control (e.g. price, foreign exchange and inflation) that drive the Group's performance.

Price
Average market prices for the Group's basket of commodities and products increased by 16%, contributing $2.4 billion of improvement to underlying EBITDA. The realised prices of metallurgical coal and copper increased by 57% and 29% respectively, while palladium (Platinum) showed a 44% improvement in realised price. The average realised price of diamonds decreased by 13%, mainly owing to a lower-value mix, with the average rough price index being 3% higher.

Foreign exchange
Stronger producer country currencies had the effect of reducing underlying EBITDA by $0.7 billion, mainly owing to a 9% strengthening of the South African rand and a 4% strengthening of the Chilean peso against the dollar.

Inflation
The Group's weighted average CPI for the year was 4%, in line with the prior year, principally influenced by South Africa, which had local CPI of 5%. The impact of inflationary cost increases reduced underlying EBITDA by $0.4 billion.

Volume
Following the cessation of capitalisation of earnings at Minas-Rio in January 2017, the operation's 16.8 Mt iron ore production materially benefited underlying EBITDA by $0.4 billion, which was also boosted by higher sales volumes at De Beers, reflecting stronger demand for lower-value goods in the first quarter of 2017. Kumba's increased fleet efficiency and higher plant yields, as well as Platinum's solid recovery from the operational challenges experienced in 2016, also contributed to the Group volume improvement.

Cost
The Group's cost improvements benefited underlying EBITDA by $0.2 billion, overcoming the effects of above-CPI inflationary pressure on the mining industry. This performance reflected the numerous cost-saving initiatives being implemented across the Group.

Other
Improved profitability at the Group's joint ventures and associates, Samancor, Cerrejón and Jellinbah, added $0.5 billion to underlying EBITDA. This was driven by higher prices on a stable production base. The action taken in 2016 to streamline our portfolio, which included the disposal of our Niobium and Phosphates business and tactical divestments at Metallurgical Coal, had a negative underlying EBITDA impact of $0.2 billion.

UNDERLYING EARNINGS◊

Group underlying earnings increased by 48% to $3.3 billion (2016: $2.2 billion), in excess of the 45% increase in underlying EBITDA.

Reconciliation to underlying earnings◊

$ million	2017	2016
Underlying EBITDA◊	**8,823**	6,075
Depreciation and amortisation	**(2,576)**	(2,309)
Net finance costs and income tax expense	**(2,223)**	(1,118)
Non-controlling interests	**(752)**	(438)
Underlying earnings◊	**3,272**	2,210

Depreciation and amortisation
Depreciation and amortisation increased to $2.6 billion (2016: $2.3 billion), reflecting cessation of capitalisation at Grosvenor in August 2016, and at Minas-Rio and Gahcho Kué during the course of 2017, in addition to the effect of stronger local currencies.

Net finance costs
Net finance costs, before special items and remeasurements, excluding associates and joint ventures, were $0.5 billion (2016: $0.2 billion). The increase was principally driven by the cessation of capitalisation of borrowing costs associated with Minas-Rio and Grosvenor, leading to a reduction in interest costs capitalised to $35 million (2016: $0.4 billion), as well as the impact of increases in LIBOR. This was partly offset by lower interest expense resulting from reduced average borrowings during the year.

Income tax expense
The underlying effective tax rate was 29.7% for the year ended 31 December 2017 (2016: 24.6%). The effective tax rate in 2017 benefited from the reassessment of deferred tax balances, primarily in Australia and Brazil, partly offset by the reassessment of withholding tax provisions, primarily in relation to Chile and South Africa, and the impact of the relative levels of profits arising in the Group's operating jurisdictions. In future periods, it is expected that the underlying effective tax rate will remain above the United Kingdom statutory tax rate.

The tax charge for the year, before special items and remeasurements, was $1.3 billion (2016: $0.7 billion).

Non-controlling interests
Non-controlling interests of $0.8 billion (2016: $0.4 billion) principally relate to minority shareholders in Kumba Iron Ore (Iron Ore and Manganese) and has increased as a result of higher profitability at Anglo American Sur (Copper).

SPECIAL ITEMS AND REMEASUREMENTS

Special items and remeasurements are a net charge of $0.1 billion (2016: net charge of $0.6 billion) and include net impairment reversals of $0.4 billion, relating to the impairment reversal at Sishen (Iron Ore and Manganese) of $0.5 billion, and El Soldado (Copper) of $0.2 billion, partly offset by impairments of the Group's interest in BRPM (Platinum) and at Coal South Africa.

Full details of the special items and remeasurements recorded in the year are included in note 8 to the Consolidated financial statements on pages 134-135.

Net debt◊

$ million	2017	2016
Opening net debt◊	**(8,487)**	(12,901)
Underlying EBITDA◊ from subsidiaries and joint operations	**7,632**	5,469
Working capital movements	**879**	391
Other cash flows from operations	**(136)**	(22)
Cash flows from operations	**8,375**	5,838
Capital expenditure◊	**(2,150)**	(2,387)
Cash tax paid[1]	**(843)**	(465)
Dividends from associates, joint ventures and financial asset investments	**517**	172
Net interest[2]	**(355)**	(581)
Dividends paid to non-controlling interests	**(601)**	(15)
Attributable free cash flow◊	**4,943**	2,562
Dividends to Anglo American plc shareholders	**(618)**	–
Other net debt movements	**(339)**	1,852
Total movement in net debt◊[3]	**3,986**	4,414
Closing net debt◊	**(4,501)**	(8,487)

(1) 2016 excludes tax payments of $146 million relating to disposals, which are shown as part of net disposal proceeds.
(2) Includes cash inflows of $22 million (2016: $89 million) relating to interest payments on derivatives hedging net debt, which are included in cash flows from derivatives related to financing activities.
(3) Net debt excludes the own credit risk fair value adjustment on derivatives of $9 million (2016: $73 million).

CASH FLOW

Cash flows from operations
Cash flows from operations increased by $2.5 billion to $8.4 billion (2016: $5.8 billion), reflecting strong underlying EBITDA from subsidiaries and joint operations and working capital inflows.

Cash inflows on operating working capital were $0.9 billion (2016: inflows of $0.4 billion), driven mainly by an increase in operating payables across the Group and, in particular, by a $0.2 billion prepayment from a customer in our Platinum business.

Attributable free cash flow◊
Attributable free cash flow increased to a $4.9 billion inflow (2016: $2.6 billion inflow). The improvement resulted from a $2.5 billion increase in cash flows from operations and a $0.2 billion reduction in capital expenditure, offset by a $0.6 billion increase in dividends paid to non-controlling interests.

NET DEBT◊

Net debt (including related derivatives) of $4.5 billion was $4.0 billion lower than at 31 December 2016, representing gearing of 13% (2016: 26%). Net debt at 31 December 2017 comprised cash and cash equivalents of $7.8 billion (2016: $6.0 billion) and gross debt, including related derivatives, of $12.3 billion (2016: $14.5 billion). The reduction in net debt was driven by $4.9 billion of attributable free cash flow, partly offset by the payment of dividends to Group shareholders in September, as well as other net debt movements.

BALANCE SHEET

Net assets of the Group increased by $4.6 billion to $28.9 billion (2016: $24.3 billion). This reflected the reduction in net debt and net foreign exchange gains relating principally to operations with South African rand and Australian dollar functional currencies. Capital expenditure of $2.2 billion was more than offset by depreciation and amortisation of $2.6 billion.

ATTRIBUTABLE ROCE◊

Attributable ROCE increased to 19% (2016: 11%), primarily owing to the 73% improvement in attributable underlying EBIT to $5.1 billion (2016: $3.0 billion), driven by higher prices, higher sales volumes at De Beers, the ongoing ramp-up of production at Minas-Rio in Brazil and the continued delivery of cost efficiency programmes across the Group. This improvement was mitigated by inflation and stronger producer country currencies. Average attributable capital employed was constant at $27.4 billion (2016: $27.4 billion), as capital expenditure and the strengthening of producer currencies were offset by the impact of disposals during 2016 on average capital employed, and a $0.9 billion reduction in working capital during the year.

LIQUIDITY AND FUNDING

In March 2017, the Group completed the repurchase of $1.3 billion (including the cost of unwinding associated derivatives) of euro and sterling denominated bonds with maturities from April 2018 to June 2019. This was followed in April 2017 with a $1.0 billion dual tranche 5 and 10 year issuance in the US bond markets.

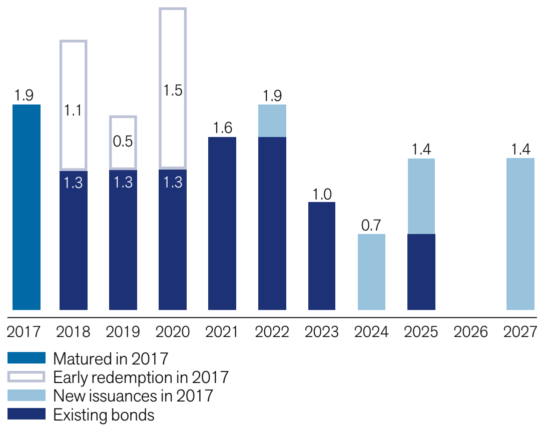
In September 2017, the Group completed the repurchase of $1.9 billion (including the cost of unwinding associated derivatives) of US and euro denominated bonds with maturities from September 2018 to November 2020. Concurrently, the Group issued corporate bonds with a US dollar equivalent value of $2.0 billion, including a $1.3 billion dual tranche 7 and 10 year issuance in the US bond markets and a €0.6 billion 8 year bond in the European bond markets.

On 7 February 2018, Anglo American gave notice that it will redeem in full its outstanding $750 million, 9.375% US bond, due April 2019, on 9 March 2018.

These transactions, as well as $1.9 billion of bond maturities during 2017, have reduced short term refinancing requirements, increased the weighted average maturity of outstanding debt by approximately one year and reduced gross debt.

Bond maturity profile

$ billion



MANAGING RISK EFFECTIVELY

Anglo American recognises that risk is inherent in all its business activities. Our risks can have a financial, operational or reputational impact. The volatility in commodity markets over the past few years provides a good illustration of risk inherent in our business. As understanding our risks and developing appropriate responses are critical to our future success, we are committed to an effective, robust system of risk identification, and an effective response to such risks, in order to support the achievement of our objectives.

Byron Grote
Chairman
Audit Committee

HOW DOES RISK RELATE TO OUR STRATEGY?

Risks can arise from events outside of our control or from operational matters. Each of the risks described on the following pages can have an impact on our ability to deliver our strategy.

For more on the Group's strategy
See page 10

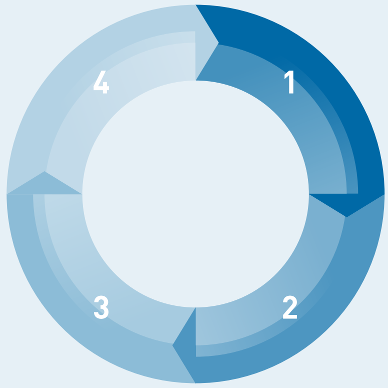
VIABILITY STATEMENT

Context

An understanding of our business model and strategy is key to the assessment of our prospects. Our strategy is to secure, develop and operate a portfolio of high quality and long life assets that deliver leading shareholder returns. Details of our business model are provided on pages 6-7.

Commodity prices for the majority of our products fared well in 2017, as the world economy continued its recovery and provided a basis for a more positive outlook. However, the sustainability of commodity prices remains uncertain, with some downside risk. Supply may either struggle to match demand growth or demand reduction, generating ongoing commodity price volatility. Against that background, the Board maintains a low appetite for risk in major new projects and investments unless they are world class orebodies with competitive cost positions and long reserve lives. New greenfield projects are likely to be syndicated with other investors to reduce our risk profile and capital requirements.

Anglo American's assessment of strategic, operational, project and sustainable development related risks



1. Identifying risks
A robust methodology is used to identify key risks across the Group; at business units, operations and projects. This is being applied consistently through the development and ongoing implementation of a Group integrated risk management framework and associated guidelines.

2. Analysing risks and controls to manage identified risks
Once identified, the process will evaluate identified risks to establish root causes, financial and non-financial impacts, and likelihood of occurrence. Consideration of risk treatments is taken into account to enable the creation of a prioritised register and in determining which of the risks should be considered as a principal risk.

3. Determining management actions required
The effectiveness and adequacy of controls are assessed. 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 to determine if any such risk falls outside the limits of our risk appetite. Management is supported through the Group's internal audit programme, which evaluates the design and effectiveness of controls. The risk management process is continuous; key risks are reported to the Audit Committee, with sustainability risks also being reported to the Sustainability Committee.

The assessment process and key assumptions
Assessment of the Group's prospects is based upon the Group's strategy, its financial plan and principal risks. The Group's focus during 2017 has been to drive efficiencies through the operations and upgrade the quality of our portfolio in order to improve cash flow generation, strengthen the balance sheet and create sustainable value.

A financial forecast covering the next three years is prepared based on the context of the strategic plan and is reviewed on a regular basis to reflect changes in circumstances. The financial forecast is based on a number of key assumptions, the most important of which include commodity prices, exchange rates, estimates of production, production costs and future capital expenditure. A key component of the financial forecast and strategic plan is the life of mine plans created for each operation, providing expected annual production volumes over the anticipated economic life of mine.

The principal risks are those that we believe could prevent the Group from delivering its strategic objectives. A number of these risks are deemed catastrophic to the Group's prospects and have been considered as part of the Group's viability.

Assessment of viability
The assessment of the Group's prospects has been made with reference to the Group's current position and expected performance over a three-year period, using budgeted commodity prices and expected foreign exchange rates. Financial performance and cash flows have then been subjected to stress and sensitivity analysis over the three-year period using a range of severe, but plausible scenarios. The scenarios tested include:

- Commodity price reductions of up to 20% from budget prices over three years, with no offsetting foreign exchange rate improvement
- Operational incidents that have a significant impact on production at key sites in the Group
- Technology developments affecting demand for diamonds
- Technology developments in the automobile industry affecting demand for platinum group metals (PGMs)
- Failure to achieve budgeted level of financial performance owing to cost inflation or operational performance issues.

If these scenarios were to materialise, we have a range of options that enable us to maintain our financial strength, including reduction in capital expenditure, the sale of assets, raising debt or reducing the dividend.

Viability statement
The directors confirm they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due for the next three years. This period has been selected for the following reasons:

- The Group's strategy and budgeting process are aligned with a three-year view
- The volatility in commodity markets in recent years makes confidence in a longer assessment of prospects highly challenging.

PRINCIPAL RISKS

We define a principal risk as a risk or combination of risks that would threaten the business model, future performance, solvency or liquidity of Anglo American. In addition to these principal risks, we continue to be exposed to other risks related to currency, inflation, community relations, environment, litigation and regulatory proceedings, changing social expectations, infrastructure and human resources. These risks are subject to our normal procedures to identify, implement and oversee appropriate mitigation actions. These principal risks are considered over the next three years as a minimum, but we recognise that many of them will be relevant for a longer period.

For more on principal risks 2-11
See pages 42-45

CATASTROPHIC RISKS

We also face certain risks that we deem catastrophic risks. These are very high severity, very low likelihood events that could result in multiple fatalities or injuries, an unplanned fundamental change to strategy or the way we operate, and have significant financial consequences. We do not consider likelihood when assessing these risks, as the potential impacts mean these risks must be treated as a priority. Catastrophic risks are included as principal risks.

For more on catastrophic risks
See page 42

RISK APPETITE

We define risk appetite as 'the nature and extent of risk Anglo American is willing to accept in relation to the pursuit of its objectives'. We look at risk appetite from the context of severity of the consequences should the risk materialise, any relevant internal or external factors influencing the risk, and the status of management actions to mitigate or control the risk. A scale is used to help determine the limit of appetite for each risk, recognising that risk appetite will change over time.

If a risk exceeds appetite, it will threaten the achievement of objectives and may require a change to strategy. Risks that are approaching the limit of the Group's risk appetite may require management actions to be accelerated or enhanced in order to ensure the risks remain within appetite levels.

Further details on the risk management and internal control systems and the review of their effectiveness are provided on **pages 85-86**

SUMMARY

Our risk profile changed during the course of 2017; as the external environment has evolved, progress has been made in the mitigation of our risks and we have updated our risk profile to include new principal risks based on a revised assessment. We no longer consider 'South African power' as a principal risk, but we have added 'Competitive position', 'Investor activism', 'Cyber security', 'Corruption', and 'Operational performance including delivery of cash targets' as new principal risks. We no longer classify 'Delay in obtaining the Minas-Rio operating licence extension' as a principal risk, following award of the installation licence in January 2018, but recognise that various risks remain to the mine achieving full nameplate capacity. Our catastrophic risks are the highest priority risks, given the potential consequences.

1. CATASTROPHIC RISKS

Pillars of value:

No change in risk

We are exposed to the following risks we deem as potentially catastrophic: tailings dam failure; slope wall failure; mineshaft failure; and fire and explosion.

Root cause: Any of these risks may result from inadequate design or construction, adverse geological conditions, shortcomings in operational performance, natural events such as seismic activity or flooding, and failure of structures or machinery and equipment.

Impact: Multiple fatalities and injuries, damage to assets, environmental damage, production loss, reputational damage and loss of licence to operate. Financial costs associated with recovery and liability claims may be significant. Regulatory issues may result and community relations may be affected.

Mitigation: Technical standards exist that provide minimum criteria for design and operational performance requirements, implementation of which is regularly inspected by technical experts. Additional assurance work is conducted to assess the adequacy of controls associated with these risks.

Risk appetite: Operating within the limits of our appetite.

Commentary: These very high impact but very low frequency risks are treated with the highest priority.

2. POLITICAL AND REGULATORY

Pillars of value:

No change in risk

Uncertainty and adverse changes to mining industry regulation, legislation or tax rates can occur in any country in which we operate.

Root cause: The Group has no control over political acts, actions of regulators, or changes in local tax rates. Our licence to operate through mining rights is dependent on a number of factors, including compliance with regulations.

Impact: Uncertainty over future business conditions leads to a lack of confidence in making investment decisions, which can influence future financial performance. Increased costs can be incurred through additional regulations or resource taxes, while the ability to execute strategic initiatives that reduce costs or divest assets may also be restricted, all of which may reduce profitability and affect future performance. Political instability can also result in civil unrest, nullification or non-renewal of existing agreements, mining permits, sales agreements or leases. These may adversely affect the Group's operations or performance of those operations.

Mitigation: Anglo American has an active engagement strategy with the governments, regulators and other stakeholders within the countries in which we operate or plan to operate, as well as at international level. We assess portfolio capital investments against political risks and avoid or minimise exposure to jurisdictions with unacceptable risk levels. We actively monitor regulatory and political developments at a national level, as well as global themes and international policy trends, on a continuous basis. See page 14 for more detail on how we engage with our key stakeholders.

Risk appetite: Operating within the limits of our appetite.

Commentary: Global economic conditions can have a significant impact on countries whose economies are exposed to commodities, placing greater pressure on governments to find alternative means of raising revenues, and increasing the risk of social and labour unrest. These factors could increase the political risks faced by the Group.

PILLARS OF VALUE:

- Safety and Health
- Environment
- Socio-political
- People
- Production
- Cost
- Financial

3. COMPETITIVE POSITION

Pillars of value:

A new principal risk

Inability to pursue a profitable growth strategy.

Root cause: While Anglo American aims to pursue an asset-driven profitable growth strategy, forecast cash flows may not be adequate to fund growth options that maintain competitiveness owing to low commodity prices or operational performance being below expectations.

Impact: Inability to execute growth strategy, resulting in a reduced valuation.

Mitigation: A cash improvement programme has been implemented across the business and the Group's debt profile has been restructured to support business growth plans.

Risk appetite: Operating within the limits of our appetite.

Commentary: This is a new principal risk for 2017.

4. INVESTOR ACTIVISM

Pillars of value:

A new principal risk

Inability to execute strategy or significantly change strategy in the event of investors seeking to influence management to take an alternative direction.

Root cause: Any larger, influential shareholder(s) may exert pressure on management of companies they invest in to take a direction they assert is more conducive to realising higher returns.

Impact: Investor pressure may cover portfolio composition, commodity choices or geographical locations in which we operate or plan to operate in, all of which may have an impact on longer term financial returns.

Mitigation: A proactive and regular engagement programme with shareholders is undertaken to explain the Group's strategy and portfolio, listen to and consider investor concerns, and to provide reassurance on any risks that are of major concern to investors.

Risk appetite: Operating within the limits of our appetite.

Commentary: This is a new principal risk for 2017.

5. FUTURE DEMAND FOR DIAMONDS

Pillars of value:

This risk has increased since 2016 ↑

Demand for diamonds impacted as production and marketing of synthetics increases.

Root cause: Technological developments have led to the production of higher quality synthetics. Producers and distributors of this material may attempt to sell fraudulently into the diamond pipeline (undisclosed) or market and sell as synthetics (disclosed), with manufacturing and distribution sources for the latter increasing.

Impact: Potential loss of rough diamond sales, leading to a negative impact on revenue, cash flow, profitability and value.

Mitigation: While research underlines consumers' continued desire for natural diamonds owing to their inherent value and rarity, De Beers has a comprehensive strategy to mitigate risk of both the entry of undisclosed synthetics into the pipeline and the potentially misleading marketing of disclosed synthetics. In addition, measures to emphasise and protect the inherent value of natural diamonds include: increased marketing investment, including through the Diamond Producers Association, e.g. reasserting the emotional symbolism of diamonds through the Real is Rare campaign; investment in blockchain to give consumers confidence as to the natural provenance of a diamond; and investment in bespoke technology to readily detect all synthetics. Details of how technology is being developed and used to mitigate this risk are provided on page 48.

Risk appetite: Operating within the limits of our appetite.

Commentary: We believe the likelihood of the disclosed synthetics risk materialising has increased owing to the factors described.

6. FUTURE DEMAND FOR PGMs

Pillars of value: Production, Cost, Financial

No change in risk

Longer term demand for PGMs is impacted by fundamental shifts in market forces.

Root cause: Longer term demand is at risk from declining internal combustion engine manufacturing, and a switch to battery operated vehicles instead of fuel cell electric vehicles, which continue to use higher volumes of PGMs.

Impact: A negative impact on revenue, cash flow, profitability and valuation.

Mitigation: Our Platinum business has a strategy to grow PGM demand in industrial and jewellery sectors through marketing and investment initiatives in research, product development and market development opportunities, particularly in Indian and Chinese jewellery markets.

Risk appetite: Operating within the limits of our appetite.

Commentary: We see this as a longer term threat to the business.

7. CYBER SECURITY

Pillars of value: Cost, Financial

A new principal risk

Potential loss or harm to our technical infrastructure and the use of technology within the organisation from malicious or unintentional sources.

Root cause: The number and sophistication of cyber criminal attacks is increasing.

Impact: Theft or loss of intellectual property, financial losses, increased costs and damage to reputation.

Mitigation: We have employed a specialist third party to oversee our network security. We have achieved UK Cyber Essentials Certification and an ongoing cyber awareness programme is in place across the Group.

Risk appetite: Operating within the limits of our appetite.

Commentary: This is a new principal risk for 2017.

8. SAFETY

Pillars of value: Safety and Health, Socio-political, Production, Financial, People

This risk has increased since 2016 ↑

Failure to deliver a sustained improvement in safety performance.

Root cause: Inability to deliver a sustained improvement in safety performance will result from management interventions and training initiatives failing to translate into behavioural change by all employees and contractors. Non-compliance with critical controls is a common failure in safety incidents.

Impact: Loss of life, workplace injuries and safety-related stoppages all immediately affect production, while, over the longer term, such factors are also a threat to our licence to operate.

Mitigation: All operations continue to implement safety improvement plans, with a focus on: effective management of critical controls required to manage significant safety risks; learning from high potential incidents and hazards; embedding a safety culture; and leadership engagement and accountability. Our Operating Model has been updated to further integrate safety.

Risk appetite: Operating within the limits of our appetite.

Commentary: During 2017 there were nine fatalities, compared with 11 in 2016. This is an unacceptable level and explains why the risk has increased. Management remains committed to eliminating fatalities.

9. COMMODITY PRICES

Pillars of value: Financial

This risk has decreased since 2016 ↓

Global macro-economic conditions leading to sustained low commodity prices and/or volatility.

Root cause: The most significant factors contributing to this risk at present are a continued slowdown in growth in China and other emerging markets, low growth rates in developed economies and an oversupply of commodities into the market. Other factors such as weak regional economies, fiscal crises and conflict can also influence the economic environment and contribute to weak commodity prices.

Impact: Low commodity prices can result in lower levels of cash flow, profitability and valuation. Debt costs may rise owing to ratings agency downgrades and the possibility of restricted access to funding. The Group may be unable to complete any divestment programme within the desired timescales or achieve expected values. The capacity to invest in growth projects is constrained during periods of low commodity prices – which may, in turn, affect future performance.

Mitigation: The successful delivery of cash improvement and operational performance targets remains the key mitigation strategy for this risk. Regular updates of economic analysis and commodity price assumptions are discussed with executive management and the Board.

Risk appetite: Operating within the limits of our appetite.

Commentary: We believe the risk of an economic shock in China has reduced, with a measured slowdown being the more likely scenario. More broadly, global economic activity has improved slightly, although downside risks remain.

PILLARS OF VALUE:

- Safety and Health
- Environment
- Socio-political
- People
- Production
- Cost
- Financial

10. CORRUPTION

Pillars of value:

A new principal risk

Bribery or other forms of corruption committed by an employee or agent of Anglo American.

Root cause: Anglo American has operations in some countries where there is a relatively high risk of corruption.

Impact: Potential criminal investigations, adverse media attention and reputational damage. A possible negative impact on licensing processes and valuation.

Mitigation: A comprehensive Anti-Bribery and Corruption Policy and programme, including risk assessment, training and awareness, with active monitoring is in place.

Risk appetite: Operating within the limits of our appetite.

Commentary: This is a new principal risk for 2017, given the heightened prominence of corruption issues in the extractives sector.

11. OPERATIONAL PERFORMANCE INCLUDING DELIVERY OF CASH TARGETS

Pillars of value:

This risk has decreased since 2016 ↓

Unplanned operational stoppages impacting production and inability to deliver the underlying EBITDA improvement target of $0.8 billion in 2018.

Root cause: Unplanned and unexpected operational issues will affect delivery of the underlying EBITDA target. Failure to implement the Operating Model, manage cost inflation or maintain critical plant, machinery and infrastructure will affect our performance levels. We are also exposed to failure of third-party owned and operated infrastructure, e.g. rail networks and ports. Our operations may also be exposed to natural catastrophes or extreme weather.

Impact: Inability to achieve production, cash flow or profitability targets. There are potential safety-related matters associated with unplanned operational stoppages, along with a loss of investor confidence.

Mitigation: Implementation of our Operating Model, supported by operational risk management and assurance processes, are the key mitigations against this risk. Compliance with our technical standards will prevent certain operational risks occurring. Regular tracking and monitoring of progress against the underlying EBITDA targets is undertaken.

Risk appetite: Operating within the limits of our appetite.

Commentary: An underlying EBITDA improvement target of $0.8 billion is planned for 2018. The Operating Model is contributing to the mitigation of this risk.

DE BEERS

Anglo American owns 85% of De Beers, the world's leading diamond company. The balance of 15% is owned by the Government of the Republic of Botswana. De Beers operates across key parts of the diamond value chain, including exploration; production; sorting, valuing and selling of rough diamonds; and the marketing and retailing of polished diamonds and diamond jewellery.

Bruce Cleaver
CEO
De Beers Group

HIGHLIGHTS

INCREASE IN ROUGH DIAMOND PRODUCTION

22%

UNDERLYING EBITDA

$1.4 billion

FOREVERMARK™ INSCRIBED TWO-MILLIONTH DIAMOND IN MAY 2017

2 million

KEY PRIORITIES

- Continuing to progress the construction of the Venetia Underground mine in South Africa
- Establishing Cut-8 as the primary source of ore at Jwaneng mine in Botswana
- Managing the safe closure of Victor mine in Canada
- Completing the integration of De Beers Jewellers.

THE JOURNEY TOWARDS CARBON-NEUTRAL MINING

De Beers climate change specialist and project lead Dr Evelyn Mervine provides an insight into the science behind mineral carbonation.

De Beers is leading a ground-breaking research project to deliver carbon-neutral mining at select operations within a decade.

In collaboration with internationally renowned scientists, the company is investigating the potential to store large volumes of carbon at its diamond mines through the mineralisation of kimberlite tailings.

It is the first time such extensive research has been undertaken to assess the carbonation potential of kimberlite, a rare type of ultramafic rock that has been found to offer ideal properties for storing carbon through mineral carbonation technologies. Mineral carbonation can be either a natural or artificial process whereby rocks at the Earth's surface react with carbon dioxide sourced from the atmosphere and lock it away in safe, non-toxic, solid carbonate materials – in this case, kimberlite rock.

The project aims to accelerate what is already a naturally occurring and safe process of extracting carbon from the atmosphere and store it at a speed that could offset man-made carbon emissions. Estimates suggest that the carbon storage potential of kimberlite tailings produced by a diamond mine every year could offset up to 10 times the emissions of a typical mine.

Project lead, Dr Evelyn Mervine, observes: "The research is in its early stages and it may take some time before it is economically or practically achievable to tap into this full storage potential. Even just tapping into a small amount, however, could greatly reduce the net emissions at many of our mine sites in the near future, possibly leading to carbon-neutral mining at some sites within the next five to 10 years."

Assessment studies are under way for Venetia mine in South Africa and Gahcho Kué mine in Canada. Further research and studies will continue in 2018 to assess the carbonation potential at these and other De Beers mines. In addition, several mineral carbonation technologies are currently being tested through laboratory-scale pilots that are being conducted in partnership with university researchers in Canada and Australia.

Financial and operational metrics[1]

	Production volume ('000 cts)	Sales volume ('000 cts)[2]	Price ($/ct)[3]	Unit cost ($/ct)[4]	Revenue ($m)[5]	Underlying EBITDA ($m)	Underlying EBITDA margin	Underlying EBIT ($m)	Capex ($m)[6]	ROCE
De Beers	**33,454**	**32,455**	**162**	**63**	**5,841**	**1,435**	**25%**	**873**	**273**	**9%**
Prior year	27,339	29,965	187	67	6,068	1,406	23%	1,019	526	11%
Botswana (Debswana)	**22,684**	**–**	**159**	**28**	**–**	**484**	**–**	**447**	**86**	**–**
Prior year	20,501	–	152	26	–	571	–	543	90	–
Namibia (Namdeb Holdings)	**1,805**	**–**	**539**	**257**	**–**	**176**	**–**	**146**	**33**	**–**
Prior year	1,573	–	528	245	–	184	–	163	65	–
South Africa (DBCM)	**5,208**	**–**	**129**	**62**	**–**	**267**	**–**	**119**	**114**	**–**
Prior year	4,234	–	121	53	–	268	–	172	156	–
Canada[7]	**3,757**	**–**	**235**	**57**	**–**	**205**	**–**	**58**	**(5)**	**–**
Prior year	1,031	–	271	212	–	79	–	13	184	–
Trading	**–**	**–**	**–**	**–**	**–**	**449**	**–**	**443**	**1**	**–**
Prior year	–	–	–	–	–	378	–	371	3	–
Other[8]	**–**	**–**	**–**	**–**	**–**	**(146)**	**–**	**(340)**	**44**	**–**
Prior year	–	–	–	–	–	(74)	–	(243)	28	–

(1) Prepared on a consolidated accounting basis, except for production, which is stated on a 100% basis except for the Gahcho Kué joint venture in Canada, which is on an attributable 51% basis.
(2) Consolidated sales volumes (2017: 33.1 million carats; 2016: 30.0 million carats) exclude pre-commercial production sales volumes from Gahcho Kué. Total sales volumes (100%), which are comparable to production, were 35.1 million carats (2016: 32.0 million carats). Total sales volumes (100%) include pre-commercial production sales volumes from Gahcho Kué and De Beers' JV partners' 50% proportionate share of sales to entities outside De Beers from the Diamond Trading Company Botswana and the Namibia Diamond Trading Company.
(3) Pricing for the mining business units is based on 100% selling value post-aggregation of goods. The De Beers realised price includes the price impact of the sale of non-equity product and, as a result, is not directly comparable to De Beers unit costs, which relate to equity production only.
(4) Unit cost is based on consolidated production and operating costs, excluding depreciation and operating special items, divided by carats recovered.
(5) Includes rough diamond sales of $5.2 billion (2016: $5.6 billion).
(6) Includes pre-commercial production capitalised operating cash inflows from Gahcho Kué.
(7) For Canada, price excludes Gahcho Kué contribution from sales related to pre-commercial production, which were capitalised in the first half of 2017. Unit costs include Gahcho Kué contribution following achievement of commercial production on 2 March 2017.
(8) Other includes Element Six, downstream, acquisition accounting adjustments, projects and corporate.

FINANCIAL AND OPERATIONAL OVERVIEW

Underlying EBITDA increased by 2% to $1,435 million (2016: $1,406 million) despite lower revenue following the one-off industry midstream restocking in 2016. This performance was driven by improved margins, which benefited from lower unit costs (supported by higher production and efficiency drives across the business), a strong contribution from Canada (driven by Gahcho Kué's ramp-up and the closure of Snap Lake), and Element Six (which benefited from a recovery in oil and gas markets). This was partly offset by unfavourable exchange rates, and an increasing proportion of waste mining costs being expensed rather than capitalised, owing to an improved strip ratio at Venetia in South Africa.

Total revenue declined by 4% to $5.8 billion (2016: $6.1 billion) – as expected, given the benefit of strong midstream restocking in the first half of 2016. The average realised rough diamond price decreased by 13% to $162/carat (2016: $187/carat) mainly owing to a lower value mix; this was partly offset by an 8% increase in consolidated sales volumes to 32.5 million carats (2016: 30.0 million carats). This reflected stronger demand for lower-value goods in Sight 1 of 2017, following a recovery from the initial impact of India's demonetisation programme in late 2016, as well as the ramp-up of production from lower value per carat but high margin operations, including Orapa and Gahcho Kué. The lower-value mix was compensated in part by a higher average rough price index, which was 3% above that of 2016.

Capital expenditure reduced by 48% to $273 million (2016: $526 million), mainly owing to the completion of major projects, including Gahcho Kué; Debmarine Namibia's new exploration and sampling vessel, the SS Nujoma; and planned lower waste capitalisation at Venetia. The SS Nujoma, which was delivered three months ahead of schedule and under budget, was officially inaugurated in June 2017 and is fully operational.

MARKETS

Early signs are that global consumer demand for diamond jewellery registered positive growth in 2017 in US dollar terms, following a marginal increase in 2016. Sustained diamond jewellery demand growth in the US was once again the main contributor to this positive outcome. Demand for diamond jewellery by Chinese consumers grew marginally in local currency and dollar terms. In contrast, consumer demand for diamonds softened in India and the Gulf states, both in local currency and dollar terms, while Japan's consumer demand growth was flat in local currency and lower in dollars.

Diamond producers' primary stocks are estimated to have reduced considerably during the first half of 2017, as sentiment in the midstream improved and rough and polished inventories normalised for businesses in this segment of the value chain. However, as a result of US retailers tightly managing their inventories and the earlier timing of Diwali in India, there was a slight seasonal build-up of polished inventory in the midstream going into the fourth quarter. Overall, early indications are that additional consumer marketing undertaken during the main selling season had a positive effect on polished demand in the US, China and India in the final quarter of the year, leading to a positive impact on overall polished inventories.

For more information, refer to the Marketplace review section
See pages 11-13

OPERATING PERFORMANCE

Mining and manufacturing

Rough diamond production increased by 22% to 33.5 million carats (2016: 27.3 million carats), reflecting stronger underlying trading conditions as well as the contribution from the ramp-up of Gahcho Kué.

Botswana (Debswana) increased production by 11% to 22.7 million carats (2016: 20.5 million carats). Production at Orapa was 28% higher, mainly driven by planned increases in plant performance and the ramp-up of Plant 1, which was previously on partial care and maintenance in response to trading conditions in late 2015. In June 2017, Jwaneng processed its first ore from Cut-8, which is expected to become the mine's main source of ore during 2018.

In Namibia (Namdeb Holdings), production increased by 15% to 1.8 million carats (2016: 1.6 million carats), primarily owing to higher production from Debmarine Namibia's Mafuta vessel, driven by higher mining rates following an extended scheduled in-port during 2016. At Namdeb's land operations, production rose by 6%, despite challenging conditions, including grade variability owing to the nature of alluvial deposits, structural cost pressures, and some operations nearing the end of their lives.

In South Africa (DBCM), production increased by 23% to 5.2 million carats (2016: 4.2 million carats), primarily owing to Venetia, driven by higher grades as well as improved operational performance benefiting tonnes treated. Construction continues on the Venetia Underground mine, which is expected to become the mine's principal source of production during 2023.

In Canada, production increased to 3.8 million carats (2016: 1.0 million carats) owing to the ramp-up of Gahcho Kué, which entered commercial production in March 2017. During the year, Gahcho Kué benefited from higher than expected grades, partly offset by a lower average value of production. Owing to the differences in lobe characteristics across different kimberlite pipes, the average grade and realised price will continue to vary and will be dependent on the area mined. Production at Victor increased by 21% to 0.7 million carats as a result of higher grades. Victor, which has been operating successfully since 2008, is due to close in 2019, when the open pit is expected to have been depleted. The closure of Snap Lake, which is currently on care and maintenance, is progressing, with flooding having been completed, thereby minimising holding costs while preserving the long term viability of the orebody.

Other revenue includes Element Six, which grew strongly, driven primarily by a recovery in the oil and gas business but also supported by the automotive and consumer electronics segments.

Brands

In March 2017, De Beers acquired its joint venture partner's 50% shareholding in De Beers Jewellers (DBJ). With full ownership of the business (and the De Beers corporate brand), the process of integrating the DBJ brand and network of 30 stores in 16 key consumer markets around the world is well under way.

Forevermark™ continued to expand its retailer network and is now available in more than 2,200 outlets in 25 markets, an increase of 10% since the end of 2016. By May 2017, Forevermark™ had inscribed its two-millionth diamond, the second million having taken only half the time it took to inscribe the first million. For the peak holiday sales period, the brand launched 'Forevermark Tribute™ Collection', a significant marketing investment across multiple channels in the key US market. The Tribute™ Collection, and its supporting campaign, symbolises and celebrates the many facets of the wearer, and reflects the growing trend for women to self-purchase.

In February 2017, De Beers unveiled its next-generation automated melée screening instrument (AMS2™), which is significantly less expensive, screens 10 times faster, can handle stones three times smaller, and has lower referral rates than its predecessor. In addition, an industry-first synthetic-screening device for stones in set jewellery (SYNTHdetect™) was launched in June 2017, along with the roll-out by the International Institute of Diamond Grading & Research of a synthetics-detection training course.

During 2017, De Beers invested more than $140 million in marketing (19% more than in 2016) through a combination of proprietary and partnership activity centred on the US, China and India. De Beers also substantially increased its investment in the Diamond Producers Association, a producer-wide body that works to enhance consumer demand by promoting the appeal, integrity and reputation of diamonds.

De Beers also began the development of a new digital platform for the diamond industry, backed by highly secure blockchain technology, which will provide a single immutable record for every diamond that is registered. Currently in the pilot phase, this initiative is being designed to underpin confidence in diamonds and the diamond industry for all stakeholders, while streamlining existing manual processes and creating new efficiencies in the value chain.

OUTLOOK

Improving global macro-economic conditions remain supportive of consumer demand growth for polished diamonds in 2018. The degree of global economic growth, however, will be dependent upon a number of factors, including the extent of the positive impact on growth in consumer spending from US tax cuts, the strength of the dollar on consumer demand in non-dollar-denominated countries, and how successfully China manages its adjustment to a more domestic, consumer-driven economy.

For 2018, forecast diamond production (on a 100% basis except Gahcho Kué on an attributable 51% basis) is expected to be in the range of 34-36 million carats, subject to trading conditions.

COPPER

In Chile, we have interests in two major copper operations: a 50.1% interest in the Los Bronces mine, which we manage and operate, and a 44% share in the Collahuasi mine; we also manage and operate the El Soldado mine and Chagres smelter (50.1% interest in both). In Peru, we have an 81.9% interest in the Quellaveco project.

Hennie Faul
CEO
Copper

Duncan Wanblad
CEO
Base Metals

HIGHLIGHTS

INCREASE IN UNDERLYING EBITDA

67%

UNDERLYING EBITDA

$1.5 billion

RETURN ON CAPITAL EMPLOYED

16%

KEY PRIORITIES

- Replacement of a ball mill stator motor on the key Line 3 at Collahuasi (responsible for c. 60% of plant throughput) during 2018
- Productivity improvements and cost reductions will continue to be the focus at Los Bronces, to address the challenges of increased ore hardness and, in the longer term, lower grades and longer haulage distances
- The Quellaveco project in southern Peru remains a high value expansion option. The feasibility study is expected to be finalised and presented to the Board for development consideration during 2018.

PREDICTING THE IMPACT OF CLIMATE CHANGE

Los Bronces (50.1% owned) in the Chilean Andes is one of the world's great copper mines. In collaboration with prominent specialists, we have developed a climate-scenario model, which is being fed into a life of mine plan designed to make the operation more climate-resilient.

As understanding the potential physical and social impacts of climate change on our mining operations and host communities is of material importance to Anglo American, we have been working with the UK Met Office to understand which of our operations would be most at risk from these impacts. This work highlighted two countries where risk is significant – Peru and Chile. As a result, a state of the art climate modelling analysis was carried out for the Los Bronces district to better understand the potential impacts of climate change and prepare appropriate adaptation strategies.

Although the area around the mine is semi-arid, the glaciers found there are natural stores of water that influence the run-off of mountain rivers, especially during the dry season. Understanding the effects of mining and climate change on the hydrological cycle within this area is important, both for operations and the communities located downstream.

Once a robust and accurate climate model had been established, scenarios were run up to the years 2030, 2040 and beyond. Specific weather parameters were fed into the model to understand the effects of temperature and rainfall changes over time at different altitudes, and how they could potentially affect geomorphology, air emissions, natural hazards and water availability and security.

Predictions for rain, snowfall, snow melt and glacial meltwater were all linked to how they influence water security, and are now factored into the water balance of the mine's catchment area. These climate variability findings will feed into Los Bronces' life of mine plan, including closure and post-closure of the mine, to better inform planning decisions. The recent drought from 2012-2015, and the subsequent high precipitation events in 2016, highlight the potential value of these models in building climate-resilient operations.

Financial and operational metrics

	Production volume (kt)	Sales volume (kt)[1]	Realised price (c/lb)	C1 unit cost◊ (c/lb)[2]	Revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin[3]	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Copper	**579**	**580**	**290**	**147**	**4,233**	**1,508**	**41%**	**923**	**665**	**16%**
Prior year	577	578	225	137	3,066	903	31%	261	563	6%
Los Bronces	**308**	**307**	**–**	**169**	**1,839**	**737**	**40%**	**401**	**245**	**–**
Prior year	307	308	–	156	1,386	326	24%	(49)	241	–
Collahuasi[4]	**231**	**232**	**–**	**113**	**1,314**	**806**	**61%**	**594**	**243**	**–**
Prior year	223	223	–	111	1,068	569	53%	342	144	–
Other operations	**40**	**41**	**–**	**–**	**1,080**	**76**	**16%**	**39**	**177**	**–**
Prior year	47	47	–	–	612	83	18%	43	178	–
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(111)**	**–**	**(111)**	**–**	**–**
Prior year	–	–	–	–	–	(75)	–	(75)	–	–

(1) Excludes 111 kt third-party sales.
(2) C1 unit cost includes by-product credits.
(3) Excludes impact of third-party sales.
(4) 44% share of Collahuasi production, sales and financials.

FINANCIAL AND OPERATING OVERVIEW

Underlying EBITDA increased by 67% to $1,508 million (2016: $903 million), primarily as a result of a 27% increase in the average LME copper price, as well as a continued focus on cost-reduction initiatives. Production increased to 579,300 tonnes, with solid performances at Los Bronces and Collahuasi partly offset by the impact of lost production at El Soldado, owing to the temporary suspension of mining operations in the first half. At 31 December 2017, 108,000 tonnes of copper were provisionally priced at 328 c/lb.

MARKETS

	2017	2016
Average market price (c/lb)	**280**	221
Average realised price (c/lb)	**290**	225

The differences between market price and realised price are largely a function of the timing of sales across the year and provisional pricing adjustments.

The increase in price in 2017 reflects improved demand and a slowdown in mine supply, stimulating more favourable investor sentiment.

For more information, refer to the Marketplace review section
See pages 11-13

OPERATING PERFORMANCE

At Los Bronces, production in 2017 increased marginally to 308,300 tonnes (2016: 307,200 tonnes). Higher grades (2017: 0.71% vs 2016: 0.67%) were partly offset by lower throughput, following a failure in the ball mill stator at the processing plant during the third and fourth quarters. C1 unit costs increased by 8% to 169 c/lb (2016: 156 c/lb), reflecting the effect of the stronger Chilean peso and cost inflation.

At Collahuasi, Anglo American's attributable share of copper production was 230,500 tonnes, an increase of 3% (2016: 222,900 tonnes). It was another year of record copper in concentrate production for the operation, building on 2016's record output. Production benefited from higher grades, as well as strong sustained plant performance following the completion of a two-month planned maintenance at the processing plant in the second quarter. C1 unit costs were 113 c/lb (2016: 111 c/lb), with the increase in production and continued cost-saving initiatives partly offsetting the effects of the stronger Chilean peso, cost inflation and lower by-product credits.

Production at El Soldado decreased by 14% to 40,500 tonnes (2016: 47,000 tonnes), owing largely to the temporary suspension of mine operations from 18 February to 28 April 2017, which resulted in 6,000 tonnes of lost production. C1 unit costs increased by 27% to 233 c/lb (2016: 184 c/lb) as a result of the lower output, the stronger Chilean peso and cost inflation.

OPERATIONAL OUTLOOK

Production in 2018 is expected to increase with the planned mining of higher ore grades at Collahuasi and Los Bronces. Production guidance for 2018 has been tightened to 630,000-660,000 tonnes.

PLATINUM

Anglo American is the leading primary producer of platinum group metals, extracting and processing around 40% of all newly mined platinum. All of our operations are located in the Bushveld Complex in South Africa, with the exception of Unki mine on the Great Dyke formation in Zimbabwe.

Chris Griffith
CEO
Platinum

HIGHLIGHTS

INCREASE IN UNDERLYING EBITDA

63%

UNDERLYING EBITDA

$866 million

RETURN ON CAPITAL EMPLOYED

10%

KEY PRIORITIES

- Contain unit costs to between R19,600 and R20,200 per platinum ounce produced (metal in concentrate)
- Complete construction of the Unki smelter
- Advance expansion of the Amandelbult chrome plant
- Continue to develop the market for PGMs.

THE ROLE OF PLATINUM IN A CLEAN ENERGY FUTURE

Anglo American is a founding member of the Hydrogen Council, which is seeking practical energy solutions based on hydrogen technology. This image from an Anglo American-supported film on fuel cell electric vehicles (FCEVs), which use platinum as the catalyst to change hydrogen gas into electrical power, features (left) one of the company's own FCEVs.

Demand for platinum group metals (PGMs) from the automotive sector accounts for just over 40%, 70% and more than 80% of total platinum, palladium and rhodium demand, respectively. As governments enact ever-tighter emissions legislation, these three metals, which are used in catalytic converters, have a key role to play in the move to reduce vehicle emissions.

In the short term, such legislation is likely to mean higher metal loadings on catalytic converters to improve their efficiency. As automotive producers look to produce larger numbers of hybrid vehicles, which run on both an internal combustion engine (ICE) and a battery, PGMs will remain in high demand as the catalysts require metal loadings similar to those found in current ICE cars.

Looking further ahead, hydrogen fuel cell electric vehicles (FCEVs) offer a zero emissions alternative to ICE vehicles, without the need for consumers to change their behaviour. Platinum is used in FCEVs as the catalyst which turns hydrogen gas into electrical power. We believe that our actions can help shape this demand in the future.

We are a founding member of the Hydrogen Council, a global initiative of leading energy, transport and industry companies that is leading the way in the transition from fossil fuel based sources of power. Three key initiatives frame Anglo American's approach to developing the use of hydrogen technology:

- The support of dedicated market development activities, including strategic investment in hydrogen refuelling infrastructure and in R&D
- Strategic investment in companies with expertise in the advancement of hydrogen fuel cells and hydrogen storage solutions
- Taking a positive policy-advocacy stance through initiatives such as the Hydrogen Council.

Financial and operational metrics

	Production volume platinum (koz)(1)	Production volume palladium (koz)(1)	Sales volume platinum (koz)	Basket price ($/Pt oz)(2)	Unit cost◊ ($/Pt oz)(3)	Revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Platinum	**2,397**	**1,557**	**2,505**	**1,966**	**1,443**	**5,078**	**866**	**17%**	**512**	**355**	**10%**
Prior year	2,382	1,539	2,416	1,753	1,330	4,394	532	12%	185	314	4%
Mogalakwena	**464**	**509**	**467**	**2,590**	**1,179**	**1,211**	**578**	**48%**	**448**	**151**	**–**
Prior year	412	452	415	2,345	1,257	968	393	41%	269	157	–
Amandelbult(4)	**438**	**202**	**459**	**1,868**	**1,596**	**858**	**88**	**10%**	**34**	**34**	**–**
Prior year	459	207	466	1,567	1,254	727	97	13%	41	25	–
Purchase of concentrate(5)	**1,021**	**549**	**1,082**	**–**	**–**	**1,884**	**173**	**9%**	**145**	**–**	**–**
Prior year	652	388	656	–	–	1,033	96	9%	77	–	–
Other operations	**474**	**297**	**497**	**–**	**–**	**1,125**	**83**	**7%**	**(59)**	**170**	**–**
Prior year	859	492	879	–	–	1,666	(14)	(1)%	(162)	129	–
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**–**	**(56)**	**–**	**(56)**	**–**	**–**
Prior year	–	–	–	–	–	–	(40)	–	(40)	3	–

(1) Production disclosure reflects own-mined production and purchase of metal in concentrate.
(2) Average US$ basket price.
(3) Total cash operating costs – includes on-mine, smelting and refining costs only.
(4) Excludes 8 koz (2016: 8 koz) of platinum production now included in purchase of concentrate.
(5) Purchase of concentrate from joint ventures, associates and third parties for processing into refined metal.

FINANCIAL AND OPERATING OVERVIEW

Underlying EBITDA increased by 63% to $866 million (2016: $532 million), largely as a result of higher sales volumes (platinum, palladium and some minor metals) and stronger prices for palladium and rhodium. Lower local currency costs, driven by ongoing cost improvement initiatives, were offset by the stronger South African rand, resulting in an 8% increase in US dollar costs to $1,443/ounce (2016: $1,330/ounce).

MARKETS

	2017	2016
Average platinum market price ($/oz)	**950**	989
Average palladium market price ($/oz)	**871**	615
Average rhodium market price ($/oz)	**1,097**	681
Average gold market price ($/oz)	**1,258**	1,248
US$ realised basket price ($/Pt oz)	**1,966**	1,753
Rand realised basket price (R/Pt oz)	**26,213**	25,649

An increase in palladium and rhodium prices, driven by strong demand, supported a stronger basket price in both dollars and rand, despite a lower average platinum price during the year.

For more information, refer to the Marketplace review section
See pages 11-13

OPERATING PERFORMANCE

Total platinum production (metal in concentrate), including both own-mined production and purchase of concentrate, increased by 1% to 2,397,400 ounces (2016: 2,381,900 ounces). Total palladium production (metal in concentrate), including both own-mined production and purchase of concentrate, was also 1% higher at 1,557,300 ounces (2016: 1,538,700 ounces).

Production from own-managed mines
Platinum produced from own-managed mines, excluding projects, increased by 3% to 1,130,900 ounces (2016: 1,096,200 ounces), while palladium production grew by 7% to 847,200 ounces (2016: 789,600 ounces).

Platinum's flagship Mogalakwena mine produced a record 463,800 ounces of platinum (2016: 411,900 ounces) and 508,900 ounces of palladium (2016: 452,000 ounces), a 13% increase for both. The increase resulted from improved concentrator throughput and recoveries following implementation of the North concentrator plant optimisation project, as well as higher average grades.

Amandelbult complex yielded 438,000 ounces of platinum (2016: 458,600 ounces) and 202,500 ounces of palladium (2016: 207,300 ounces), representing decreases of 4% and 2% respectively. This was caused primarily by excessive rainfall in the first quarter, which constrained production from the surface operations, lower immediately available Ore Reserves, and increased development as the mine makes its transition from the Tumela Upper to the Dishaba Lower mining areas. Production was further affected by three fatal incidents and their subsequent associated safety stoppages.

Unki mine in Zimbabwe maintained its platinum production level for the year at 74,600 ounces (2016: 74,500 ounces), while raising its palladium output by 5% to 64,400 ounces (2016: 61,400 ounces). This performance was largely driven by more efficient mining, which reduced waste mining, resulting in higher-grade ore being delivered to the concentrator. Owing to planned maintenance at the concentrator in the fourth quarter, Unki had an ore stockpile at the end of 2017, which will be processed in 2018.

Union mine produced 154,500 ounces of platinum (2016: 151,200 ounces) and 71,400 ounces of palladium (2016: 68,900 ounces), increases of 2% and 4% respectively, as a result of improved stoping efficiencies. As announced by Platinum on 26 January 2018, Union Mine has now been sold to Siyanda Resources Proprietary Limited, effective 1 February 2018. With effect from this date, Union's output is being recognised as third-party purchase of concentrate.

Joint venture production

Platinum and palladium production from the Mototolo, Modikwa and Kroondal joint ventures, inclusive of both own-mined share and purchase of concentrate production, decreased by 3% and 1% respectively, to 490,600 ounces of platinum (2016: 505,600 ounces) and 323,100 ounces of palladium (2016: 327,800 ounces). The decrease was largely due to the stoppage of the Mototolo concentrator for remedial work to stabilise the tailings storage facility. This resulted in a 27% reduction in platinum output to 85,300 ounces (2016: 116,700 ounces) and a 26% reduction in palladium output to 52,500 ounces (2016: 70,700 ounces).

Modikwa platinum production rose by 10% to 126,700 ounces (2016: 114,800 ounces), and palladium production by 9% to 122,700 ounces (2016: 112,200 ounces) on the back of increased underground mining efficiencies and improved concentrator recoveries. Kroondal's production was slightly higher owing to increased underground productivity, with platinum and palladium production both 2% higher at 278,600 ounces (2016: 274,100 ounces) and 147,900 ounces (2016: 144,900 ounces) respectively.

Purchase of concentrate from associates

Total platinum production from associates decreased by 5% to 265,500 ounces (2016: 279,300 ounces), while palladium production was 10% lower at 127,900 ounces (2016: 141,700 ounces).

BRPM produced 211,900 ounces of platinum (2016: 195,900 ounces) and 87,600 ounces of palladium (2016: 81,300 ounces), both increasing by 8%, as the Styldrift project continued its ramp-up.

On 31 October 2017, Bokoni mine was placed onto care and maintenance by Platinum's joint venture partner, Atlatsa Resources, resulting in a 36% reduction in platinum output to 53,600 ounces (2016: 83,400 ounces) and a 33% decrease in palladium output to 40,300 ounces (2016: 60,400 ounces). No further loss-making production will be produced from Bokoni while the mine and concentrator remain on care and maintenance.

Purchase of concentrate from third parties

Increased third-party purchases of concentrate led to a yearly total of 510,400 ounces of platinum (2016: 119,800 ounces) and 259,200 ounces of palladium (2016: 82,600 ounces). Production from Rustenburg has been purchased since 1 November 2016, when the operation was sold to Sibanye. The Maseve operation, owned by Platinum Group Metals, was placed onto care and maintenance in the third quarter. No further third-party purchase of concentrate is currently expected from the Maseve mine.

Refined production

Refined platinum production increased by 8% to 2,511,900 ounces (2016: 2,334,700 ounces), and refined palladium production by 14% to 1,668,500 ounces (2016: 1,464,200 ounces). Refined production in 2016 was materially affected by a Section 54 safety stoppage at the Precious Metals Refinery, as well as by a run-out at the Waterval smelter in September of that year; the subsequent recovery from these developments was largely responsible for the increase in output in 2017.

The planned rebuild of the Waterval No. 2 furnace in the first quarter of 2017, and a high-pressure water leak at the converter plant in June 2017, delayed refining the backlog of material from 2016 to the second half of the year, with the full additional 100,000 ounces refined by year end.

Platinum sales volumes increased by 4% to 2,504,600 ounces (2016: 2,415,700 ounces), while palladium sales volumes rose by 3% to 1,571,700 ounces (2016: 1,532,100 ounces), in line with higher refined production.

OPERATIONAL OUTLOOK

Platinum production (metal in concentrate) for 2018 is expected to be 2.3-2.4 million ounces.

Palladium production (metal in concentrate) for 2018 is expected to be 1.5-1.6 million ounces.

IRON ORE AND MANGANESE

Anglo American's iron ore operations provide customers with niche, high iron content ore, a large percentage of which is direct-charge product for blast furnaces. In South Africa, we have a majority share (69.7%) in Kumba Iron Ore, while in Brazil we have developed the integrated Minas-Rio operation. In manganese, we have a 40% shareholding in Samancor, with operations based in South Africa and Australia.

Ruben Fernandes
CEO
Anglo American Brazil

Themba Mkhwanazi
CEO
Kumba Iron Ore

Seamus French
CEO
Bulk Commodities and Other Minerals

HIGHLIGHTS

INCREASE IN UNDERLYING EBITDA

53%

UNDERLYING EBITDA

$2.4 billion

RETURN ON CAPITAL EMPLOYED

21%

KEY PRIORITIES

- Focus on securing the Step 3 operating licence so that Minas-Rio is in a position to access the full range of run-of-mine ore grades and target its nameplate capacity of 26.5 Mtpa (wet basis)
- Unlock the full potential of Kumba's operations through the continued delivery of operational efficiencies across all primary and secondary equipment
- Continue to rationalise expenditure across Kumba's operations
- Expand new technologies to process Kumba's low-grade material.

CRESCER – CREATING LASTING CHANGE

Crescer is our enterprise development programme in Brazil. Its focus is on supporting the agricultural sector, local youth employment, and capacity development in areas close to Minas-Rio's mine. It works closely with our leading supplier-development programme in the country, Promova, through adopting an integrated approach that leverages our core business activities to foster enterprise and workforce development.

This approach is further strengthened by the involvement of TechnoServe, our Group NGO enterprise-development implementing partner, and the Inter-American Development Bank (IDB), with which we have a $6 million partnership ($2 million from the IDB and $4 million from Anglo American) invested in Brazil, Peru and Chile. Together, the IDB and TechnoServe provide invaluable access to capital and markets, business advice and mentoring.

The money is being used to develop rural entrepreneurs and local production chains, to empower local youth so that they are in a better position to take advantage of opportunities in the labour market, and in building capacity in local municipalities in order to foster a self-sustaining environment that is ripe for growth.

Crescer supports production chains in dairy products, beekeeping, horticulture and tourism. The value of the local procurement proportion of municipal school meals in Conceição do Mato Dentro Municipality has increased more than tenfold. Furthermore, all vegetables consumed at the dining facilities in Minas-Rio's operational area are supplied locally by a producer supported by Crescer.

In Brazil, our partnership with TechnoServe, has supported 471 enterprises (37% women-owned), helped 77 young people to graduate, and has stimulated revenue of $6.3 million from local procurement activities – in turn, supporting 1,900 jobs.

Each month, Minas-Rio hosts the Quitanda Real fair, where local producers can raise awareness of their enterprises and sell their products.

Financial and operational metrics

	Production volume (Mt)[1]	Sales volume (Mt)	Price ($/t)[2]	Unit cost◊ ($/t)[3]	Revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Iron Ore and Manganese	**–**	**–**	**–**	**–**	**5,831**	**2,357**	**40%**	**1,978**	**252**	**21%**
Prior year	–	–	–	–	3,426	1,536	45%	1,275	269	12%
Kumba Iron Ore	**45.0**	**44.9**	**71**	**31**	**3,486**	**1,474**	**42%**	**1,246**	**229**	**47%**
Prior year	41.5	42.5	64	27	2,801	1,347	48%	1,135	160	51%
Iron Ore Brazil (Minas-Rio)	**16.8**	**16.5**	**65**	**30**	**1,405**	**435**	**31%**	**335**	**23**[5]	**6%**
Prior year	16.1	16.2	54	28	–	(6)	–	(6)	109	(1)%
Samancor[4]	**3.6**	**3.6**	**–**	**–**	**940**	**529**	**56%**	**478**	**–**	**115%**
Prior year	3.3	3.4	–	–	625	258	41%	209	–	59%
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(81)**	**–**	**(81)**	**–**	**–**
Prior year	–	–	–	–	–	(63)	–	(63)	–	–

(1) Iron Ore Brazil production is Mt (wet basis).
(2) Prices for Kumba Iron Ore are the average realised export basket price (FOB Saldanha). Prices for Iron Ore Brazil are the average realised export basket price (FOB Açu) (wet basis).
(3) Unit costs for Kumba Iron Ore are on an FOB dry basis. Unit costs for Iron Ore Brazil are on an FOB wet basis.
(4) Production, sales and financials include ore and alloy.
(5) $80 million of capital expenditure offset by capitalised cash inflows of $31 million relating to working capital in place at 31 December 2016, in addition to a $25 million inflow relating to capex hedges.

FINANCIAL AND OPERATING OVERVIEW

Kumba

Underlying EBITDA of $1,474 million was 9% higher (2016: $1,347 million), with a 6% improvement in total sales volumes and an 11% increase in the realised price being offset by a 15% increase in FOB unit costs. The increase in unit costs was largely driven by the impact of the stronger South African rand (rand FOB unit costs increased by 2%) and cost inflation, including higher rail costs. This was partly offset, however, by productivity gains in mining and processing that led to an 8% rise in production, and through a higher premium achieved for lump product.

In line with higher production volumes, export sales volumes increased by 7% to 41.6 Mt (2016: 39.1 Mt). Total finished product stock also increased to 4.3 Mt (2016: 3.5 Mt), reflecting the increase in output.

Iron Ore Brazil

Underlying EBITDA amounted to $435 million (2016: $6 million loss), reflecting the operation's continued ramp-up to its current operating capacity and the cessation of capitalisation of operating results since January 2017. The average FOB realised price of $65/wet metric tonne (equivalent to $71/dry metric tonne) was $11/tonne, or 20%, higher than that achieved in 2016. FOB unit costs increased by 7% to $30/wet metric tonne (2016: $28/wet metric tonne) as higher production volumes and the implementation of cost reduction initiatives only partly offset the strengthening of the Brazilian real.

Samancor

Underlying EBITDA increased by $271 million to $529 million (2016: $258 million), driven mainly by significantly higher realised manganese ore and alloy prices and a 7% increase in ore sales.

MARKETS

Iron ore

	2017	2016
Average market price (IODEX 62% Fe CFR China – $/tonne)	**71**	58
Average market price (MB 66% Fe Concentrate CFR – $/tonne)	**87**	69
Average realised price (Kumba export – $/tonne) (FOB Saldanha)	**71**	64
Average realised price (Minas-Rio – $/tonne) (FOB wet basis)	**65**	54

Kumba's outperformance over the IODEX (Platts) 62% Fe CFR China index is primarily representative of the higher iron (Fe) content and the relatively high proportion (approximately 66%) of lump in the overall product portfolio.

Minas-Rio produces higher grade products than the reference product used for the IODEX 62% Fe index. The pricing of Minas-Rio's products reflects the higher Fe content and lower gangue of those products compared with the IODEX 62% reference. IODEX 62% is referred to for comparison purposes only.

Manganese

During 2017, the average benchmark manganese ore price (benchmark CRU 44% CIF China) increased by 36% to $5.97/dmtu (2016: $4.38/dmtu), largely attributable to higher Chinese steel production and limited ore supply in the market, resulting from production cuts made in late 2015 and early 2016.

For more information, refer to the Marketplace review section
See pages 11-13

OPERATING PERFORMANCE

Kumba

Sishen's production increased by 10% to 31.1 Mt (2016: 28.4 Mt) following improvements in mining productivity resulting from fleet efficiencies and higher plant yields, brought about from the implementation of the Operating Model. Consequently, the amount of waste mined rose, as planned, to 162 Mt (2016: 137 Mt), an 18% increase. Additional operator training, changed shift patterns, together with higher workforce attendance rates, yielded positive results in the form of increased direct operating hours, enabling the mine to reduce its reliance on contractors.

Kolomela's production increased by 9% to 13.9 Mt (2016: 12.7 Mt), also reflecting productivity improvements following the roll-out of the Operating Model. Waste mining volumes grew by 11% to 55.6 Mt (2016: 50.2 Mt), supporting higher production levels. The Kolomela modular plant delivered 0.5 Mt, although performance was affected by delays in the ramp-up of the crushing plant.

Iron Ore Brazil

Minas-Rio's production of 16.8 Mt (wet basis) was 4% higher (2016: 16.1 Mt) as the operation continued to ramp up its current operating capacity. The ramp-up schedule was affected as mining operations were restricted to the remaining Ore Reserves in the Step 2 licence area, which included lower grade ore.

Samancor

Manganese ore output increased by 11% to 3.5 Mt (attributable basis) (2016: 3.1 Mt). Production from the Australian operations was 7% higher owing to increased concentrator throughput and higher yields as a result of favourable weather and the availability of suitable feed types. The South African operations increased production by 18%, taking advantage of stronger demand and pricing and the sale of lower quality fines product.

Production of manganese alloys increased by 8% to 149,200 tonnes (attributable basis) (2016: 137,800 tonnes), mainly as a result of improved power availability at the Australian operations. In South Africa, manganese alloy production continued to utilise only one of the operation's four furnaces.

OPERATIONAL OUTLOOK

Kumba

Kumba's full year production guidance for 2018 has been increased to 44-45 Mt following the recent strong performance at both Sishen and Kolomela.

Sishen is expected to produce 30-31 Mt of product and mine 170-180 Mt of waste.

Kolomela is expected to produce around 14 Mt, while waste removal, in support of the increased annual output, is expected to be around 55-57 Mt.

Iron Ore Brazil

Minas-Rio continues to focus on obtaining the Step 3 operating licence required for the operation to access the full range of run-of-mine ore grades and target the operation's nameplate capacity of 26.5 Mt (wet basis). The Step 3 installation licence was granted in January 2018, following delays during 2017, which will allow the Step 3 construction work to proceed. As a consequence of receiving the installation licence, the Provisional Operational Authorisation ('APO') is expected before November 2018 and the full Step 3 operational licence by mid-2019.

Production guidance for 2018 has been lowered to 13-15 Mt (previously 15-18 Mt) as a result of the lower ore grades at the remaining Step 2 area and the delays to the Step 3 operational licence process.

In 2018, unit costs are expected to increase as a result of lower production volumes, and to be in the region of $35/wet metric tonne.

Samancor

Australian manganese ore production guidance of 2.1 Mwmt (100% basis) for 2018 remains unchanged. South African manganese ore production guidance has increased by 8% to 3.4 Mwmt (100% basis), subject to continued strong market demand.

Legal

Sishen consolidated mining right granted

Sishen's application to extend the mining right by the inclusion of the adjacent Prospecting Rights was granted on 6 July 2017, and the process to amend the Sishen mining right continues. Mining operations in this area will only commence once the required environmental authorisation has been approved, which is expected soon. The grant allows Sishen mine to expand its current mining operations within the adjacent Dingleton area.

COAL

Our coal portfolio is geographically diverse, with metallurgical coal assets in Australia, and thermal coal assets in South Africa and Colombia, which mine products attuned to the individual requirements of our diversified customer base. We are the world's third largest exporter of metallurgical coal.

July Ndlovu
CEO
Coal South Africa

David Diamond
CEO
Metallurgical Coal

Seamus French
CEO
Bulk Commodities
and Other Minerals

HIGHLIGHTS

RECORD PRODUCTION AT MORANBAH
5.4 Mt

UNDERLYING EBITDA
$2.9 billion

RETURN ON CAPITAL EMPLOYED
67%

KEY PRIORITIES

- Safety and the elimination of fatalities, focusing on strengthening critical controls and work management, further developing our front line supervisors and enhancing the safety culture at all levels of the business
- Complete the roll-out of the Operating Model at all Metallurgical Coal operations
- In South Africa, replicate the productivity and cost improvements realised at the underground trade mines in the open cut trade mines.

PRIORITISING ENVIRONMENTAL RISK AT METALLURGICAL COAL

Grosvenor colliery in Australia is trialling the Operational Risk Management (ORM) process to give greater priority to environmental risk.

Risk management leads to critical controls that keep employees healthy and safe, protect the environment and maintain Anglo American's social licence to operate.

But environmental risk is sometimes seen as a reputational issue with a lower priority than safety or financial issues, and is not always built into ORM systems.

Chief executive Mark Cutifani addresses employees at Metallurgical Coal's Grosvenor mine in 2017, where the operational risk management (ORM) process is being trialled.

Metallurgical Coal has set out to give environmental issues the necessary focus at its operations. Its environmental specialists came together to evaluate and benchmark the risks associated with coal mining, and looked at 12 priority unwanted events (PUEs) in a baseline risk assessment.

Six specific PUEs were identified, along with 13 associated critical controls. Following internal consultation, the controls were assigned for monitoring and evaluation, typically by engineering and maintenance teams, in addition to the mine's environment department.

One such critical-control monitoring activity is the six-monthly check on the state of pumping infrastructure that allows the automated transfer of water between facilities. This ensures the operation can comply with dam operational limits, while reducing the risk of an unplanned release of water. Another example is the verification that sediment- and erosion-control structures have been maintained effectively before and after the wet season to ensure sediment-laden run-off is managed in accordance with Grosvenor's environmental licence. Monitoring recently identified that additional work is required to prepare sediment traps ahead of the rains.

Environmental risk has high priority at Grosvenor, with learnings being applied across Metallurgical Coal and other operations.

Financial and operational metrics

	Production volume (Mt)[1]	Sales volume (Mt)[2]	Price ($/t)[3]	Unit cost◆ ($/t)[4]	Revenue◆ ($m)	Underlying EBITDA◆ ($m)	Underlying EBITDA margin[5]	Underlying EBIT◆ ($m)	Capex◆ ($m)	ROCE◆
Coal	**48.9**	**49.0**	**–**	**–**	**7,211**	**2,868**	**46%**	**2,274**	**568**	**67%**
Prior year	50.7	50.6	–	–	5,263	1,646	36%	1,112	613	29%
Metallurgical Coal	**19.7**	**19.8**	**185**	**61**	**3,675**	**1,977**	**54%**	**1,594**	**416**	**86%**
Prior year	20.9	20.7	112	51	2,547	996	39%	661	523	30%
Coal South Africa	**18.6**	**18.6**	**76**	**44**	**2,746**	**588**	**32%**	**466**	**152**	**54%**
Prior year	19.1	19.1	60	34	2,109	473	33%	366	90	41%
Cerrejón	**10.6**	**10.6**	**75**	**31**	**790**	**385**	**49%**	**296**	**–**	**35%**
Prior year	10.7	10.8	56	28	607	235	39%	143	–	17%
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(82)**	**–**	**(82)**	**–**	**–**
Prior year	–	–	–	–	–	(58)	–	(58)	–	–

(1) Production volumes are saleable tonnes. South African production volume is export production only and excludes Eskom-tied operations volumes of 23.9 Mt (2016: 24.8 Mt) and other domestic production of 7.5 Mt (2016: 9.9 Mt). Metallurgical Coal production volumes exclude thermal coal production volumes of 1.6 Mt (2016: 9.5 Mt, including 5.6 Mt of domestic thermal coal).

(2) South African sales volumes exclude all domestic sales of 32.0 Mt (2016: 34.5 Mt) and non-equity traded sales of 7.6 Mt (2016: 6.1 Mt). Metallurgical Coal sales volumes exclude thermal coal sales volumes of 1.8 Mt (2016: 9.6 Mt, including 5.4 Mt of domestic thermal coal).

(3) Metallurgical Coal is the weighted average hard coking coal and PCI sales price achieved. Coal South Africa is the weighted average export thermal coal price achieved.

(4) FOB cost per saleable tonne, excluding royalties. Metallurgical Coal excludes study costs and Callide. Coal South Africa unit cost is for the export operations.

(5) Excludes impact of third-party sales and Eskom-tied operations.

FINANCIAL AND OPERATING OVERVIEW

Metallurgical Coal

Underlying EBITDA doubled to $1,977 million (2016: $996 million), owing to a 65% increase in the metallurgical coal realised price and higher production at all three underground operations. This was partly offset by planned production cuts at Dawson and Capcoal open cut operations and the impact of divestments on output. Following the divestments of Foxleigh (a PCI producer) and Callide (a domestic and export thermal coal producer), and the cessation of mining activities at Drayton (an export thermal coal producer), the business now produces a greater proportion of higher-margin hard coking coal (80% of total production, compared with 53% in 2016).

Coal South Africa

Underlying EBITDA increased by 24% to $588 million (2016: $473 million), mainly attributable to a 27% increase in the export thermal coal price. US dollar unit costs for the export trade operations increased by 29% to $44/tonne (2016: $34/tonne), owing to the stronger South African rand ($4/tonne impact), lower production ($4/tonne impact), mainly at Khwezela, and cost-inflation pressures ($2/tonne).

The sale of the Eskom-tied domestic thermal coal operations consisting of New Vaal, New Denmark, and Kriel collieries, as well as four closed collieries (together, 'Eskom-tied operations') by Anglo Operations Proprietary Limited and Anglo American Inyosi Coal Proprietary Limited to a wholly owned subsidiary of Seriti Resources Holdings Proprietary Limited was announced on 10 April 2017 for a consideration payable, as at 1 January 2017, of R2.3 billion (approximately $164 million). The transaction is expected to complete on 1 March 2018.

The sale of the New Largo thermal coal project and Old New Largo closed colliery in South Africa (together, 'New Largo') by Anglo American Inyosi Coal Proprietary Limited to New Largo Coal Proprietary Limited for R850 million (approximately $71 million), was announced on 29 January 2018. The sale is subject to conditions precedent customary for a transaction of this nature, including regulatory approvals in South Africa. The transaction is expected to close in the second half of 2018.

The financial results reported for the period ended 31 December 2017 include the Eskom-tied domestic thermal coal operations and New Largo.

Cerrejón

Underlying EBITDA increased to $385 million (2016: $235 million), owing mainly to higher export thermal coal prices, partly offset by a 2% decrease in sales volumes.

MARKETS

Metallurgical coal

	2017	2016
Average market price for premium low-volatility hard coking coal ($/tonne)[1]	**188**	143
Average market price for premium low-volatility PCI ($/tonne)[1]	**119**	97
Average realised price for premium low-volatility hard coking coal ($/tonne)	**187**	119
Average realised price for PCI ($/tonne)	**125**	77

(1) Represents average spot prices. Prior year prices were previously based on the quarterly average benchmark and have been restated accordingly.

Average realised prices differ from the average market price owing to differences in material grade and timing of contracts.

Prices in 2017 were supported by higher steel prices and strong demand globally, as well as by supply constraints arising from wet weather in Queensland in the second quarter.

Thermal coal

	2017	2016
Average market price – ($/tonne, FOB Australia)	**89**	66
Average market price – ($/tonne, FOB South Africa)	**84**	64
Average market price – ($/tonne, FOB Colombia)	**78**	58
Average realised price – Export Australia ($/tonne, FOB)	**91**	55
Average realised price – Export South Africa ($/tonne, FOB)	**76**	60
Average realised price – Domestic South Africa ($/tonne)	**21**	17
Average realised price – Colombia ($/tonne, FOB)	**75**	56

The average realised price for thermal coal will differ from the average market price owing to timing and quality differences relative to the industry benchmark. The difference in the realised price compared with the benchmark price, between 2016 and 2017, reflects changing quality mix owing to a higher proportion of secondary products being sold into the export market.

The thermal coal market saw the positive price effects of the Chinese domestic coal production rationalisation, which supported coal imports into China and lifted seaborne pricing. On the supply side, Australia was stable, while Indonesia was constrained owing to mining issues associated with ongoing wet weather. The Atlantic region saw coal prices supported by higher electricity prices, partly driven by nuclear outages in France.

For more information, refer to the Marketplace review section
See pages 11-13

OPERATING PERFORMANCE

Metallurgical Coal

Production from the underground longwall operations was 14% higher at 12.3 Mt (2016: 10.8 Mt), and included 0.3 Mt from the ramp-up of Grosvenor and record production of 5.4 Mt from Moranbah. Both Capcoal open cut and Dawson recorded lower production as the sites established alternative pit areas and removed higher-cost production.

Following a recovery from the geological issues experienced in the first six months, and a strong operational performance through the third quarter, Grosvenor completed its first longwall panel during the final quarter of 2017, and also completed an extended longwall move in order to rectify defective components identified during the first panel. Production on the second longwall panel commenced in December and is in line with the ramp-up plan.

Coal South Africa

Export production decreased by 3% to 18.6 Mt (2016: 19.1 Mt), with continued productivity improvements at the underground operations more than offset by a self-enforced 100-hour safety stoppage at all operations following the third fatality of the year. In addition, at Khwezela there were operational challenges with the waste fleet and coal recovery operations. Total production from trade mines decreased by 11% to 22.0 Mt (2016: 24.6 Mt), mainly owing to the planned ramp-down of Khwezela's Eskom pit, which reached its end of life in the first half of 2017.

Production from Eskom-tied operations decreased by 4% to 23.9 Mt (2016: 24.8 Mt) due to lower Eskom offtake from New Vaal and reserve constraints at Kriel as it approaches the end of its mine life.

Cerrejón

Anglo American's attributable output from its 33.3% shareholding in Cerrejón was 10.6 Mt, in line with the prior year.

OPERATIONAL OUTLOOK

Metallurgical coal

Export metallurgical coal production guidance for 2018 is unchanged at 20-22 Mt.

Export thermal coal

Full year production guidance for 2018 for export thermal coal from South Africa and Cerrejón is unchanged at 29-31 Mt.

NICKEL

Our Nickel business is well placed to serve the global stainless steel industry, which depends on nickel and drives demand for it. Our assets are in Brazil, with two ferronickel production sites: Barro Alto and Codemin, in the state of Goiás.

Ruben Fernandes
CEO
Anglo American
Brazil

Seamus French
CEO
Bulk Commodities
and Other Minerals

HIGHLIGHTS

INCREASE IN UNDERLYING EBITDA

42%

UNDERLYING EBITDA

$81 million

NICKEL PRODUCTION

43,800 tonnes

KEY PRIORITIES

- Ensure operational stability following the planned 40 day maintenance stoppage at the beginning of 2018
- Progress stability of the coal pulverisation plant to realise further cost efficiencies
- Continue studies for the implementation of a briquetting plant, which would improve charge permeability in the electric furnaces, thereby improving process safety and stability.

REPROLATINA – AN INVESTMENT IN HEALTH – AND SOCIETY

Anglo American is an active supporter of Reprolatina, an NGO that aims to improve health services for the disadvantaged. The organisation has been able to link private-sector initiative and public policy with remarkable success, helping to substantially reduce high rates of adolescent pregnancy, and promoting sexual and reproductive health in general.

The sustainability of Anglo American's business is inextricably linked to the ongoing development of communities in the areas where it has operations. Our large footprint in parts of the developing world mean that our capacity to contribute to the social and economic progress of vulnerable communities today, and for long after our mines have reached the end of their lives, is significant.

Health outcomes are a primary concern for host communities. Failing to provide decent healthcare in early years can have lifelong consequences in health, well-being and employability.

In Brazil, where we have substantial iron ore and nickel businesses, we have a longstanding partnership with Reprolatina, an NGO which aims to improve health services for women, men and adolescents in disadvantaged communities in Latin American countries.

Since 2010, Reprolatina, in partnership with the Municipality of Barro Alto, and with the financial support of Anglo American, has been undertaking a project to reduce the high rates of pregnancy in adolescents and to build a culture of prevention and promotion of sexual and reproductive health.

Over the past eight years, more than 63,000 individuals have benefited from the education activities, centred on sexual and reproductive health, promoted by Reprolatina in our operations' neighbouring communities. As a result, adolescent pregnancy reduced from 40% in 2013, to 15% in 2017, against a national average of 21%.

Reprolatina's success lies in its ability to integrate public policy with private-sector initiatives while, at a grassroots level, it is involved in the classroom, the workplace and the community. It is also engaging with various organisations, including at an international level, in promoting women's health – thereby contributing to the achievement of the UN's Sustainable Development Goals.

Financial and operational metrics

	Production volume (t)	Sales volume (t)	Price (c/lb)	C1 unit cost◊ (c/lb)	Revenue◊ ($m)	Underlying EBITDA◊ ($m)[1]	Underlying EBITDA margin	Underlying EBIT◊ ($m)[1]	Capex◊ ($m)	ROCE◊
Nickel	**43,800**	**43,000**	**476**	**365**	**451**	**81**	**18%**	**0**	**28**	**0%**
Prior year	44,500	44,900	431	350	426	57	13%	(15)	62	(1)%

(1) Nickel segment includes $3 million projects and corporate costs (2016: $10 million).

Strategic report

FINANCIAL AND OPERATING OVERVIEW

Underlying EBITDA increased by 42% to $81 million (2016: $57 million), reflecting a higher nickel price, partly offset by the unfavourable impact of the stronger Brazilian real and cost inflation.

Nickel unit costs increased by 4% to 365 c/lb (2016: 350 c/lb) as adverse exchange rates and inflation were only partly compensated by other cost-saving efforts, including lower energy costs.

MARKETS

	2017	2016
Average market price (c/lb)	**472**	436
Average realised price (c/lb)	**476**	431

The average market price is the LME nickel price, from which ferronickel pricing is derived. Ferronickel is traded based on discounts or premiums to the LME price, depending on market conditions, supplier products and consumer preferences.

Differences between market prices and realised prices are largely due to variances between the LME and the ferronickel price.

For more information, refer to the Marketplace review section
See pages 11-13

OPERATING PERFORMANCE

Nickel output decreased by 2% to 43,800 tonnes (2016: 44,500 tonnes) as instabilities at both smelting operations negatively affected Barro Alto's production performance in February 2017. The root causes were addressed and the operations returned to stable performance from the second quarter. Codemin's production of metal was in line with the prior year at 9,000 tonnes.

OPERATIONAL OUTLOOK

Production guidance for 2018 has been lowered to 42,000-44,000 tonnes, as a result of planned maintenance at Barro Alto's plant.

CORPORATE AND OTHER

Financial metrics

	Revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBIT◊ ($m)	Capex◊ ($m)
Segment	**5**	**(292)**	**(313)**	**9**
Prior year	499	(5)	(71)	40
Niobium and Phosphates	**–**	**–**	**–**	**–**
Prior year	495	118	79	26
Exploration	**–**	**(103)**	**(103)**	**–**
Prior year	–	(107)	(107)	–
Corporate activities and unallocated costs	**5**	**(189)**	**(210)**	**9**
Prior year	4	(16)	(43)	14

FINANCIAL AND OPERATING OVERVIEW

Corporate and other reported an underlying EBITDA loss of $292 million (2016: $5 million loss).

Niobium and Phosphates
The sale of the Niobium and Phosphates business to China Molybdenum Co Ltd. was completed on 30 September 2016.

Exploration
Exploration expenditure decreased to $103 million (2016: $107 million), reflecting a general reduction across most of the commodities, driven primarily by lower drilling activities.

Corporate activities and unallocated costs
Underlying EBITDA amounted to a $189 million loss (2016: $16 million loss), driven primarily by a year-on-year loss recognised in the Group's self-insurance entity, reflecting lower premium income and higher net claims and settlements during 2017.

GOVERNANCE

"I am a strong believer in the importance of good governance and that the actions and behaviours of the Board set the tone for the organisation as a whole."

Stuart Chambers, Chairman

This section of the Annual Report provides an overview of the means by which the Anglo American Group is directed and controlled. The Board of directors is there to support and challenge management and to ensure that we operate in a manner that promotes the long-term sustainable success of the Company, generates value for shareholders and contributes to wider society. Over the next few pages we describe the ways in which we seek to achieve this.

BOARD COMPOSITION

As described in my statement on pages 4-5, there were a number of changes to the Board in 2017. These ensured that we replaced the skills and experience lost due to recent resignations and retirements, and aimed to achieve gender and ethnic diversity on the Board as a whole.

At the conclusion of the Annual General Meeting (AGM) in April, René Médori retired as finance director. Over a period of 12 years, René's steady hand, his integrity, and the quality of his astute leadership were greatly appreciated by the Board. René was succeeded by Stephen Pearce, who has a wealth of financial and commercial experience gained across the extractive and related industries. Stephen has already made considerable progress on, for example, extending our debt maturity profile.

At the AGM in 2017, we also welcomed Nolitha Fakude as a non-executive director. Nolitha has had many years of experience across a diverse range of industry sectors, and was until recently an executive board member of South Africa-based petrochemicals company, Sasol. In July, Ian Ashby was appointed as a non-executive director. Ian has almost four decades of experience in the mining industry, and has held a variety of roles across businesses in Australia, Chile and the US.

The last Board change in the year was, of course, Sir John Parker's retirement as chairman at the end of October 2017. On behalf of the Board, management and employees of the Group, I would like to thank Sir John for everything he has done for us during his tenure.

The processes we followed to refresh the Board are described on page 73.

BOARD VISITS TO OPERATIONS

Given the number of new members joining the Board, the opportunity for directors to visit operations and learn more about the business was perhaps more important than ever in 2017. Even those directors who have been on the Board for some time find the visits invaluable as they have the opportunity to interact with employees from a range of backgrounds and seniority, as well as gaining a better understanding of the operations in their local context. There are also opportunities to meet with local stakeholders and understand their interests and concerns. The site visits are described on pages 76-77.

BOARD EVALUATION

Internal Board evaluations were carried out in 2016 and 2017, and the processes used and the results obtained are described on pages 74-75. Each committee and the Board itself have an action plan to address the points raised by the evaluations and to ensure that we act upon them to improve performance. In 2018 we will ask an external consultant to evaluate the Board, its committees and each of us who serve as directors. We will report on the findings of that evaluation next year in the 2018 Annual Report.

COMMITTEE GOVERNANCE

Starting on page 78, each of the Board committee chairmen presents a report on the activities of their committees during 2017. The efficient operation and interaction of the Board and its committees are vital to ensure that matters receive the necessary attention in a timely manner. I am grateful to the members and the chairmen of those committees in particular for the work that they do throughout the year in this regard.

Last year we presented our remuneration policy to shareholders for approval, and received strong support for it. There is clearly more we can do in this area, especially as regards the gender pay gap, and we are committed to addressing this. The report of the Remuneration Committee appears on pages 88-115.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board supports the principles and provisions of the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council (FRC). The Company has complied throughout the year with the Code, which is available on the FRC's website (www.frc.org.uk). Ways in which the Code has been applied can be found on the following pages:

Code section and where to find details

Section A: Leadership
Pages 65-70 give details of the Board and executive management and the Board governance structure

Section B: Effectiveness
Pages 72-115 describe the activities of the Board committees and the induction and evaluation of the directors

Section C: Accountability
The role of the Board in this area is primarily shown on pages 80-87, with further detail on the Group's strategic objectives and the principal risks to the business in the Strategic Report

Section D: Remuneration
The Group's remuneration policy and the report of the Remuneration Committee are found on pages 88-115

Section E: Relations with shareholders
This is shown on page 75.

I hope you find this report useful and informative. I look forward to seeing as many of you as possible at our AGM and would encourage you to vote your shares even if you cannot attend in person, so that we gain a better understanding of the views of our shareholders as a whole.

Stuart Chambers
Chairman

CHAIRMAN'S INDUCTION

From the date my appointment was announced in June 2017, I have spent a significant amount of time getting to know the business. This has afforded me the opportunity to understand the key issues facing the business and ensure I was well positioned to 'hit the ground running' on day one as chairman of Anglo American.

My extensive induction programme included internal briefings with senior leaders across the Group, site visits to the Group's operations, and external meetings with corporate advisers and major investors. I have met managers and other employees in our mines and offices around the world and visited around 15 of our operations.

Key highlights:

- One-to-one meetings with all 12 members of the Group Management Committee
- Around 40 meetings with Group business unit and functional leaders
- One-to-one meetings with each of the non-executive directors
- In August, undertook an internal orientation session on the Anglo American Operating Model
- In September, spent time visiting operations in South Africa, accompanied by Norman Mbazima, deputy chairman of Anglo American South Africa. Over the course of a week I visited De Beers' Venetia mine, Platinum's Mogalakwena mine and Amandelbult complex, the Zibulo coal mine and Kumba Iron Ore's Sishen mine
- Joined the Sustainability Committee's site visit to the Platinum Precious Metals Refinery in South Africa
- In October, travelled to Brazil to visit the Minas-Rio (Iron Ore) and Barro Alto (Nickel) operations accompanied by Ruben Fernandes, CEO Brazil
- In October, travelled to Chile for an Anglo American Board meeting, operational site visits and joined Copper as they celebrated Anglo American's centenary celebrations with external stakeholders. I was also able to take part in my first Global Safety Day at Quellaveco in southern Peru
- In early 2018, toured De Beers Technologies and Element Six Global Innovation Centre in the UK, and visited De Beers' Jwaneng mine and Global Sightholder Sales in Botswana, accompanied by Bruce Cleaver, CEO of De Beers. I also travelled to Singapore to spend time at the Group's Marketing business, accompanied by Peter Whitcutt, CEO of Marketing.

My induction programme will continue into 2018 with further operational visits and meetings with senior leaders and other stakeholders.

DIRECTORS

COMMITTEE MEMBERSHIP KEY

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- S Sustainability Committee
- Chair of Committee
- Member of Committee

Stuart Chambers (61) N S
Chairman

BSc

Appointed to the Board on 1 September 2017 and as Chairman on 1 November 2017

SKILLS AND EXPERIENCE
Stuart brings to Anglo American significant global executive and boardroom experience across the industrial, logistics and consumer sectors.

Stuart previously served as chairman of ARM Holdings plc and Rexam plc until 2016; and as a non-executive director on the boards of Tesco plc (2010-2015), Manchester Airport Group plc (2010-2013), Smiths Group plc (2006-2012) and Associated British Ports Holdings plc (2002-2006). His executive career included 13 years at Pilkington plc and its subsequent parent company Nippon Sheet Glass until 2010, in a number of executive roles and ultimately as chief executive of both companies. Prior to that, Stuart gained 10 years of sales and marketing experience at Mars Corporation, following 10 years at Shell.

CURRENT EXTERNAL APPOINTMENTS
Chairman and a non-executive director at Travis Perkins PLC, and a member of the UK Takeover Panel.

Mark Cutifani (59) S
Chief Executive

BE (Mining–Hons), FAusIMM, CEngFIMMM, DBA (Hon), DoL (Hon)

Appointed to the Board as Chief Executive on 3 April 2013

SKILLS AND EXPERIENCE
Mark brings to Anglo American over 40 years' experience of the mining industry across a wide range of geographies and commodities.

Mark is chairman of the Group Management Committee (GMC), and a member of the Corporate and Operational committees. He is a non-executive director of Anglo American Platinum, chairman of Anglo American South Africa and chairman of De Beers. Mark was previously CEO of AngloGold Ashanti Limited, a position he held from 2007-2013. Before joining AngloGold Ashanti, Mark was COO at Vale Inco, where he was responsible for Vale's global nickel business. Prior to this he held senior executive positions with the Normandy Group, Sons of Gwalia, Western Mining Corporation, Kalgoorlie Consolidated Gold Mines and CRA (Rio Tinto).

CURRENT EXTERNAL APPOINTMENTS
Independent director of Total S.A.

Stephen Pearce (53)
Finance Director

BBus (Acc), FCA, GIA, MAICD

Appointed to the Board as Finance Director on 24 April 2017

SKILLS AND EXPERIENCE
Stephen brings to Anglo American more than 16 years of public company director experience and over 30 years of financial and commercial experience in the mining, oil and gas, and utilities industries.

Stephen joined Anglo American in January 2017. He is a member of the GMC, and chairman of the Corporate and Investment committees. He is also a non-executive director of Kumba Iron Ore, Anglo American Platinum and De Beers. Before joining Anglo American, Stephen served as CFO and an executive director of Fortescue Metals Group from 2010-2016. Prior to that, he held the positions of managing director and CEO of Southern Cross Electrical Engineering Ltd and was CFO of Alinta Ltd. He is a former non-executive director of Cedar Woods Properties Ltd.

CURRENT EXTERNAL APPOINTMENTS
None

Tony O'Neill (60) S
Technical Director

MBA, BASc (Eng)

Appointed to the Board as Technical Director on 22 July 2015

SKILLS AND EXPERIENCE
Tony brings to Anglo American 37 years' experience in the mining industry across numerous geographies, and commodities spanning iron ore, copper, nickel and gold.

Tony joined Anglo American in 2013 and has responsibility for the Group's Technical and Sustainability function. He is a member of the GMC, chairman of the Operational Committee, and a member of the Corporate and Investment committees. He is also a non-executive director of Anglo American Platinum and De Beers. Tony was previously EVP – Business and Technical Development at AngloGold Ashanti from 2008, where he served as joint acting CEO during 2013. His extensive career in the mining industry includes roles as Operations Executive at Newcrest Mining and Head of the Gold business at Western Mining Corporation.

CURRENT EXTERNAL APPOINTMENTS
None

DIRECTORS CONTINUED

Sir Philip Hampton (64) A N R
Senior Independent Director

MA, ACA, MBA

Appointed to the Board on 9 November 2009 and as the Senior Independent Director on 24 April 2014

SKILLS AND EXPERIENCE

Sir Philip brings to Anglo American significant financial, strategic and boardroom experience across a number of industries.

Sir Philip's previous appointments include being chairman of The Royal Bank of Scotland and J Sainsbury plc, finance director of Lloyds TSB Group plc, BT Group plc, BG Group plc, British Gas plc and British Steel plc, an executive director of Lazards and a non-executive director of RMC Group plc and Belgacom SA.

CURRENT EXTERNAL APPOINTMENTS

Chairman of GlaxoSmithKline (GSK) plc.

Ian Ashby (60) S
Non-executive Director

B Eng (Mining)

Appointed to the Board on 25 July 2017

SKILLS AND EXPERIENCE

Ian brings to Anglo American substantial knowledge of the minerals industry across a wide range of commodities, combined with global operating, major projects and capital development experience.

Ian served as President of Iron Ore for BHP Billiton between 2006 and 2012, when he retired from the company. During his 25-year tenure with BHP Billiton, Ian held numerous roles in its iron ore, base metals and gold businesses in Australia, the US, and Chile, as well as project roles in the corporate office.

He began his 37-year mining career as an underground miner at the Mount Isa Mines base metals operations in Queensland, Australia. Ian has previously served as a non-executive director of New World Resources PLC and Genco Shipping & Trading, and in an advisory capacity with Apollo Global Management and Temasek.

CURRENT EXTERNAL APPOINTMENTS

Chairman of Petropavlovsk PLC and a non-executive director of Nevsun Resources Ltd and Alderon Iron Ore Corp.

Nolitha Fakude (53) A S
Non-executive Director

BA Hons

Appointed to the Board on 24 April 2017

SKILLS AND EXPERIENCE

Nolitha brings to Anglo American significant management experience in various functional leadership roles across the oil and energy, chemicals, financial services and retail industries.

Until 2016, Nolitha served as an executive director at Sasol Limited and as EVP of strategy and sustainability, following an 11-year career with the company where she held executive roles in human resources and business transformation. Prior to that she held senior management positions in corporate affairs, strategy and operations in the retail and financial sectors. Nolitha has previously served as deputy chairman and lead independent director of Datacentrix Holdings Limited, and as a non-executive director of Harmony Gold and Woolworths Holdings.

CURRENT EXTERNAL APPOINTMENTS

Deputy chair of South African Airways, a non-executive director of the JSE Limited and African Oxygen Limited (AFROX), and a Patron of Guild Cottage home for girls.

Byron Grote (69) A N R
Non-executive Director

PhD Quantitative Analysis

Appointed to the Board on 19 April 2013

SKILLS AND EXPERIENCE

Byron contributes to Anglo American broad business, financial and board experience in numerous geographies.

Byron has extensive management experience across the oil and gas industry. He served on the BP plc board from 2000 until 2013 and was BP's chief financial officer during much of that period. He was previously a non-executive director of Unilever NV and Unilever PLC.

CURRENT EXTERNAL APPOINTMENTS

Vice chairman of the supervisory board of Akzo Nobel NV and a non-executive director of Standard Chartered PLC and Tesco PLC. A member of the European Audit Committee Leadership Network and an emeritus member of the Cornell University Johnson Advisory Council.

COMMITTEE MEMBERSHIP KEY

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- S Sustainability Committee
- Chair of Committee
- Member of Committee

Dr Mphu Ramatlapeng (65) S
Non-executive Director

MD, MHSc

Appointed to the Board on 8 July 2013

SKILLS AND EXPERIENCE
Mphu is a highly experienced leader who brings to Anglo American a broad range of global health expertise at board level across both the public and private sectors.

Mphu served as Minister of Health and Social Welfare of Lesotho between 2007 and 2012. In this role, she championed Lesotho's significant achievements in reducing the transmission of HIV from mother to child. Across her career, she has been a leading advocate for women in business, including serving as founding board member of Women in Business in Lesotho.

CURRENT EXTERNAL APPOINTMENTS
Executive vice president of HIV/AIDS and Tuberculosis programmes for the Clinton Health Access Initiative, and the vice chair of the Global Fund to Fight AIDS, TB and Malaria.

Jim Rutherford (58) A R S
Non-executive Director

BSc (Econ), MA (Econ)

Appointed to the Board on 4 November 2013

SKILLS AND EXPERIENCE
Jim has over 25 years' experience in investment banking and investment management. He has extensive international experience, and brings to the Board considerable financial insight from the perspective of the capital markets and a deep understanding of the mining industry.

Between 1997 and 2013, Jim was a senior vice president of Capital International Investors, a division of Capital Group, and had responsibility for investments in the mining and metals industry. Prior to joining Capital Group, Jim was an investment analyst covering the South American mining and metals industry for HSBC James Capel in New York.

CURRENT EXTERNAL APPOINTMENTS
Chairman of Dalradian Resources Inc., chairman of the Queen's University Belfast Foundation Board, and an independent director of the Tantallon India Fund Board.

Anne Stevens (69) A N R
Non-executive Director

BSc, PhD

Appointed to the Board on 14 May 2012

SKILLS AND EXPERIENCE
Anne brings to the Board a wealth of experience and wide-ranging commercial acumen from a number of global industries in North, Central and South America.

Anne served as chairman and CEO of SA IT Services from 2011 until her retirement in December 2014. From 2006-2009, Anne was chairman and CEO of Carpenter Technology Corporation. Prior to this, she was COO for the Americas at Ford Motor Company until 2006, the culmination of her 16-year career with the company. Her early career was spent at Exxon Corporation, where she held roles in engineering, product development, and sales and marketing. Anne is a former non-executive director of Lockheed Martin Corporation and GKN plc.

CURRENT EXTERNAL APPOINTMENTS
Chief executive of GKN plc and a non-executive director of XL Catlin.

Jack Thompson (67) N R S
Non-executive Director

BSc, PhD

Appointed to the Board on 16 November 2009

SKILLS AND EXPERIENCE
Jack brings to Anglo American a wealth of experience gained at all levels of the mining industry and extensive boardroom experience in both executive and non-executive roles.

Jack has received wide recognition as a mining executive during a long and distinguished career in the industry. He was previously chairman and CEO of Homestake Mining Co., vice chairman of Barrick Gold Corp. and has served on the boards of Tidewater Inc., Molycorp Inc., Centerra Gold Inc., Century Aluminum Co., Phelps Dodge Corp., Rinker Group Ltd and Stillwater Mining.

CURRENT EXTERNAL APPOINTMENTS
None

In addition, the following directors served during the year:

René Médori stepped down from the Board as Finance Director on 24 April 2017
Sir John Parker stepped down from the Board as Chairman on 31 October 2017

EXECUTIVE MANAGEMENT

GROUP MANAGEMENT COMMITTEE MEMBERS

Mark Cutifani
Chief Executive

See page 65 for biographical details.

Member since
April 2013

Stephen Pearce
Finance Director

See page 65 for biographical details.

Member since
January 2017

Tony O'Neill
Technical Director

See page 65 for biographical details.

Member since
September 2013

Bruce Cleaver (52)
CEO of De Beers Group

BSc, LLB, LLM

Member since
January 2016

SKILLS AND EXPERIENCE

Bruce has served as CEO of De Beers since July 2016. He has previously served as Group Director, Strategy and Business Development at Anglo American, as well as Executive Head of Strategy and Corporate Affairs for De Beers, having joined the Group in 2005. Before joining De Beers, he was a partner at Webber Wentzel, the largest law firm in Africa, specialising in commercial matters.

Seamus French (55)
CEO of Bulk Commodities and Other Minerals

B Eng (Chemical)

Member since
October 2009

SKILLS AND EXPERIENCE

Seamus has responsibility for the Group's Coal, Iron Ore and Nickel businesses. He is a non-executive director of Kumba Iron Ore. Seamus joined the Group in 2007 and was CEO of Metallurgical Coal between 2009 and 2013, and CEO of Coal until 2015. Prior to his career at Anglo American, Seamus joined WMC Resources in Australia in 1994 in a strategic planning and business development role, and progressed to various operational management roles, gaining extensive experience in the gold and nickel businesses before being appointed executive general manager of the Copper-Uranium Division. Seamus joined BHP Billiton as Global Vice President, Business Excellence, following its takeover of WMC in 2005.

Didier Charreton (54)
Group Director – People and Organisation

MSc

Member since
December 2015

SKILLS AND EXPERIENCE

Didier joined Anglo American in December 2015. He has held a number of senior HR roles in his more than 25-year career. From 2007 until 2014, Didier was Chief Human Resources Officer for Baker Hughes, the US-based oilfield services company. Prior to 2007, he was HR director at Coats plc in the UK, and before that held a number of HR roles at Schlumberger, based in the US, Argentina, Venezuela and France.

Chris Griffith (53)
CEO of Anglo American Platinum

B Eng (Mining) Hons, Pr Eng

Member since
October 2009

SKILLS AND EXPERIENCE

Chris has served as CEO of Anglo American Platinum since September 2012. He was previously CEO of Kumba Iron Ore from 2008 to 2012 and prior to this, served as Anglo American Platinum's head of operations for joint ventures. Chris has been with the Group for over 25 years, joining Anglo American Platinum, where he progressed from shift supervisor to one of the youngest general managers in the company at that time.

Norman Mbazima (59)
Deputy Chairman of Anglo American South Africa

FCCA, FZICA

Member since October 2009

SKILLS AND EXPERIENCE

Norman has served as Deputy Chairman of Anglo American South Africa since June 2015. From 2012 to 2016, he was CEO of Kumba Iron Ore. Norman joined Anglo American in 2001 at Konkola Copper Mines plc and was subsequently appointed global CFO of Coal. He became finance director of Anglo American Platinum in 2006 and later stepped in as joint acting CEO. Norman was CEO of Scaw Metals from 2008 and later CEO of Thermal Coal from 2009 to 2012.

Duncan Wanblad (51)
CEO of Base Metals and Group Director – Strategy and Business Development

BSc (Eng) Mech, GDE (Eng Management)

Member since October 2009

SKILLS AND EXPERIENCE

Duncan has served in his current role since July 2016. He is a non-executive director of De Beers.

Between 2009 and 2013, Duncan held the position of Group Director, Other Mining and Industrial. He was appointed joint acting CEO of Anglo American Platinum in 2007, before taking over as CEO of Anglo American's Copper operations in 2008. Duncan began his career at Johannesburg Consolidated Investment Company Limited in 1990.

Anik Michaud (50)
Group Director – Corporate Relations

LL.L (Law)

Member since March 2015

SKILLS AND EXPERIENCE

Anik has served as Group Director – Corporate Relations since June 2015. Her remit includes corporate communication, international and government relations, social performance and engagement, and the office of the chief executive. Anik joined Anglo American in 2008 as Group head of corporate communication. Prior to that, she was director of public affairs for Rio Tinto Alcan, following 10 years with the Alcan group. Anik began her career as the political attaché to the Minister of Finance for Quebec.

Peter Whitcutt (52)
CEO of Marketing

Bcom (Hons), CA (SA), MBA

Member since October 2009

SKILLS AND EXPERIENCE

Peter has served as CEO of Marketing since January 2016. He is a non-executive director of De Beers.

Peter joined the Group in 1990 within the Corporate Finance division. He worked on the merger of Minorco with Anglo American Corporation of South Africa, the listing of Anglo American plc in 1999 and the subsequent unwinding of the cross-holding with De Beers. Peter was appointed Group head of finance in 2003, CFO of Base Metals in 2008 and, from 2013 to 2015, he served as Group Director – Strategy, Business Development and Marketing.

Richard Price (54)
Group General Counsel

BA (Hons), LL.B

Member since May 2017

SKILLS AND EXPERIENCE

Richard joined Anglo American as Group General Counsel in May 2017. From 1996 to 2017, he held a number of senior roles at Shearman & Sterling, the international law firm. In 1999, he transferred from Canada to the Singapore office as head of its South East Asian and Indian capital markets practice. Richard moved to London in 2003 as a senior corporate partner, and acted for clients across the metals, mining, energy and financial services sectors, amongst others. He served as co-head of the firm's global mining and metals practice and head of its EMEA capital markets and EMEA corporate practices.

René Médori served as a member of the GMC during the year, before stepping down on 31 December 2017.

THE BOARD IN 2017

THE ROLE OF THE BOARD

The Board provides leadership to the Group and is collectively responsible for promoting and safeguarding the long-term success of the business. The Board is supported by a number of committees, to which it has delegated certain powers. The role of these committees is summarised below, and their membership, responsibilities and activities during the year are detailed on pages 78-114.

Some decisions are sufficiently material that they can only be made by the Board as a whole. The schedule of 'Matters Reserved for the Anglo American plc Board', and the committees' terms of reference, explain which matters are delegated and which are retained for Board approval. These documents can be found on the Group's website.

Executive structure

The Board delegates executive responsibilities to the chief executive, who is advised and supported by the Group Management Committee (GMC). The GMC comprises the chief executive, business unit CEOs, Group directors of corporate functions and the Group general counsel. The names of the GMC members, their roles and biographical details appear on pages 68-69.

BOARD COMPOSITION

The Board currently comprises the chairman, chief executive, two further executive directors and eight independent non-executive directors. The broad range of skills and experience our Board members bring to Anglo American are set out on pages 65-67 and illustrated in the table on page 72. The Board is supported by the Group company secretary.

There is a clear separation of responsibilities at the head of the Company between the running of the Board (one of the chairman's key responsibilities) and the executive responsibility for the running of the Company's business (the responsibility of the chief executive).

The roles and of key responsibilities of the Board are described below.

Chairman

Stuart Chambers leads the Board, ensuring it works constructively as a team. His main responsibilities include: chairing the Board and the Nomination Committee and setting their agendas; Board composition and succession planning; providing support and counsel to the chief executive and his team; promoting the highest standards of integrity and governance; facilitating effective communication between directors; effective dialogue with shareholders and other stakeholders; and acting as ambassador for the Group.

Chief executive

Mark Cutifani manages the Group. His main responsibilities include: executive leadership; formulation and implementation of Group strategy as agreed by the Board; approval and monitoring of business plans; organisational structure and senior appointments; business development; and stakeholder relations.

Senior independent director

Sir Philip Hampton is available to shareholders on matters where the usual channels of communication are deemed inappropriate. He acts as an intermediary between the other directors and as a sounding-board for the chairman.

Independent non-executive directors (NEDs)

The role of the NEDs is to constructively challenge and provide advice to executive management; effectively contribute to the development of the Group's strategy; scrutinise the performance of management in meeting agreed goals; and monitor the delivery of Group strategy.

Board

Audit Committee
Oversight of financial reporting, audit, internal control and risk management.
For more details See page 80

Nomination Committee
Responsible for Board composition, appointment of directors and senior management and succession planning.
For more details See page 79

Remuneration Committee
Determines the remuneration of executive directors, the chairman and senior management and oversees remuneration policy for all employees.
For more details See page 88

Sustainability Committee
Oversees management of sustainability issues, including safety, health, environment, social and government relations.
For more details See page 78

Chief executive

Group Management Committee
Principal executive committee. Responsible for developing and executing strategy, setting budgets, monitoring performance and managing the Group's portfolio.

Corporate Committee
Reviews corporate and ethical policies and processes, and financial performance and budgets at business unit level.

Operational Committee
Responsible for driving operational best practices across the Group and the setting of technical standards.

Investment Committee
Responsible for making recommendations to the GMC and chief executive on capital investment proposals.

BOARD DISCUSSIONS

The rolling agenda of matters discussed by the Board is described and explained below. The Board is scheduled to meet at least six times a year, but meets more often should circumstances warrant this. In addition, a full day strategy session is held, during which strategy formulated by management is debated, stress-tested, modified if necessary, and finally approved by the Board. At least once a year, each of the Group's business unit heads presents to the Board in some depth on key aspects of their business.

BOARD DISCUSSIONS

TOPIC AND LINK TO PILLARS OF VALUE	AREAS COVERED	COMMENTS
Safety and Health	Fatal incidents, total recordable case frequency rate (TRCFR), health and medical incidents	The chief executive reports at each Board meeting on Group safety performance and this topic is always the first item on the agenda. The causes of fatal incidents and those causing injury are examined in detail by the Sustainability Committee and the findings discussed by the Board as a whole. Management performance in reducing such incidents and to improve occupational health is reviewed.
Environment	Environmental incidents, energy and climate change, water availability and rehabilitation	Material environmental incidents are reported on, together with efforts made to reduce energy and natural resource consumption, and to generally reduce the impact of the Group's operations on the environment.
Socio-political	Social incidents and performance, government, media, investor and stakeholder relations	Community comments about environmental matters, and any health and safety issues are reported. Investor and media relations updates are given. Feedback from external stakeholders such as customers, suppliers, global influencers and governments on their expectations of the Group are presented and discussed.
People	Employee feedback, organisational restructure, key appointments and resignations, business integrity and Code of Conduct	The results of employee engagement surveys on how employees feel the Group is doing and what could be done better are reviewed. Progress on organisational restructuring and changes in headcount are monitored. Targets for areas such as diversity are agreed and reported on. The Board is updated on compliance with our Code of Conduct and the business integrity policy.
Operations	Operational performance by each business unit and progress of key projects	A report on each business unit is received and each business unit head presents in detail on its performance, operations, strategy, safety and sustainable development, technological innovation and risks once a year.
Financial	Key financial measures, liquidity and balance sheet strength, cost improvements	Progress against the annual budget and three-year plan is monitored and discussed. Liquidity, balance sheet strength and debt are reviewed and, if any corrective actions are necessary, these are agreed.
Economic outlook and commodity prices	Macro-economic environment and commodity price outlook	The Board receives briefings from internal teams and external advisers on trends in relevant areas and likely scenarios for global economic growth. Commodity prices, and the effect of these on the Group, are noted and taken into account for strategy and planning purposes.
Strategy	Disposals, three-year plan, progress on critical tasks	As well as having a dedicated strategy meeting each year, the Board reviews progress against the Group's agreed strategy at each meeting and considers if any changes are needed. There are annual presentations on exploration activities.
Board governance	Reports from committees, legislative and regulatory compliance	Each of the committee chairmen report on recent meetings and on any developments which need the attention of the Board as a whole. Reports are received on the Group's compliance with relevant legislation and regulation, and any actions needed to respond to recent developments. The Board receives biannual updates on material litigation across the Group. Matters which generally assist the effective functioning of the Board and Group as a whole are considered and actions agreed.

For more information on our strategy and how we measure our performance through our pillars of value
See pages 10 and 34-35

BOARD INFORMATION AND SUPPORT

All directors have full and timely access to the information required to discharge their responsibilities fully and effectively. They have access to the advice and services of the Group company secretary, other members of the Group's management and staff, and external advisers. Directors may take independent professional advice in the furtherance of their duties, at the Company's expense.

Where a director is unable to attend a Board or committee meeting, he or she is provided with all relevant papers and information relating to that meeting and encouraged to discuss issues arising with the respective chairman and other Board and committee members.

BOARD INDUCTION AND DEVELOPMENT

Following appointment and as required, directors receive training appropriate to their level of experience and knowledge. This includes the provision of a tailored induction programme and individual briefings with GMC members and their teams so as to provide newly appointed directors with information about the Group's businesses and other relevant information to assist them in effectively performing their duties. In addition to scheduled Board operational site visits, non-executive directors are encouraged to spend time at the Group's operations to meet management and staff. Further information about the Board's visits to operations in 2017 can be found on pages 76-77.

Highlights

- On joining Anglo American in January 2017, Stephen Pearce undertook an intensive orientation programme designed to ensure familiarisation with the Group's businesses, people, and governance and control processes ahead of his appointment as finance director in April.
- On joining the Board as a non-executive director in April 2017, Nolitha Fakude received a briefing on the obligations and responsibilities of directors of UK listed companies, to complement her considerable knowledge and experience of serving on the boards of South African companies. In October, Nolitha accompanied Stuart Chambers to Brazil to visit the Minas-Rio (Iron Ore) and Barro Alto (Nickel) operations.
- On joining the Board as a non-executive director in July 2017, Ian Ashby undertook internal 'deep dive' briefings on the Anglo American Operating Model and the Group's Quellaveco copper project.
- Ahead of his appointment as chairman, Stuart Chambers undertook an extensive induction programme – described in detail on page 64 of the chairman's introduction to governance.
- As part of their onboarding process, Nolitha Fakude, Ian Ashby and Stuart Chambers attended meetings of the Audit and Sustainability committees at the invitation of the respective committee chair prior to their formal appointment date.

Board experience and diversity

	Diversity		Professional experience										
Directors	Nationality	Female	Mining	Engineering	Large project management	Construction in mining/ oil and gas	Finance	Safety, health, environment	Broad-based international business experience	Previous NED experience	Previous chief executive	Economics and global economy	Experience as an investor
Stuart Chambers	UK			●	●	●		●	●	●	●		
Mark Cutifani*	Australia		●	●	●	●		●	●	● (1)	●		
Stephen Pearce*	Australia		●		●	●	●	●	●	● (2)	●	●	
Tony O'Neill*	Australia		●	●	●	●		●					
Ian Ashby	Australia		●	●	●	●		●	●	●			
Nolitha Fakude	South Africa	●	●		●			●	●	●			
Byron Grote	USA/UK				●	●	● (3)		●	●		●	
Sir Philip Hampton	UK				●		● (3)	●	●	●		●	
Mphu Ramatlapeng	Lesotho	●						●		●	● (4)		
Jim Rutherford	UK						●		●	●		●	●
Anne Stevens	USA	●		●	●			●	●	●	● (5)	●	
Jack Thompson	USA(6)		●	●	●	●		●	●	●	●		

(1) Independent director of Total S.A.
(2) Former non-executive director of Cedar Woods Properties Limited
(3) Audit Committee members determined to have 'recent and relevant' financial experience in accordance with UK Corporate Governance Code Provision C.3.1
(4) Government minister
(5) COO, South America at Ford; chief executive of GKN plc
(6) Born in Cuba, naturalised US citizen
* Also GMC members

BOARD AND COMMITTEE MEETINGS 2017 – FREQUENCY AND ATTENDANCE OF MEMBERS

The table below shows the attendance of directors at meetings of the Board and committees during the year. Attendance is expressed as the number of meetings attended out of the number eligible to be attended.

	Independent	Board	Board Strategy	Audit	Nomination	Remuneration	Sustainability
Sir John Parker[(1)]	n/a	5/5	1/1	–	5/5	–	2/3
Stuart Chambers[(2)]	n/a	3/3	–	–	–	–	1/1
Mark Cutifani	No	6/6	1/1	–	–	–	4/4
René Médori[(3)]	No	1/1	–	–	–	–	–
Stephen Pearce[(4)]	No	5/5	1/1	–	–	–	–
Tony O'Neill	No	6/6	1/1	–	–	–	4/4
Ian Ashby[(5)]	Yes	4/4	–	–	–	–	2/2
Nolitha Fakude[(6)]	Yes	5/5	1/1	2/2	–	–	3/3
Byron Grote	Yes	6/6	1/1	4/4	5/5	3/3	–
Sir Philip Hampton	Yes	6/6	1/1	4/4	5/5	3/3	–
Mphu Ramatlapeng	Yes	6/6	1/1	–	–	–	4/4
Jim Rutherford[(7)]	Yes	6/6	1/1	4/4	–	1/1	4/4
Anne Stevens	Yes	6/6	1/1	4/4	5/5	3/3	–
Jack Thompson[(8)]	Yes	6/6	1/1	–	–	3/3	4/4

(1) Resigned 31 October 2017. Sir John was unable to attend the February 2017 Sustainability Committee meeting due to a diary conflict.
(2) Appointed as a non-executive director and chairman designate, and a member of the Nomination Committee, on 1 September 2017. Appointed as chairman of the Board, chairman of the Nomination Committee and a member of the Sustainability Committee on 1 November 2017.
(3) Resigned 24 April 2017.
(4) Appointed 24 April 2017.
(5) Appointed 25 July 2017.
(6) Appointed 24 April 2017.
(7) Appointed to the Remuneration Committee on 25 July 2017.
(8) Appointed to the Nomination Committee on 25 July 2017.
(9) As part of their onboarding process, new Board and committee members attended meetings at the invitation of the respective committee chair prior to their formal appointment date. Attendance is not reflected in the table above.

PROCESS USED IN RELATION TO BOARD APPOINTMENTS

The Board is committed to ensuring that it has the right balance of skills, experience and diversity, taking into account the targets of the Davies and Parker Reports. Currently, the Board comprises 12 directors, of whom 25% are female and two of whom are people of colour. In terms of nationality, nine members of the Board have a nationality other than British, with two of them being from southern Africa.

During 2017, the Nomination Committee led search processes to recruit two new non-executive directors and a successor for Sir John Parker as chairman of the Company. The processes were led by Spencer Stuart (South Africa) for the recruitment of Nolitha Fakude, by Heidrick & Struggles for the recruitment of Ian Ashby and by Zygos Partnership for the recruitment of Stuart Chambers. These consultancies were chosen as they had previously worked for the Group in recruiting for senior appointments and accordingly had a good understanding of the Board's requirements, given the markets in which the most suitable candidates were likely to be found. They are also accredited under The Enhanced Code of Conduct for Executive Search firms which acknowledges those with a strong track record in and promotion of gender diversity in FTSE 350 companies.

In each case, prior to the search commencing, the Nomination Committee agreed the skills and experience they thought were necessary for the roles and provided these to the consultancies with the request to include female candidates and people of colour. A list of potential candidates was then identified by the relevant consultancy and discussed with the committee members (excluding Sir John Parker in the case of the recruitment for his successor) to agree a shorter list to be interviewed. The non-executive directors were invited to apply for the position of chairman if they wished to be considered for the role. In each case, the initial list of potential candidates included both female and male participants and people of colour. Shortlisted candidates were interviewed by all members of the committee (again with the exception of Sir John Parker in the case of the recruitment for his successor) and, where practical, other directors. The final two candidates for the role of chairman were interviewed by all the directors. References were sought for each preferred candidate prior to an offer being made to them.

BOARD, COMMITTEE AND INDIVIDUAL DIRECTORS' EVALUATION

Each year, the Board evaluates its own performance, that of its committees and of the individual directors. In 2016 and 2017, the directors completed online, questionnaire-based, internal evaluations. To allow the Board and its committees to judge progress over the two years, the evaluations explored similar areas on each occasion. The results were collated, summarised and considered by the Nomination Committee before being submitted to the relevant committee and the Board itself.

Action plans were developed based on the results and progress against these measured at various points throughout the year. The results of the findings and the actions taken in response to the 2016 evaluation are summarised below. Action plans based on the 2017 evaluations were approved in February 2018, and will be progressed this year. The questionnaires completed by the individual directors were used as part of their performance evaluation by the chairman, with the chairman's performance evaluation being led by the senior independent director.

In 2018, an external evaluation exercise will be undertaken using a consultancy with no other connection to the Company, and this will be reported on in the 2018 Annual Report.

Board evaluation

Areas of focus for the evaluations in 2016 and 2017 included strategic oversight, the support provided to the Board and the management of meetings, and priorities for the coming year. From the 2016 exercise, the top priorities for the Board in 2017 were identified by the respondents as:

- making Board member appointments to replace the skills and experience lost towards the end of 2016
- focusing on strategy and growth options
- succession planning
- progressing the implementation of new technology.

Changes were made to address these priorities, including to the Board agendas and to the information the Board receives.

The 2017 evaluation identified the following priorities for 2018:

- driving demonstrable and sustainable safety and operating improvements
- execution against the asset-led strategy
- identifying additional growth opportunities while targeting credit strength, debt reduction and refinancing
- ensuring the Group has a suitably diverse workforce with the capability and skills to drive continuous improvement
- deploying winning technologies (especially in the areas of water reduction and safety improvements).

An action plan is being developed to progress these areas in 2018.

Committee evaluations

The committee evaluations looked at ways in which the committees could improve their overall efficiency, their performance in the current year and the areas they needed to address in the coming year. All the committees were believed to be performing satisfactorily and were appropriately constituted.

Audit Committee

The results of the 2016 review suggested a greater focus on actions mitigating risk and the effectiveness of controls and remediating actions, and an understanding of critical operating issues and risks, and their potential financial outcomes. As the Group's priorities changed, and the business moved into a phase where capital allocation was once again desirable, the work of the committee changed to reflect this. The 2017 evaluation results suggested the committee should build on these changes and continue the work started in the year.

Nomination Committee

From late 2016 until the middle of 2017 the committee was focused on Board succession planning and recruitment. While these processes were believed to have gone well, the 2016 review identified the following goals:

- better communication of succession planning work for key executives, including the pipeline target for female members of the GMC
- improving the ethnic diversity of the Board and in senior management
- making the plans in these areas broader and more forward-looking.

In addition, the 2017 evaluation identified the development of internal candidates for the executive board positions.

Remuneration Committee

The 2016 review highlighted the need to address the expectations of stakeholders in drafting the current remuneration policy, and to have a good understanding of the trends and initiatives in other FTSE 100 companies in relation to remuneration when doing this. The 2017 review prioritised the need to continue this work to ensure remuneration targets are aligned with strategic goals and Group performance, and to evaluate the range of emerging remuneration ideas.

Sustainability Committee

The oversight of management of people issues was a new responsibility for the committee in 2016, and it was agreed that more effort was needed in 2017 to improve performance in this area. Suggestions from the 2017 evaluation for improving the performance of the committee included:

- placing greater emphasis on forward-looking measures and initiatives that will improve performance around critical controls to avoid fatalities and injuries
- a more rigorous follow-up process on major incidents
- ensuring a tighter link to risk identification and mitigation
- developing reporting to include a fuller, more robust analysis of country risks. There was also recognition of the need to continue focus on the major risks facing the Group, such as those around tailings storage facilities.

These suggestions informed the committee's planning and discussions in the year.

The 2017 review acknowledged that avoiding fatalities remains the key priority, and that:

- more work is needed to address recurring incidents leading to injury or death
- more information is sought on people issues and talent management
- there is a need to ensure there is the right balance of resource management across all aspects of the committee's responsibilities.

INVESTOR RELATIONS

The Company has an active engagement programme with its key financial audiences, including institutional shareholders and buy- and sell-side analysts, as well as potential shareholders.

The Group's investor relations department manages the interactions with these audiences and regular presentations take place at the time of the interim and final results, as well as during the rest of the year. An active programme of communication with potential shareholders is also maintained. Any significant concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board.

The Board receives a briefing at each meeting from the investor relations department and analysts' reports are circulated to the directors when available. Feedback from meetings held between executive management or the investor relations department, and institutional shareholders, is also communicated to the Board.

During the year there were regular presentations to, and meetings with, institutional investors in the UK, South Africa, continental Europe and North America to communicate the strategy and performance of Anglo American. Executive directors and key executives, including business unit heads, host such presentations, which include seminars for investors and analysts and one-to-one meetings. Throughout the year, executive management also present at industry conferences that are organised mainly by investment banks for their institutional investor base.

Private shareholders are encouraged to attend the Company's general meetings or to submit questions to the Company via the Group's website. The website also provides the latest news and historical financial information, details about forthcoming events for shareholders and analysts, and other information regarding Anglo American.

Voting levels at the AGM in 2017 were around 67%, with no more than 1.7% of that total being votes withheld. This is broadly in line with 2016 levels. All resolutions submitted to the meeting in 2017 were passed with more than 83% of the shareholders voting in favour, and only two resolutions (the re-election of the auditors and the authority for directors to allot shares) received fewer than 90% of the votes cast in favour.

BOARD VISITS TO GROUP OPERATIONS IN 2017

Undertaking regular site visits allows directors to gain a better understanding of the Group's operations and affords Board members the opportunity to meet and interact with employees. During 2017, the Board met on two occasions outside the UK at locations in which the Group operates. In September, the Board met in South Africa to coincide with Anglo American's centenary celebrations; and in October the Board met in Santiago, as described below. In 2017, non-executive directors visited Group operations in Brazil, Chile, Peru, South Africa and the UK.

BOARD VISIT TO SOUTH AMERICA

In October 2017, the Anglo American plc Board met in Santiago, Chile. During the course of the visit, the Board received detailed presentations from Copper and Base Metals management on their strategy and operations, asset base and outlook. Directors undertook an operational visit to the Los Bronces copper mine, located around 3,500 metres above sea level. The Board joined Copper as they celebrated Anglo American's centenary celebrations with external stakeholders, including Chile's Minister of Mining.

A number of directors also visited Anglo American's Quellaveco copper project in southern Peru, accompanied by Duncan Wanblad, CEO of Base Metals. During the course of the visit, directors participated in on-site activities with employees and contractors organised for the Group's annual Global Safety Day campaign. Directors received detailed briefings on Quellaveco, and toured the project's main sites, including the open pit, the Asana river diversion works and the concentrator plant site. In addition, directors visited agricultural and female empowerment social development and community projects in the Moquegua Region which are supported by Anglo American in Peru. In Lima, the chairman, finance director and CEO of Base Metals met with national and regional leaders.

For more information on Quellaveco
See page 19

NON-EXECUTIVE DIRECTORS' VISITS

In July 2017, De Beers' senior management hosted a visit by Nolitha Fakude and Ian Ashby to De Beers Technologies UK, the world-leading diamond research and technological development centre which specialises in diamond sorting and valuing technology, and synthetics detection.

In September 2017, non-executive directors, including members of the Sustainability Committee, visited Platinum's Precious Metals Refinery in South Africa accompanied by Chris Griffith, CEO of Platinum.

In October 2017, Nolitha Fakude accompanied Stuart Chambers to Brazil to visit the Minas-Rio (Iron Ore) and Barro Alto (Nickel) operations.

> "Site visits are an integral part of performing your duties as a director. They are invaluable in enabling board members to develop a greater understanding of the issues affecting the business. In turn, that helps inform discussion around the board table."
>
> **Jim Rutherford**, Non-executive Director

Top: Copper's CEO Hennie Faul (left) and NED Jack Thompson at Los Bronces mine.

Bottom left: NED Anne Stevens (centre) with Los Bronces' head of shift mine operations Pablo Gomez (left) and vice president – operations Patricio Chacana (right) at the mine.

Bottom right: Hennie Faul (left) and Base Metals' CEO Duncan Wanblad with the Board at their meeting in Santiago.

Left: Directors visiting the Quellaveco copper project in Peru.

Right: (left to right) Quellaveco project vice president Domenico Pelliccia, Duncan Wanblad and Anglo American chairman Stuart Chambers listen to a presentation for employees and contractors at Quellaveco on Global Safety Day.

Above: Directors and executives participating in Global Safety Day at Quellaveco.

Left and right: Directors and executives at social projects around the town of Moquegua, which lies close to the Quellaveco project.

Bottom right: (left to right) Angela Marca Flores, Mary Atencio Colque and Irene Quispe, who have received assistance from Mujures Emprendedoras, a project supported by Anglo American, helping women set up their own businesses.

Bottom left: In Moquegua, NED Mphu Ramatlapeng addresses directors and Quellaveco management at Casa Informativa, an information centre established by Anglo American where members of the public can obtain information about the Quellaveco project.

SUSTAINABILITY COMMITTEE

Jack Thompson
Chairman, Sustainability Committee

COMMITTEE MEMBERS

(See pages 65-67 for biographies and Board experience details)

- Jack Thompson – Chairman
- Ian Ashby (appointed 25 July 2017)
- Stuart Chambers (appointed 1 November 2017)
- Mark Cutifani
- Nolitha Fakude (appointed 25 April 2017)
- Tony O'Neill
- Sir John Parker (resigned 31 October 2017)
- Mphu Ramatlapeng
- Jim Rutherford

Business unit heads, Group directors of people and organisation, and corporate relations, the Group general counsel and the Group head of safety and sustainable development also participate in meetings of the committee.

ROLE AND RESPONSIBILITIES

The committee oversees, on behalf of the Board, material management policies, processes, and strategies designed to manage safety, health, environment, socio-political and people risks, to achieve compliance with sustainable development responsibilities and commitments and strive for an industry leadership position on sustainability.

The committee is responsible for reviewing the causes of any fatal or significant sustainability incidents and ensuring learnings are shared across the Group.

The committee's terms of reference are available to view online.

For more information, visit
www.angloamerican.com/aboutus/governance

During 2017, the committee held one of its four meetings in South Africa, and committee members visited Platinum's Precious Metals Refinery, the site of a fatal incident during the year. In addition, committee members visited two social projects supported by Anglo American in Peru and participated in the Group's annual Global Safety Day campaign at the Quellaveco copper project in southern Peru.

COMMITTEE DISCUSSIONS IN 2017

The committee met four times in 2017. At each meeting, the committee reviews a detailed quarterly report covering the Group's performance across a range of sustainability areas, including: safety, health, political and regulatory risk, and environmental and social performance.

Significant social, safety, health and environmental incidents are reviewed at each meeting, as are the results from operational risk reviews.

In 2017, nine members of the workforce lost their lives at Group operations. Preliminary observations from each of these fatal incidents were reported to the next committee meeting following their occurrence, noting the factors surrounding the incidents, mitigation steps being taken and the process for formal investigation. Following completion of independent investigations, findings are presented to the committee.

In addition to the committee's standing agenda items, the following matters were discussed during 2017:

- development of Anglo American's new Sustainability Strategy
- business unit and business function reports on safety and sustainability performance, including: Platinum, Copper, De Beers, and Group Discovery and Geosciences
- workforce engagement and development
- engagement with faith-based organisations
- tailings storage facility risk management
- air quality management at Kumba Iron Ore's Sishen mine
- mercury monitoring at De Beers' Victor mine
- safety intervention plan at Coal South Africa operations
- the new integrated Anglo American Safety, Health and Environment Way
- 2016 Social Way assessment results – improvements in performance on managing the social impacts of mining
- sustainability benchmarking – comparing performance and global trends across the industry
- climate change: progress on actions to meet disclosure commitments under the 'Aiming for A' shareholder resolution
- water management
- mine closure liabilities
- key legislative developments in the sustainability area
- Sustainability Committee annual evaluation and action plan.

NOMINATION COMMITTEE

Stuart Chambers
Chairman, Nomination Committee

COMMITTEE MEMBERS

(See pages 65-67 for biographies and Board experience details)

- Sir John Parker – Chairman (resigned 31 October 2017)
- Stuart Chambers – Chairman (appointed 1 September 2017, Chairman from 1 November 2017)
- Byron Grote
- Sir Philip Hampton
- Anne Stevens
- Jack Thompson (appointed 25 July 2017)

ROLE AND RESPONSIBILITIES

- Agreeing a skills and experience matrix for all directors (with the approval of the Board) to identify and address any skills gaps when recruiting new directors.
- Making recommendations as to the composition of the Board and its committees and the balance between the executive directors and non-executive directors in order to maintain a diverse Board with the appropriate mix of skills, experience, independence and knowledge.
- With the assistance of external search consultants, identifying and reviewing, in detail, potential candidates available in the market and agreeing a 'longlist' of candidates for each directorship. Following further discussion and research, deciding upon a shortlist of candidates for interview. Committee members interview the shortlisted candidates and make a recommendation to the Board.
- Ensuring that the Human Resources function of the Group regularly reviews and updates the succession plans for the directors and senior managers. These are presented to the Board by the chief executive (in the absence of other executive directors) and discussed.

The committee's terms of reference are available to view online.

For more information, visit
www.angloamerican.com/aboutus/governance

COMMITTEE DISCUSSIONS IN 2017

The committee met five times during 2017. Discussions at the meetings covered the responsibilities outlined above with a particular focus on Board recruitment and committee membership.

The process used for Board recruitment is described on page 73 of this Report and the results of the evaluation of the committee are on page 74.

The committee also considered the composition of the Board and its committees, the leadership needs of the organisation, and recommended that the Board support the election or re-election of each of the directors standing at the AGM in 2017. The length of tenure of non-executive directors was taken into account when considering supporting their re-election, to ensure they remain independent and recognising the need to progressively refresh the Board. Changes to committee membership were recommended to the Board and the appropriate committee following the appointment of Nolitha Fakude and Ian Ashby as non-executive directors.

AUDIT COMMITTEE

Byron Grote
Chairman, Audit Committee

COMMITTEE MEMBERS

(See pages 65-67 for biographies and Board experience details)

- Byron Grote – Chairman
- Nolitha Fakude (appointed 25 April 2017)
- Sir Philip Hampton
- Jim Rutherford
- Anne Stevens

ROLE AND RESPONSIBILITIES

- Monitoring the integrity of the annual and interim financial statements.
- Making recommendations to the Board concerning the adoption of the annual and interim financial statements.
- Overseeing the Group's relations with the external auditor.
- Reviewing and monitoring the effectiveness of the Group's risk management and internal control mechanisms.
- Approving the terms of reference of the internal audit function and assessing its effectiveness.
- Approving the internal audit plan and reviewing regular reports from the head of internal audit on effectiveness of the internal control system.
- Receiving reports from management on the principal risks of the Group. Details of the principal risks are contained on pages 42-45. Overseeing completion of the Viability Statement.
- Overseeing implementation of the Group's Code of Conduct.

The committee's terms of reference are available to view online.

For more information, visit
www.angloamerican.com/aboutus/governance

FAIR, BALANCED AND UNDERSTANDABLE

A key requirement of our financial statements is for the report to be fair, balanced and understandable. The Audit Committee and the Board are satisfied that the Annual Report and Accounts meet this requirement, as appropriate weight has been given to both positive and negative developments in the year.

In justifying this statement, the Audit Committee has considered the robust process which operates in creating the Annual Report and Accounts, including:

- clear guidance and instruction is provided to all contributors
- revisions to regulatory requirements are provided to contributors and monitored on an ongoing basis
- reviewing the use and disclosure of Alternative Performance Measures, taking into account feedback from the Financial Reporting Council (FRC) following the FRC's review of the Group's disclosures for the year ended 2017
- early-warning meetings are conducted between business unit management and the auditor in advance of the year-end reporting process
- a thorough process of review, evaluation and verification of the inputs from business units is undertaken to ensure accuracy and consistency
- external advisers provide advice to management and the Audit Committee on best practice with regard to creation of the Annual Report and Accounts
- a meeting of the Audit Committee was held in February 2018 to review and approve the draft 2017 Annual Report and Accounts in advance of the final sign-off by the Board. This review included the critical accounting judgements explained in the notes to the consolidated financial statements
- the Audit Committee considered the conclusions of the external auditor over the key audit risks that contributed to their audit opinion, specifically impairments, taxation, special items and remeasurements, and corporate asset transactions.

COMMITTEE DISCUSSIONS IN 2017

Throughout the course of 2017, the Audit Committee paid particular attention to the valuation of assets, tax matters, the Group's liquidity position and reinstatement of the dividend. The committee oversaw the introduction of the new Code of Conduct and reviewed the system of internal control and risk management.

An evaluation of the committee was undertaken, the results of which are described on page 74.

The Audit Committee held four meetings in 2017, covering the key topics set out on the following pages.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO THE GROUP'S FINANCIAL STATEMENTS	RESPONSE OF THE AUDIT COMMITTEE
Impairment and impairment reversals of assets The value of mining operations is sensitive to a range of characteristics unique to each asset. Management is required to apply judgement in the estimation of Ore Reserves, and price and production forecasts which drive cash flow projections.	The committee exercises oversight over the impairment review process, including the identification of impairment and impairment reversal indicators, the review of changes in the valuation of cash generating units and associated sensitivity analysis. During 2017, the most significant assets considered were the following: **Sishen** The Sishen mine was impaired by $0.5 billion in 2015, following a reduction in the Group's long-term iron ore price forecast. The committee considered whether recent improvements in the near-term pricing outlook and operating performance at the mine justified an impairment reversal, taking into account the sensitivity analysis presented by management. While the valuation is sensitive to changes in key assumptions, significant downside changes to the base case assumptions are required to remove all headroom. The committee therefore concluded that a full reversal of the impairment recorded in 2015 should be recognised at the December 2017 year end. **Minas-Rio** The valuation of Minas-Rio continues to be in line with the carrying value, but is subject to uncertainty in relation to licensing as well as being highly sensitive to changes in pricing assumptions. The committee considered the status of the licensing process for the operation and the scenarios presented by management. It was concluded that an impairment should not be recorded at Minas-Rio as the valuation was at break-even following receipt of the Step 3 installation licence in January 2018. **El Soldado** El Soldado was fully impaired in 2016, following suspension of operations due to licensing uncertainty. Following receipt of the mining permit, operations resumed in April 2017, resulting in an impairment reversal of $194 million in the Group's 2017 interim results. **Moranbah-Grosvenor** Moranbah-Grosvenor was impaired by $1.25 billion in 2016, as a result of a reduction in the Group's expected long-term metallurgical coal prices. The Grosvenor operation encountered mixed operational results during 2017. The committee concluded that, while recent performance was promising, a sustained period of strong performance would be necessary before an impairment reversal would be considered.

OTHER ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO THE GROUP'S FINANCIAL STATEMENTS	RESPONSE OF THE AUDIT COMMITTEE
Reinstatement of the dividend Reviewing management's recommendation to the Board that the dividend be reinstated at the 2017 interim results announcement, based on a payout ratio driven dividend policy.	The committee reviewed the proposal for timing and method of reinstatement of the dividend, in particular the payout ratio driven dividend policy based on 40% of underlying earnings. Following discussion, the committee endorsed the proposal to adopt the new policy and to pay an interim dividend for 2017, for final approval by the Board.
Legal matters A provision is recognised where, based on the Group's legal views and, in some cases, independent advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. This requires the exercise of judgement. The committee was updated by the Group's general counsel on the status of legal matters over the course of the year.	At 30 June 2017, a charge of $101 million was recognised in respect of the consolidated class action certification application filed in South Africa on behalf of former mineworkers (and dependants of deceased mineworkers) who allegedly contracted silicosis or tuberculosis as a result of working for various gold mining companies, including some in which Anglo American South Africa (AASA) was a shareholder and to which AASA provided services. Whilst a final settlement had not yet been reached between the parties and the outcome of discussions remained uncertain, the committee approved the recognition of a provision based on the status of negotiations.

OTHER ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO THE GROUP'S FINANCIAL STATEMENTS	RESPONSE OF THE AUDIT COMMITTEE
Special items and remeasurements The Group's criteria for recognising a special item or remeasurement involves the application of judgement in determining whether an item, due to its size or nature, should be separately disclosed in the income statement.	The committee reviewed each of the items classified as special items or remeasurements in the financial statements, and the related disclosures, to ensure that the separate disclosure of these items was appropriate.
New accounting standards The impact of new accounting standards, and any elections made in their application, involves judgement to ensure their adoption is managed appropriately.	The committee reviewed management's impact assessment of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*, both of which become effective in 2018 but are not expected to have a material impact on the Group. The committee also received an update on progress in the implementation of IFRS 16 *Leases* which will become effective in 2019.
Going concern basis of accounting in preparing the financial statements The ability of the Group to continue as a going concern depends upon continued access to sufficient financing facilities. Judgement is required in the estimation of future cash flows and compliance with debt covenants in future years.	The committee assessed the forecast levels of net debt, headroom on existing borrowing facilities and compliance with debt covenants. This analysis covered a range of downside sensitivities, including the impact of lower commodity prices and higher costs.
Retirement benefits The ability of the Group to recover surpluses within pension schemes involves judgement. The estimation of retirement benefits requires judgement over the estimation of scheme assets and liabilities. Areas of judgement include assumptions for discount and inflation rates, returns on assets and life expectancy. Changes in the assumptions used would affect the amounts recognised in the financial statements.	The committee reviewed the changes in assumptions behind the calculations of the asset and liability positions of the Group's pension and medical plans. In addition, the committee reviewed the adequacy of the level of funding provided to the plans and the overall expense recognised for the year. The committee assessed the appropriateness of the Group's overall risk management approach to retirement benefits, and the Group's ability to recover surpluses within schemes in the UK and South Africa.
Provision for restoration, rehabilitation and environmental costs The estimation of environmental restoration and decommissioning liabilities is inherently uncertain given the long time periods over which these expenditures will be incurred, and the potential for changes in regulatory frameworks and industry practices over time.	The committee oversees the periodic update to estimates of environmental and decommissioning liabilities which are based on the work of external consultants and internal experts. It reviews the changes in assumptions and drivers of movements in the amounts provided on the balance sheet.
Taxation The Group's tax affairs are governed by complex domestic tax legislations, international tax treaties between countries and the interpretation of both by tax authorities and courts. Given the many uncertainties that could arise from these factors, judgement is often required in determining the tax that is due.	The Group head of tax provided the committee with an update on tax matters, including the status of tax audits, the current global tax environment and the ongoing entity simplification programme. The committee discussed the recoverability of the Group's deferred tax assets, and uncertain tax provisions. The committee were presented with the Tax Strategy for approval prior to publication on the Anglo American website as required under Schedule 19 of the Finance Act 2016.

OTHER ISSUES CONSIDERED BY THE AUDIT COMMITTEE	RESPONSE OF THE AUDIT COMMITTEE
Viability Statement The Viability Statement, and the underlying process to analyse various scenarios that support the development of the Viability Statement, are found on pages 40-45.	The committee reviewed the time period over which the assessment is made, along with the scenarios that are analysed, the potential financial consequences and assumptions made in the preparation of the statement. The committee concluded that the scenarios analysed were sufficiently severe but plausible and the time period of the Viability Statement was appropriate given the alignment with the budgeting and strategy process.
Mineral Resources and Ore Reserves statements The year-on-year changes to Mineral Resources and Ore Reserves for operations and projects across the Group.	The committee reviewed the significant year-on-year changes, satisfying itself that appropriate explanations existed. The committee also discussed issues and improvements in the process to measure Mineral Resources and Ore Reserves including adoption of a new software platform and updated guidelines.
Internal audit work Reviewing the results of internal audit work and the 2018 plan.	The committee received reports on the results of internal audit work, satisfying itself that the 2017 plan was on track, and discussed areas where control improvement opportunities were identified. The committee reviewed the progress in completion of agreed management actions. The committee reviewed the proposed 2018 internal audit plan, assessing whether the plan addressed the key areas of risk for the business units and Group. The committee approved the plan having discussed the scope of work and its relationship to the Group's risks.
Risk management The Group's risk profile and the process by which risks are identified and assessed.	The committee assessed the Group's risk profile, in particular the principal risks (see pages 42-45). The committee discussed the key risks, the mitigation plans in place and the appropriate executive management responsibilities. The committee also considered the process by which the risk profile is generated, the changes in risk definitions and how the risks aligned with the Group's risk appetite. Following discussion and challenge, the risk profile was approved.
Code of Conduct The implementation of the Code of Conduct and specific actions to mitigate risk of bribery and corruption.	The committee reviewed the implementation plan for the new Code of Conduct that was rolled out across the Group in 2017. The committee received updates on the progress with implementation and sought assurance that implementation would be continued beyond the initial communication to employees. The committee reviewed and approved the work to embed the Code of Conduct in recruitment, induction, performance management and employee development programmes. The committee also assessed the work being conducted to mitigate the risk of bribery and corruption. Specifically, the committee reviewed work to assess risk from use of intermediaries, approving plans to strengthen risk mitigation in this area. The committee approved work plans associated with the Group's anti-bribery and corruption programme for 2018.
Various risk matters The committee oversees the implementation of work to mitigate a variety of key risks.	The committee reviewed work to mitigate cyber risk, data protection risk, plus marketing and trading risks, during the course of 2017. The committee evaluated the work being performed, progress made and provided challenge to satisfy itself that these risks were being adequately managed.
External audit Reviewing the results of extended audit work and the 2017 year-end plan.	The committee received the results of the interim work of the external auditor in the July meeting and approved the preliminary planning report for the 2017 year-end audit, having reviewed the audit approach, materiality levels and audit risks. The final audit plan and fee for the audit were approved at the December meeting. Throughout the year, the committee sought input from the auditor on all significant accounting matters and the judgements made by management. In February 2018, the committee reviewed the output of the external audit work that contributed to the auditor's opinion.

AUDIT COMMITTEE REPORT

ENSURING INDEPENDENCE OF THE EXTERNAL AUDITOR

Anglo American's policy on auditors' independence is consistent with the ethical standards published by the Audit Practices Board.

A key factor that may impair an auditor's independence is a lack of control over non-audit services provided by the external auditor. The external auditor's independence is deemed to be impaired if the auditor provides a service that:

- results in the auditor acting as a manager or employee of the Group
- puts the auditor in the role of advocate for the Group
- creates a mutuality of interest between the auditor and the Group.

Anglo American addresses this issue through three primary measures, namely:

- disclosure of the extent and nature of non-audit services
- the prohibition of selected services – this includes the undertaking of internal audit services
- prior approval by the Audit Committee chairman of non-audit services where the cost of the proposed service is likely to exceed $100,000. This was increased from the prior limit of $50,000, which had been in place for many years.

Anglo American's policy on the provision of non-audit services is regularly reviewed.

The definition of prohibited non-audit services corresponds with the European Commission's recommendations on the auditor's independence and with the Ethical Standards issued by the Audit Practices Board in the UK.

Non-audit work is only undertaken where there is commercial sense in using the auditor without jeopardising auditor independence; for example, where the service is related to the assurance provided by the auditor or benefits from the knowledge the auditor has of the business. Non-audit fees represented 31% of the 2017 audit fee of $9.5 million. A more detailed analysis is provided on page 173.

OTHER SAFEGUARDS

- The external auditor is required to adhere to a rotation policy based on best practice and professional standards in the UK. The standard period for rotation of the audit engagement partner is five years and, for any key audit partner, seven years. The audit engagement partner, Kari Hale, was appointed in 2015, and will rotate off at the end of the 2019 audit in accordance with this requirement.
- Any partner designated as a key audit partner of Anglo American shall not be employed by Anglo American in a key management position unless a period of at least two years has elapsed since the conclusion of the last relevant audit.
- The external auditor is required to assess periodically whether in their professional judgement, they are independent of the Group.
- The Audit Committee ensures that the scope of the auditor's work is sufficient and that the auditor is fairly remunerated.
- The Audit Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor.
- The Audit Committee has the authority to engage independent counsel and other advisers as they determine necessary to resolve issues on the auditor's independence.
- An annual assessment is undertaken of the auditor's effectiveness through a structured questionnaire and input from all business units and Group functions covering all aspects of the audit process. The Audit Committee members also participate in this assessment, which evaluates audit planning, execution, communications and reporting. The assessment identifies strengths and areas for improvement which are discussed with the auditor and action plans agreed. The assessment conducted in 2017 for the 2016 audit showed an improvement from the previous assessment due to actions taken.

Audit tender

Anglo American will undertake a tender and rotation of the audit appointment no later than at the time of the rotation of the lead engagement partner, which is due after completion of the 2019 audit. Deloitte has been the auditor since 1999.

Anglo American confirms compliance during the year with the provisions of the Competition and Markets Authority Order on mandatory tendering and audit committee responsibilities.

FRC Audit Quality Review

The FRC's Audit Quality Review team selected the audit of the 2016 Anglo American plc financial statements to review as part of their 2017/18 annual inspection of audit firms. The focus of the review and their reporting is on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The chairman of the Audit Committee, who also met with the Audit Quality Review team as part of the process, received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. The Audit Committee confirms that there were no significant areas for improvement identified within the report. The Audit Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

Conclusions of the Audit Committee for 2017

The Audit Committee has satisfied itself that the external auditor's independence was not impaired.

The Audit Committee held meetings with the external auditor without the presence of management on two occasions, and the chairman of the Audit Committee held regular meetings with the lead audit engagement partner during the year.

Consideration given to the appointment of the external auditor

The Audit Committee's assessment of the external auditor's performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of Deloitte LLP as auditor until the conclusion of the AGM in 2019. Resolutions to authorise the Board to re-appoint and determine the remuneration of Deloitte LLP will be proposed at the AGM on 8 May 2018.

RISK MANAGEMENT

Risk management is the responsibility of the Board and is integral to the achievement of our objectives. The Board establishes the system of risk management, setting risk appetite and maintaining the system of internal control to manage risk within the Group. The Group's system of risk management and internal control is monitored by the Audit Committee under delegation from the Board.

The system of risk management is designed to ensure awareness of risks that threaten the achievement of objectives. The controls that mitigate those risks are identified so that assurance can be provided on the effectiveness of those controls and a determination can be made as to whether the risk is operating within the Group's risk appetite. We seek to embed a culture of risk awareness into the development of our strategic and operational objectives.

The process for identification and assessment of the principal risks combines a top-down and bottom-up approach. At the operations level, a process to identify all risks that prevent the achievement of objectives is undertaken. Detailed analysis of the material risks at each location is performed to ensure management understanding of the risk and controls that reduce likelihood of occurrence and impact should the risk materialise. These operational risk profiles contribute to the assessment of risks at the business unit level. Executive management at each business unit assesses risks that threaten achievement of the business unit objectives and the status of controls, or actions, that mitigate those risks. At the Group level, risks are identified through assessment of global factors affecting the industry and the Group specifically, as well as the risks arising from the business unit assessments. Materiality of risk is determined through assessment of the various impacts that may arise and likelihood of occurrence. An exception relates to those risks deemed catastrophic in nature, where the focus of assessment is on impact and status of internal controls, given the very low likelihood of occurrence. When considering the impact of any risk, we assess financial, safety, environmental, legal or regulatory, social and reputational consequences.

The robust process of identifying and evaluating the principal risks is ongoing and was in place during 2017. Regular reports on the status of risks and controls are presented to executive management teams throughout the year. The Audit Committee reviews reports on the overall Anglo American risk profile on two occasions during the year and conducts in-depth reviews of specific risks during its meetings over the course of the year. Each principal risk is assigned to either the Board or the relevant Board committees to oversee executive management actions in response to that risk. The Audit Committee reviews that oversight process on an annual basis.

Details of the principal risks are provided on pages 42-45.

Risk appetite

We define risk appetite as 'the nature and extent of risk that Anglo American is willing to accept in relation to the pursuit of its objectives'. Each principal risk is assessed as to whether it is operating within the limit of appetite for the Group, based on review of the external factors influencing that risk, the status of management actions to mitigate or control the risk and the potential impact should the risk materialise. For risks operating beyond the limit of appetite, a change in strategy may be required. For risks operating within, but approaching the limit of, appetite, specific management actions may be required to ensure the risk remains within the limit of appetite.

Risk management and the system of internal control

Controls either reduce the likelihood or impact of any risk once it has occurred, while the identification of material controls – i.e. those controls that have the most influence in mitigating a risk – is an important input for audit planning.

The system of internal control operates on a traditional 'three lines of defence' approach, with operating management implementing and monitoring controls on a day-to-day basis, and business unit or functional management providing a second line of defence through regular and frequent oversight of operating management's implementation of controls. A centrally managed internal audit department provides the third line of defence by reviewing the design and operating effectiveness of the internal control environment, which includes the work performed by the first and second lines of defence management teams. Internal audit operated in all of the Group's managed businesses in 2017, reporting its work to executive management and the Audit Committee on a regular basis. The internal audit department's mandate and annual audit coverage plans were approved by the Audit Committee.

The scope of internal audit work covers the broad spectrum of risk to which the Group is exposed. The audit of controls associated with major operating/technical risks is undertaken in conjunction with relevant experts from the Technical and Sustainability function, the results of which were shared with the Sustainability Committee and Audit Committee.

In determining its opinion that the internal control environment was effective during 2017, the Audit Committee considered the following factors:

- the results of internal audit work, including the response of management to completion of actions arising from audit work
- the output of risk management work
- the output of external audit work and other assurance providers
- issues identified by management or reported through whistleblowing arrangements, and the results of investigations into allegations of breaches of our values and business principles.

Reviewing the effectiveness of the system of risk management and internal control

The Board, through the Audit Committee, fulfils its responsibility in reviewing the effectiveness of the system of risk management and internal control through review of reports submitted over the course of the year covering the risk management process, adequacy of the internal control environment, consideration of risk appetite, in-depth reviews of specific risks and the results of external audit work. The Sustainability Committee also reviews technical and safety risks in detail and reports its findings to the Board.

Reviewing the effectiveness of Internal Audit

During the latter part of 2016, the Audit Committee commissioned and participated in an external review of internal audit to assess its effectiveness in the delivery of its assurance work. This is a regular assessment performed every five years. The review assessed the purpose and remit, position and organisation, process and technology, people and knowledge, and performance and communication practices of the internal audit team. The results of the assessment, which concluded internal audit is effective in its duties, were discussed in detail by the committee and the recommendations submitted for improvement were evaluated. During the course of 2017, the Audit Committee reviewed progress on the implementation of agreed actions to address the recommendations made. The committee also assesses the work of internal audit through its annual committee evaluation.

Whistleblowing programme

The Group has a whistleblowing facility operating in all its managed operations as well as a Group-wide stakeholder complaints and grievance procedure (see the 2017 Sustainability Report for more details). The whistleblowing programme, which is monitored by the Audit Committee, is designed to enable employees, customers, suppliers, managers or other stakeholders to raise concerns on a confidential basis where conduct is deemed to be contrary to our values.

During 2017, 272 (2016: 413) reports were received via the global 'Speak Up' facility, covering a broad spectrum of concerns, including:

- ethical
- criminal
- supplier relationships
- health and safety
- HR issues.

The majority of reports were received on an anonymous basis. Of the cases closed in 2017, 19% were proven to support the allegations received and resulted in some form of management action.

In addition, more than 600 alerts were received in respect of an attempted purchasing fraud committed by third parties against other companies in South Africa using email domain addresses similar to Anglo American Platinum. These alerts are being used as evidence by authorities in a criminal investigation which is ongoing.

DIRECTORS' REMUNERATION REPORT

"The role of Anglo American's Remuneration Committee is to ensure that the remuneration arrangements for executive directors offer every encouragement for them to deliver our strategy and create stakeholder value in a sustainable manner."

Sir Philip Hampton, Chairman, Remuneration Committee

1. INTRODUCTORY LETTER

Dear Shareholder,

The role of Anglo American's Remuneration Committee (committee) is to ensure that the remuneration arrangements for executive directors and other members of the Group Management Committee (GMC) offer them every encouragement to deliver our strategy and create stakeholder value in a sustainable and responsible manner. It is also our task to ensure that the remuneration received by executive directors is proportionate to the levels of performance achieved and the returns received by you as shareholders. As a committee, therefore, we have to give full consideration to the Group's strategy, its performance, your interests and the interests of the wider communities we affect. As such, we were delighted to receive overwhelming shareholder support for our revised remuneration policy at the 2017 AGM. We believe that the policy ensures that pay outcomes are fair, responsibly delivered and genuinely reflective of individual and business performance.

Pay for performance

As reported by the chief executive in his introduction to this year's Annual Report, Anglo American's pursuit since 2013 of greater operational efficiency and of upgrading the quality of its asset portfolio is reflected in further improvements in financial and operational performance. Free cash flow increased strongly to $4.9 billion, with profit for the financial year attributable to equity shareholders doubling to $3.2 billion and underlying EBITDA improving by 45% to $8.8 billion.

Underlying earnings per share (EPS) was $2.57 and net debt has been reduced to $4.5 billion from $8.5 billion at the end of 2016, well below the target of $7.0 billion.

The performance of the business, up to and during 2017, is reflected in the long- and short-term remuneration received by the executive directors. Specifically:

- The committee has decided to increase the executive directors' salaries in 2018 by 2.5%. This increase is felt to be appropriate in the light of the directors' contribution to the Group's improved financial position over 2017 and is consistent with the increase awarded to the general UK employee population
- Strong operational performance, delivery of the $1.1 billion cost and volume improvement target and higher copper and bulks commodity prices supported the EPS targets being achieved as to 98%. The committee measures EPS performance against a set of established outcomes; half is measured at 'fixed' commodity prices and foreign exchange (FX) rates and the other half assessed at actual results. The EPS at 'fixed' prices achieved an outcome of 95%, and 100% at actual results. The 'fixed' price element eliminates the impact of commodity price and exchange rate fluctuations, which are largely outside of management control, thereby assessing the underlying business performance in terms of productivity and cost management. The assumptions used for the 'fixed' prices and FX rates were consistent with the budget assumptions and in line with market expectations at the time. The range for actual outcomes was established using a series of price and exchange rate parameters taking into account FX spot rates, analysts' consensus and with full delivery of the stretch improvement target
- Safety performance during the year led to an overall modifier of (3.85)%, which incorporates the maximum deduction in respect of the disappointing number of fatalities in 2017. This led to overall bonus outcomes of between 76.90% and 81.70% of maximum opportunity. The committee has carefully reviewed the bonus outcomes and is satisfied that they are appropriate. A full explanation can be found on page 103

- The Long-Term Incentive Plan (LTIP) awards granted in 2015 will vest as to 50%, reflecting full achievement of the three-year ROCE target. The Total Shareholder Return (TSR) target was not met, resulting in the lapse of the remaining 50% of the award.

Executive director changes
Stephen Pearce joined Anglo American in January 2017, and was elected to the Board as finance director at the 2017 AGM.

As disclosed in the 2016 remuneration report, his remuneration package comprises:

- Annual base salary of £775,000
- Annual bonus and LTIP participation consistent with the Group's remuneration policy
- Compensation for incentives forfeited from his previous employer, including a performance-related cash bonus of £300,000 and performance-related share awards of 382,235 shares in total, vesting over three years (the first tranche of which has now lapsed)
- Other benefits including pension, medical insurance and relocation from Australia to the UK.

Full details of each element of Stephen's remuneration are included in the appropriate places throughout the remuneration report.

René Médori stepped down from his position as finance director at the 2017 AGM. Details of his remuneration up to that point are included in the appropriate places throughout the remuneration report.

Non-executive director fees
As mentioned in the 2016 remuneration report, fees payable to our non-executive directors (NEDs) were reviewed by the Board during 2017. Full details can be found on page 108.

Pay fairness more generally
The committee is primarily responsible for the governance of pay for the most senior employees at Anglo American. However, we are acutely aware of our duty to oversee remuneration principles at all levels, ensuring that pay is fair and competitive for our whole population. We have therefore taken a keen interest in the new gender pay gap reporting requirements in the UK and have included some information about this on page 115.

Sir Philip Hampton
Chairman, Remuneration Committee

REMUNERATION AT A GLANCE
POLICY

The remuneration policy approved by shareholders at the 2017 AGM, as it will be applied during 2018, is set out below. Each component of remuneration is designed to reward the accomplishment of aspects of the Group's strategy. For more information on the pillars of value, refer to page 10.

OUR REMUNERATION POLICY

	2018 – 2023	LINK TO STRATEGY	KEY FEATURES
SALARY		Recruitment and retention of high-calibre executives	• Reviewed annually by Remuneration committee • Increases based on Group performance, individual performance, levels of increase for the broader UK population and inflation.
BONUS – CASH	ONE YEAR PERFORMANCE	Rewards delivery of strategic priorities and financial success	• Maximum bonus award of 210% of salary • Outcome based on EPS and individual/strategic objectives subject to a safety modifier • 40% of bonus is paid in cash
BONUS – DEFERRED SHARES	THREE-YEAR VESTING FIVE-YEAR VESTING	Encourages sustained performance in line with shareholder interests	• 60% of bonus is deferred into shares (Bonus Shares) • Two-thirds of Bonus Shares will vest after three years, with the remaining Bonus Shares vesting after a further two years • Unvested Bonus Shares are subject to malus and clawback.
LTIP	THREE-YEAR PERFORMANCE TWO-YEAR HOLDING	Encourages long-term shareholder return and accomplishment of longer-term strategic objectives	• Shares granted with a face value of 300% of salary • Shares vest after a three-year performance period and released after a further two-year holding period • Vesting based on TSR performance and achievement against a balanced scorecard of financial and strategic measures and subject to malus and clawback.

Executive directors are expected to build up and hold a percentage of their salary in shares (300% for the chief executive, 200% for other executive directors).

KEY PERFORMANCE METRICS FROM 2018

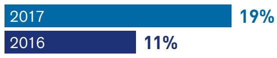
Metrics	Pillars of value	Rationale
Underlying EPS (bonus)◊	Financial	• EPS links reward to delivery of in-year underlying equity returns to shareholders
Safety modifiers (bonus)	Safety and Health	• Employee health and safety is a top priority and core value for the Company
TSR (LTIP)	Financial	• Creates a direct link between executive pay and shareholder value • Measure is split between comparison against sector index (Euromoney Global Mining Index) and comparison against local peers (constituents of FTSE 100 index)
Group attributable ROCE (LTIP)◊	Financial	• ROCE promotes disciplined capital allocation by linking reward to investment return
Attributable free cash flow (LTIP)◊	Financial	• Attributable free cash flow incentivises cash generation for use either as incremental capital investment, for capital returns to shareholders, or debt reduction
Sustainability strategy (LTIP)	Environment	• All operations must have a five-year site level sustainability strategy in place by the end of 2020
Concurrent rehabilitation (LTIP)	Safety and Health Socio-political	• 100% rehabilitation to be achieved for open-cast mining operations

REMUNERATION AT A GLANCE
2017 PAY OUTCOMES

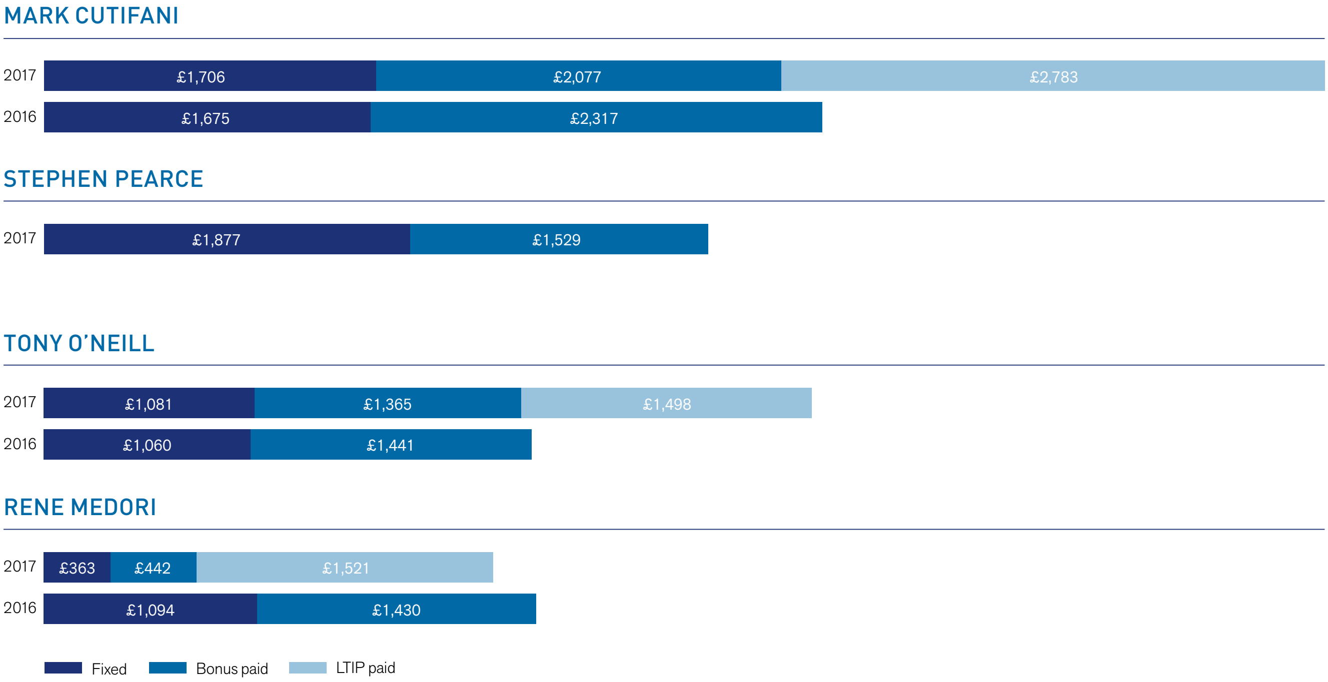
UNDERLYING EPS◊
$2.57/share

THREE-YEAR SHAREHOLDER RETURN
21%

GROUP ATTRIBUTABLE ROCE◊
19%



2017 PAY OUTCOMES £'000



- Fixed pay comprises salary, benefits and pension
- Bonus figures include deferred shares
- LTIP paid includes dividend equivalent amounts

2017 ANNUAL BONUS OUTCOME

EPS – 50% of overall opportunity

- The Group's actual EPS was $2.57/share.
- This is above the target for maximum vesting of $2.40/share.
- The Group's fixed price and FX rates EPS was $1.66/share; $0.02 below the target for maximum vesting of $1.68.
- As a result, 98% of the EPS component of the annual bonus will pay out (50% of overall opportunity).

Personal KRAs – 40% of overall opportunity

- Each executive director has a set of personal objectives for the year.
- The vesting for each executive director is as follows:
  Mark Cutifani: 80.0% (32.0% of overall opportunity)
  Stephen Pearce: 92.0% (36.8% of overall opportunity)
  Tony O'Neill: 90.0% (36.0% of overall opportunity)
  René Médori: 92.0% (36.8% of overall opportunity).

A modifier of (3.85)% of overall opportunity was applied to reflect safety target outcomes in 2017 (out of a possible range of (10)% to +10%). The overall vesting level for the annual bonus award was 76.9% of maximum for Mark Cutifani and 81.7%, 80.9% and 81.7% for Stephen Pearce, Tony O'Neill, and René Médori, respectively.

2015 LTIP VESTING

TSR vesting – 50% of overall opportunity

- The Group's TSR performance for the performance period was 21%.
- This is below both the sector index and FTSE 100 median performance.
- As a result, 0% of the TSR component of the 2015 LTIP will vest.

Group attributable ROCE vesting – 50% of overall opportunity

- The Group's attributable ROCE for 2017 was 19%.
- This is above the maximum performance for vesting of 15%.*
- As a result, 100% of the ROCE component of the 2015 LTIP will vest.

* The ROCE target range was restated from 10-14% to 11-15% as a result of impairments and portfolio changes from the time of target setting.

The overall vesting level for the 2015 LTIP award is 50%.

REMUNERATION COMMITTEE

COMMITTEE MEMBERS

(See pages 66-67 for biographies and Board experience details)

- Sir Philip Hampton – Chairman
- Byron Grote
- Jim Rutherford (appointed 25 July 2017)
- Anne Stevens
- Jack Thompson

ROLE AND RESPONSIBILITIES

- establishing and developing the Group's general policy on executive and senior management remuneration
- determining specific remuneration packages for the chairman, executive directors and members of the GMC for review and approval by the Board
- designing the Group's share incentive schemes.

The committee's terms of reference are available to view online.

For more information, visit
www.angloamerican.com/aboutus/governance

COMMITTEE DISCUSSIONS IN 2017

The committee held three meetings in 2017:

- review of executive director personal key performance indicators (KPIs) for 2017 and Group financial and safety targets to ensure alignment with the Group strategy
- discussion of the executive directors' and GMC performance in 2016 to adjudicate on bonus outcomes
- approval of joining awards for the new finance director
- approval of remuneration package for the new Group general counsel
- approval of the retirement details for the outgoing finance director
- confirmation of the full lapsing of the 2014 LTIP award
- approval of the proposed performance targets for the 2017 LTIP awards
- approval of the methodology and application of the vesting cap to the GMC
- review of the directors' shareholdings
- approval of, the revised remuneration policy ahead of publication and shareholder vote
- review and discussion of the 2016 Directors' Remuneration Report
- confirmation of the vesting of 2014 BSP awards and the granting of 2017 BSP and LTIP awards
- approval of the 2017 key performance indicators, confirmation of the Group financial and safety targets
- consideration of 2017 AGM feedback on remuneration policy and report
- review and approval of directors' salaries, taking into account the general salary review for the broader employee population
- review of the outline approach and high-level performance conditions for the 2018 LTIP awards
- approval of the operation of the Share Incentive Plan (SIP) free shares for 2017
- review of the gender pay gap draft disclosure.

2. DIRECTORS' REMUNERATION POLICY

2.1 Future policy table

The Company's remuneration policy, as set out in the 2016 Annual Report and Accounts, received approval from shareholders at the AGM held on 24 April 2017. The Company intends that this policy should apply until the Company's 2020 AGM.

For ease of reference, the committee has decided to reproduce the remuneration policy in full in the following sections, excluding the paragraphs explaining the changes from the 2014 remuneration policy. Some minor updates have been made, e.g. to reflect the outcomes of the NED fee review mentioned in the 2016 remuneration report. The table below therefore sets out the key components of executive directors' pay packages, including the rationale for use and practical operation considerations.

Figure 1: Key aspects of the remuneration policy for executive directors

Basic salary

Purpose
To recruit and retain high-calibre executives.

Operation
Basic salary levels are reviewed annually by the committee, taking account of Company performance, individual performance, levels of increase for the broader UK population and inflation.

Reference may also be made to median levels within relevant FTSE 50 and natural resources companies. Alternative peer groups may be considered as appropriate.

The committee also considers the impact of any basic salary increase on the total remuneration package.

Increases awarded each year will be set out in the statement of implementation of policy.

Maximum opportunity
Maximum increase of 5% of salary per annum.

Assessment of performance
Individual performance is considered for context when considering any salary increases awarded.

Discretion
There may be occasions when the committee needs to recognise, for example, development in role, change in responsibility and/or specific retention issues. External factors such as sustained high inflation may also be a consideration.

In these circumstances, the committee may offer a higher annual increase, the rationale for which will be explained to shareholders in the relevant remuneration report.

Figure 1: Key aspects of the remuneration policy for executive directors

Annual bonus

Purpose
To encourage and reward delivery of the Company's strategic priorities.

To help ensure, through the share-based elements, that any resulting performance is sustained over the longer-term in line with shareholder interests.

Operation
Each year, executive directors participate in the annual bonus, which rewards EPS, individual performance targets and improvements in safety over the full year. Part of the award is deferred into Bonus Shares under the Company's BSP.

The EPS measure has been chosen as it continues to link reward to the delivery of earnings and returns to shareholders. The EPS targets are set each year to ensure they are demanding yet realistic. Consideration is given to internal budgets and price expectations for the year, as well as prior performance and external expectations.

The individual objectives measure was chosen to provide a balance and reflect management's underlying activity towards delivering the Company's strategy regardless of price or other volatility. The individual objectives are based on the Company's strategic priorities for the year and will be fully disclosed in the relevant remuneration report.

Form and timing of payment
- 40%: cash award at end of year
- 40%: Bonus Shares vesting three years after end of bonus year
- 20%: Bonus Shares vesting five years after end of bonus year.

Dividends are paid on Bonus Shares.

Malus and clawback
The committee is able to reduce any unvested Bonus Share awards, or future awards in the event of a material misstatement in the Company's results, misconduct or a material failing in risk management processes that has given, or is likely to give, rise to significant and lasting value destruction for the Company.

Maximum opportunity
210% of salary.

Assessment of performance
At least 50% – EPS. The final performance measurement will be 50% based on actual prices and FX rates and 50% based on fixed prices and FX rates.

Up to 50% – scorecard of measures based on individual objectives linked to the Company's strategic priorities and safety.

A modifier to the above is applied depending on the extent to which safety targets are met.

Where relevant, targets will be disclosed retrospectively as they are considered to be commercially sensitive.

Outcome at threshold
EPS: 25% of award portion.

Discretion
Under the BSP Rules, the Company has the standard discretion to take appropriate action in the event of unforeseen events which affect the Bonus Shares (for example, on a variation in share capital) and to settle the Bonus Shares in cash (for example, on a termination).

Should circumstances change such that EPS is no longer considered to be the most appropriate financial measure, the committee retains the discretion to replace EPS with one or more alternative financial measures. Full details of any such change would be given in the relevant remuneration report.

Figure 1: Key aspects of the remuneration policy for executive directors

Long-Term Incentive Plan (LTIP)	**Purpose** To encourage and reward the generation of long-term sustainable shareholder returns and the delivery of financial/strategic priorities. **Operation** The committee makes an annual conditional award of shares to each executive director. The TSR measures have been selected to reflect the extent to which value is being delivered to shareholders and the balanced scorecard to reflect the Company's financial and strategic priorities. Each year, the committee reviews the performance targets prior to grant. The relative TSR targets are set so that only a quarter of the relevant portion of the award is payable for index/median performance, while maximum vesting requires exceptional relative performance. The balanced scorecard will be based on a small number of measurable financial and/or strategic performance indicators. The measures may vary each year to reflect the Company's financial and/or strategic priorities and will be set out in the statement of implementation in the year of grant to the extent that they are not commercially sensitive. Dividend equivalents are paid on any shares that vest. In order to mitigate potential excessive gains brought about by the volatile nature of the mining industry, the value that can be delivered on an award vesting will be limited to twice the face value of the award on grant. Any gains above this level will be forfeit before the start of the two-year holding period or, in exceptional circumstances and at the committee's discretion, deferred for a further period. **Performance period** Three years. **Additional holding period** Two years. **Malus and clawback** The committee is able to reduce any unvested awards, vested awards subject to a holding period or future grants in the event of a material misstatement in the Company's results, misconduct or a material failing in risk management processes that has given, or is likely to give, rise to significant and lasting value destruction for the Company.	**Maximum opportunity** 300% of salary. The value that can be received in the year of vesting will be limited to twice the face value of the award at grant, with any value above that level being forfeit or, in exceptional circumstances and at the committee's discretion, deferred for a further period. **Performance measures** 70%: TSR relative to sector index and leading UK-listed comparator companies. 30%: Balanced scorecard of key performance indicators, linking to the Company's KPIs. **Vesting at threshold** TSR: 25% of award portion. Balanced scorecard: 25% of award portion. **Discretion** The committee does not intend to make adjustments to the method by which it measures LTIP performance conditions. However, it reserves the discretion to make adjustments to outcomes in very exceptional circumstances, whether related to internal or external factors (for example, on a sequestration of assets). Shareholders would be given details of any exercise of this discretion in the relevant remuneration report. Under the LTIP Rules, the Company also has the standard discretion to take appropriate action in the event of unforeseen events during an award cycle (for example, on a variation in share capital) and to settle the awards in cash (for example, on a termination). The committee may, in exceptional circumstances, allow the value delivered in the year of vesting to be above the limit described under 'Operation' and 'Maximum opportunity'. Should this discretion be applied, consideration would be given to deferring any gains above the normal limit for an extended time period. In addition, the committee would take account of the Company's overall financial performance, the magnitude of commodity and share price movements and overall remuneration outcomes in recent years. The exercise of any such discretion would be fully explained in the relevant remuneration report.
Pension	**Purpose** To offer market-competitive levels of pension provision. **Operation** Executive directors participate in defined contribution pension arrangements. Executive directors have the option for contributions which may not be paid to a UK-registered pension scheme as a result of HMRC limits (either annual allowance or lifetime allowance) to be treated as if paid to an unregistered unfunded retirement benefit scheme (a UURBS). Executive directors may request a pension allowance to be paid in place of defined contribution arrangements.	**Maximum opportunity** 30% of basic salary.
SAYE/SIP	**Purpose** As UK employees, UK-based executive directors are eligible to participate in the Company's Save As You Earn (SAYE) scheme and SIP. **Operation** The plans are registered with HMRC and do not have performance conditions.	

Figure 1: Key aspects of the remuneration policy for executive directors

Other benefits

Purpose
To provide market-competitive benefits.

Operation
The Company provides the following ongoing benefits:

- 28 days' leave and encashment of any accumulated leave in excess of 20 days
- car-related benefits
- medical insurance
- death and disability insurance
- directors' liability insurance
- limited personal taxation and financial advice
- club membership
- other ancillary benefits, including attendance at relevant public events.

In addition, the Company pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments.

The Company reimburses all necessary and reasonable business expenses.

Maximum opportunity
Capped at 10% of salary.

Discretion
The committee reserves the discretion to exceed the ongoing maximum level for certain situation-specific benefits, such as relocation. Full details of the exercise of any such discretion will be provided to shareholders in the following remuneration report.

Figure 2: Recruitment and promotion arrangements

Purpose
To secure the appointment and promotion of high-calibre executives.

Operation
The remuneration arrangements for a newly recruited or promoted executive director will reflect the remuneration policy in place for executive directors at the time of the appointment. The arrangements will therefore comprise basic salary, annual bonus, LTIP awards, benefits, pension and SAYE/SIP on the bases set out above.

The initial basic salary level for a newly recruited or promoted executive director will be set to reflect the individual's experience, salary levels within the Company and market levels. Where basic salary is set below the level that might be expected, given the executive's relative inexperience and the executive then develops successfully into the role, the committee has the discretion to give a salary increase in the year(s) after appointment above the standard maximum level of 5%. For external appointments, the committee may also offer additional cash and/or share-based elements (including in-flight LTIPs) to replace any remuneration forfeited, when it considers this to be in the best interests of the Company and its shareholders. The terms of any share-based elements offered will reflect the nature, time horizons and performance requirements of remuneration forfeited and will have equivalent performance conditions attached. Shareholders will be informed of any such payments at the time of appointment. If necessary, the Company can go outside of existing plans as currently permitted under the Listing Rules.

Pensions for new hires will be set at a level commensurate with the wider workforce and will be no greater than 25% of salary.

For internal appointments, any commitments made before appointment and not relating to appointment are allowed to pay out according to their terms. For external and internal appointments, the committee may agree that the Company will meet certain relocation expenses as appropriate.

2.2 Supplementary information

2.2.1 Shareholding targets

Within five years of appointment, executive directors are expected to hold Anglo American plc shares with a value of three times basic salary in respect of the chief executive and two times basic salary in respect of other executive directors. The committee takes into consideration achievement against these targets when making grants under the Company's various incentive plans.

2.2.2 Policy in rest of company

The remuneration arrangements for the executive directors outlined in Figure 1 are consistent with those for other executives serving on the GMC, although opportunity levels vary. The majority of our employees are located in South Africa and South America, and the remuneration arrangements of these employees are aligned to local market practices and levels.

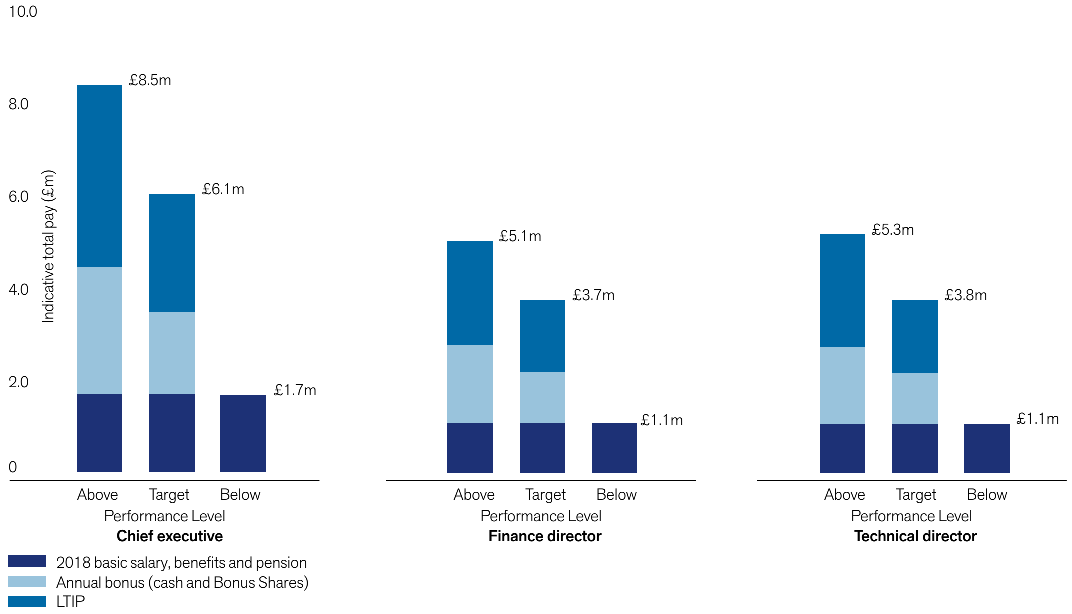
Figure 3: Key aspects of the remuneration policy for non-executive directors

Chairman – Fees	**Purpose** To attract and retain a high-calibre chairman by offering a market-competitive fee level. **Maximum increase** Equivalent to annual increase of 5% of fee level.	**Operation** The chairman is paid a single fee for all of his responsibilities. The level of this fee is reviewed every two to three years by the committee and chief executive, with reference to UK market levels (FTSE 50 companies), and a recommendation is then made to the Board (in the absence of the chairman). Fees are paid in cash, with the flexibility to forgo all or part of the net fees to acquire shares in the Company.
Chairman – Benefits	**Purpose** To provide market-competitive benefits. **Maximum benefits** £35,000.	**Operation** The chairman is provided with reasonable use of a car and driver. Reasonable and necessary expenses are reimbursed.
Non-executive directors – Fees	**Purpose** To attract and retain high-calibre non-executive directors by offering market-competitive fees. **Maximum increase for each type of fee** Equivalent to annual increase of 5% of fee level.	**Operation** The non-executives are paid a basic fee. The chairmen of the main Board committees and the senior independent director are paid an additional fee to reflect their extra responsibilities. These fee levels are reviewed every few years by the chairman and executive directors, with reference to UK market levels (FTSE 50 companies), and a recommendation is then made to the Board. Fees are paid in cash with the flexibility to forgo all or part of the net fees to acquire shares in the Company. Reasonable and necessary expenses are reimbursed. Non-executive directors' fees were reviewed during 2017. The Board decided to increase base fees to make them market-competitive. Prior to this, base fees had not increased since 2010. Committee fees were also introduced. Full details can be found on page 108.
Other fees/ payments	**Purpose** To have the flexibility to provide additional fees/benefits if required. **Maximum additional fee** £30,000.	**Operation** The Company has the discretion to pay an additional fee, up to the equivalent of the committee chairmanship fee (currently £30,000), to a non-executive director should the Company require significant additional time commitment in exceptional or unforeseen circumstances.

2.3 Indicative total remuneration levels

Figure 4 illustrates how the total pay opportunities for the chief executive, the finance director and the technical director vary under three different performance scenarios:

Figure 4: Indicative executive director total remuneration at different levels of performance



Note:

Pay element	Above	Target	Below
Fixed	2018 basic salary, benefits and pension	2018 basic salary, benefits and pension	2018 basic salary, benefits and pension
Annual bonus	100% of maximum bonus opportunity (60% deferred into shares)	65% of maximum bonus opportunity (60% deferred into shares)	None
LTIP	100% of maximum LTIP opportunity	65% of maximum LTIP opportunity	None

- Estimates of £34,000 £36,000 and £36,000 have been used for ongoing non-pension benefits for the chief executive, finance director and technical director, respectively.
- Share price movement and dividend accrual have been excluded from all figures.
- Participation in the SAYE and SIP has been excluded, given the relative size of the opportunity levels.
- Charts have not been included for the non-executive directors as their fees are fixed and do not vary with performance.

2.4 Policy on termination and change in control

2.4.1 Executive directors

Figure 5 sets out the Company's policy on termination. This policy is consistent with provisions relating to termination of employment in the executive directors' service agreements and with provisions in the incentive plan rules.

Figure 6 sets out key provisions relating to change of control, where there is no termination. There are no provisions for enhanced payments in the event of a change of control of the Company.

2.4.2 Non-executive directors

All non-executive directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. The chairman's appointment may be terminated by the Company with six months' notice. The appointment letters for the chairman and non-executive directors provide that no compensation is payable on termination, other than any accrued fees and expenses.

Figure 5: Principles of determining payments for loss of office

Notice periods	Notice periods do not exceed 12 months. Upon appointment the committee can agree an extended Company notice period for the first year following appointment.		
	'Good Leaver'	Voluntary resignation	'Bad Leaver'
Circumstances of departure of executive directors	Typical reasons include retirement, redundancy, death, ill health, injury, disability or as defined by the committee. Where departure is on mutually agreed terms, the committee may treat the departing executive as a 'Good Leaver' in terms of one or more elements of remuneration. The committee uses this discretion judiciously and shareholders will be notified of any exercise as soon as reasonable.		Typically, termination for cause.
Salary and benefits for notice period	Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or gardening leave period. The Company may terminate employment with immediate effect and, in lieu of the unexpired portion of any notice period, make a series of monthly payments based on salary and benefits (or make a lump sum payment based on salary only). Any monthly payments will be reduced to take account of any salary received from alternative employment.	Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or gardening leave period. The Company may terminate employment with immediate effect and, in lieu of the unexpired portion of any notice period, make a series of monthly payments based on salary and benefits (or make a lump sum payment based on salary only). Any monthly payments will be reduced to take account of any amounts received from alternative employment.	Immediate termination with no notice period.
Bonus accrued prior to termination	A time pro rated bonus award may be made by the Company, with the committee's approval, and will be paid wholly in cash.	No accrued bonus is payable.	No accrued bonus is payable.
Unvested Bonus Shares	**Normal circumstances** Bonus Shares are released in full on the normal release date (i.e. awards will not be released early). **Exceptional circumstances** (e.g. death or other compassionate grounds). Bonus Shares are released in full, and eligible for immediate release.	Forfeit.	Forfeit.

Figure 5: Principles of determining payments for loss of office

	'Good Leaver'	Voluntary resignation	'Bad Leaver'
Five-year Bonus Shares during final two years of vesting period	**Normal circumstances** Released in full to the employee at the end of the five-year period. **Exceptional circumstances** (e.g. death or other compassionate grounds). Bonus Shares are released in full, and eligible for immediate release.	If an employee resigns to join a competitor (as defined by the committee) during the final two years of the five-year vesting period, then the Bonus Shares will be forfeit. Outside of these circumstances, Bonus Shares are released to the employee at the end of the five-year period.	Forfeit.
Unvested LTIP awards	**Normal circumstances** LTIP awards will vest subject to the performance conditions at the end of the normal performance period and, if applicable, released at the end of the holding period. All awards are time pro rated. **Exceptional circumstances** (e.g. death or other compassionate grounds). LTIP awards may be released on departure, subject to assessment of the performance conditions at that time. All awards are time pro rated.	Forfeit.	Forfeit.
Vested LTIP awards subject to a holding period	**Normal circumstances** Vested LTIP awards that are subject only to a holding period are released in full to the employee at the end of the holding period. **Exceptional circumstances** (e.g. death or other compassionate grounds). Vested LTIP awards subject to a holding period may be released on departure.	If an employee resigns to join a competitor (as defined by the committee), then even those vested LTIP awards that remain subject only to the holding period will be forfeit. Outside of these circumstances, such awards are released to the employee at the end of the holding period.	Forfeit.
Unvested Restricted Shares	There is no standard policy in respect of the treatment of any restricted share awards to executive directors. Terms are set on a case-by-case basis.	Generally forfeit.	Forfeit.
SAYE and SIP	Outstanding shares and/or options under the Company's SIP and SAYE vest in accordance with the relevant HMRC requirements.	According to HMRC rules.	According to HMRC rules.
Other	Limited disbursements (for example, legal costs, relocation costs, untaken holiday).	None.	None.
Malus and clawback	Malus and clawback provisions in the relevant incentive plan rules apply.		

Figure 6: Policy on change in control

Incentive plan provisions relating to change of control (without termination)	**Bonus Shares** The Bonus Shares awarded under the BSP will be released. **LTIP awards** The number of shares that vest under the LTIP will be calculated by reference to the extent to which the applicable performance conditions have been met at the time of the change of control. **Vested LTIP awards subject to holding period** LTIP awards will be released.

2.5 Development of directors' remuneration policy

In developing and reviewing the Group's remuneration policy for executive directors and other senior executives, the committee is receptive to the views of shareholders and sensitive to the relationship between the arrangements for executive directors and those for other employee groups.

Specifically:

- last year, the committee responded to concerns raised in relation to the possibility of windfall gains by introducing two caps (one backward looking, one from 2017 onwards) on the value that can be received from awards on vesting. The caps have now been extended to the GMC
- each year the committee also reviews in detail how the arrangements for the executive directors compare to those for other members of the GMC to ensure an appropriate relationship and to support career development and succession
- in light of the expected new Corporate Governance regulations, the committee is currently considering how to better engage with the workforce and wider stakeholders. During 2017, an employee engagement survey was undertaken across the Group. Management is working to respond to the feedback gained, and part of this relates to employee remuneration. For example, our global benefits offering is currently under review.

2.6 Payments under previous policies

The committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed:
(i) under a previous policy, in which case the provisions of that policy shall continue to apply until such payments have been made; (ii) before the policy or the relevant legislation came into effect; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes, 'payments' includes the satisfaction of awards of variable remuneration and, in relation to awards of shares, the terms of the payment which are agreed at the time the award is granted.

3. ANNUAL REPORT ON REMUNERATION

The information set out in this section (which constitutes the Implementation Report) has been subject to external audit.

3.1 Executive director remuneration in 2017

Figure 7 sets out the remuneration paid to the executive directors for 2017.

Figure 7: Single total figure of remuneration for executive directors

Executive directors	Total basic salary £'000 (Section 3.1.1)	Benefits in kind £'000 (Section 3.1.2)	Annual bonus – cash and Bonus Shares £'000 (Section 3.1.3)	LTIP[1] award vesting £'000 (Section 3.1.4)	Pension £'000 (Section 3.1.5)	Other[4] £'000	Total 2017 £'000	Total 2016 £'000
Mark Cutifani	**1,286**	**34**	**2,077**	**2,783**	**386**	**128**	6,693	
Mark Cutifani (2016)	1,261	36	2,317	–	378	5		3,996
Stephen Pearce[2]	**716**	**946**	**1,229**	–	**215**	**301**	3,408	
Stephen Pearce (2016)	–	–	–	–	–	–		–
Tony O'Neill	**804**	**36**	**1,365**	**1,498**	**241**	**79**	4,023	
Tony O'Neill (2016)	788	36	1,441	–	236	3		2,504
René Médori[3]	**257**	**28**	**442**	**1,521**	**77**	**78**	2,405	
René Médori (2016)	804	49	1,430	–	241	5		2,529

(1) The LTIP vesting level was confirmed by the Remuneration Committee at its meeting on 19 February 2018. As LTIP awards are due to vest after publication of this report, the average share price between 1 October 2017 and 31 December 2017 (£14.42) has been used to calculate the value and will be trued up in the 2018 report. The shares were awarded in 2015 based on a share price of £12.18. The values shown include dividend equivalent amounts of £170,511 for Mark Cutifani, £91,780 for Tony O'Neill and £93,226 for René Médori. The value received from the LTIP awards vesting in 2018 does not breach the limits under the vesting cap.

(2) For Stephen Pearce, the figures relate to the period between joining and year-end. 'Other' comprises free and matching shares awarded under the SIP and a £300,000 cash award granted on joining and paid following the committee's determination of satisfactory individual performance at payment date.

(3) For René Médori, the figures relate to the period between the start of the year up until retirement from the Board, with the exception of the LTIP vesting figures, which relate to the entire award.

(4) 'Other' comprises free and matching shares awarded under the SIP and dividend payments from unvested Bonus Shares.

Figure 8: Basic salaries for 2017
(all amounts in '000)

MARK CUTIFANI
(2016: £1,261)

£1,286

STEPHEN PEARCE[1]
(2016: N/A)

£716

TONY O'NEILL
(2016: £788)

£804

RENE MEDORI[2]
(2016: £804)

£257

(1) For the period between joining and year-end.

(2) For the period between the start of the year and retirement from the Board.

3.1.1 Basic salaries for 2017

Figure 8 sets out the basic salaries for 2017.

3.1.2 Benefits in kind for 2017

Benefits for executive directors with a value over £5,000 are set out in Figure 9. The executive directors also receive club membership, death and disability insurance, directors' liability insurance, medical insurance and other ancillary benefits.

Figure 9: Benefits in kind for 2017

	Car-related benefits	Tax advice	Relocation[3]
Mark Cutifani	30,010	250	–
Stephen Pearce[1]	26,526	6,800	909,356
Tony O'Neill	28,940	–	–
René Médori[2]	9,191	16,893	–

(1) For Stephen Pearce, the figures relate to the period between joining and year-end.
(2) For René Médori, the figures relate to the period between the start of the year and retirement from the Board.
(3) One-off relocation support for Stephen Peace on joining, comprising housing assistance, including stamp duty on property purchase and other related amounts. Amounts were grossed up for tax.

Figure 10: Annual bonus outcomes for 2017 (cash and Bonus Shares)
(all amounts in '000)

MARK CUTIFANI
(2016: £2,317)

£2,077

STEPHEN PEARCE(1)
(2016: N/A)

£1,229

TONY O'NEILL
(2016: £1,441)

£1,365

RENE MEDORI(2)
(2016: £1,430)

£442

(1) For the period between joining and year-end.
(2) For the period between the start of the year and retirement from the Board.

Figure 11: Safety performance modifier

Safety target	Modifier range	2017 modifier
Fatal injury frequency rate (FIFR)	Up to 7.0% deduction	(7.00)%
Total recordable case frequency rate (TRCFR)	Up to 3.0% uplift	0.00%
HIV prevention	Up to 3.0% uplift	0.00%
Level 4/5 environmental incidents	Up to 3.0% deduction	(0.00)%
Operational Risk Management (ORM) implementation	Up to 4.0% uplift	3.15%
Net modifier		**(3.85)%**

3.1.3 Annual bonus outcomes for 2017

Figure 10 shows the annual bonus outcomes for 2017. Figure 12 summarises the individual objectives for the 2017 annual bonus.

At the beginning of 2017, the committee approved threshold performance expectations for the EPS element of the bonus outcome. For the first time, 50% of the earnings element of the annual bonus was evaluated against fixed prices and FX rates, with the remaining portion evaluated at actual prices and FX rates. The fixed EPS portion is designed to monitor Group operational performance excluding the impact of the variations in price and currency fluctuations. Budget prices and FX rates were selected for the fixed price/FX rates, given the budget's importance as the primary comparative used for measuring performance internally. The budget was based on prices stabilising at above 2016 averages, with increases in metallurgical coal prices, but offset by stronger producer currencies.

Both target ranges are illustrated in the table below, with 25% vesting taking place with performance at threshold.

	Threshold	Maximum	Outcome	Vesting
Actual prices and FX rates	$1.60/ share	$2.40/ share	$2.57/ share	100%
Fixed prices and FX rates	$1.38/ share	$1.68/ share	$1.66/ share	95%

Strong operational performance and delivery of the underlying EBITDA improvement target supported by strong bulks and copper prices, particularly in the second half of the year, resulted in the outperformance of the actual price/FX element of the award. Average market prices for the Group's basket of commodities and products increased by 16% from 2016, significantly exceeding expectations at the time of target-setting. However, even without the improvement in prices, EPS vested at 95%, with the Group achieving $1.1 billion in operating cost and volume improvements. This performance was driven mainly by the ongoing ramp-up of Minas-Rio, strong sales volumes at De Beers in the first quarter and Platinum's solid recovery from the operational challenges experienced in 2016. The impact of the Group's ongoing cost-efficiency programme also played a significant role in exceeding our improvement target for the year. Measurement of both these targets, therefore, resulted in vesting of the overall EPS element (relating to 50% of the annual bonus award) of 98%.

The executives' individual objectives were set at the start of the year and reflect the Group's strategic priorities for the year. Each category contained between one and four specific objectives, incorporating a combination of quantitative and qualitative metrics. Following the end of the year, the committee made a detailed assessment of performance against each objective, leading to the evaluations shown in Figure 12.

The Group's safety performance in 2017 was assessed through both additive and deductive component measures. Figure 11 sets out the outcome in each category, resulting in a net modifier of (3.85)%. The disappointing number of fatalities in 2017 led to the maximum possible FIFR deduction being applied.

Figure 12: Annual bonus performance assessment for 2017

50% of each executive director's bonus outcome was dependent on an EPS target, which has been met at 98%. 40% of the bonus outcomes related to a set of individual objectives for the year. The achievement and outcomes of these objectives are set out for each executive director below. In addition, bonuses are subject to a safety modifier of between (10)% and 10%, which has resulted in a deduction of (3.85)%. Refer to page 103 for more detail on the modifier.

Mark Cutifani

Objectives	Achievement	Outcome
Strategic development (12%) • Actions to reduce net debt to below $7 billion • Progress asset disposal programme and portfolio upgrade.	• Completed the disposal of the Pandora platinum joint venture and Platinum's long-dated Amandelbult resources. Disposal of Platinum's Union mine completed in February 2018. Snap Lake (De Beers) and Bokoni (Platinum) were placed onto care and maintenance. South African Eskom-tied coal operations share purchase agreement was signed in April 2017. DMR and competition approval received, with the transaction expected to complete 1 March 2018. The sale of New Largo (South Africa – thermal coal) was announced in January 2018. The sale is expected to close in the second half of 2018 • Net debt reduced to $4.5 billion.	8.0%
Business improvement (12%) • Deliver operational improvements and cost savings: – $1 billion EBITDA improvement – Capital discipline • Projects ramp-up on schedule.	• Delivered $1.1 billion in cost and volume improvements • Capital expenditure $300 million lower than guidance • Increased copper equivalent production by 5% vs 2016 • Operating Model deployment underway at all key operations • Gahcho Kué ramp-up challenges addressed, with the mine now producing at full capacity • Grosvenor geotechnical challenges addressed – first longwall completed • Minas-Rio Step 3 installation licence awarded in January 2018.	10.4%
People (8%) • Continue to strengthen the GMC and functional teams • Embed Organisation Model.	• Successfully onboarded the new finance director • Appointment and transition of Group general counsel • Continued the implementation of the Functional Model, progressed skills development and structures to support future of the business • Negligible turnover of high potential and key staff.	7.2%
Endowment and stewardship (8%) • Progress options on project portfolio • Continue extensive engagement with stakeholders • Deploy Code of Conduct, develop Sustainability Strategy.	• Continued constructive engagements with host country governments – South African support secured for key disposals • Focused engagements with stakeholders to articulate the successful execution of strategy – share price outperformance continued • Progressed portfolio options, including Quellaveco • Deployment of the Code of Conduct completed • Sustainability Strategy approved by the Board, with launch due in March 2018.	6.4%
Overall individual performance		**32.0%**

Figure 12: Annual bonus performance assessment for 2017

Stephen Pearce

Objectives	Achievement	Outcome
Strategic development (20%) • Actions to reduce net debt below $7 billion • Optimise debt maturity profile and maintain liquidity levels • Engage with credit ratings agencies to support credit re-rating of Group • Develop and implement appropriate dividend policy • Continue to progress Group portfolio restructuring.	• Further reduced net debt by $4.0 billion to $4.5 billion, through continued business operational improvements delivering an additional $1.1 billion in underlying EBITDA, capital discipline leading to a $0.2 billion decrease in capital expenditure and working capital reduction of $0.9 billion • Reinstatement of Group's investment grade credit rating • Reintroduced the dividend in July 2017, six months ahead of target, based on a targeted payout level of 40% of underlying earnings • Increased Group liquidity to $16.8 billion. Successful bond issuances of $3.0 billion and early bond redemptions of $3.1 billion, coupled with $1.9 billion of bond maturities, increased the weighted average maturity of outstanding bonds by approximately one year to 4.4 years • Continued to upgrade the Group's asset portfolio – completing the disposal of small Australian coal mines and Exxaro Resources Ltd, while announcing the sale of Coal South Africa's Eskom-tied assets and Platinum's Union mine.	18.4%
Business improvement (12%) • Progress resolution of critical legal matters • Enhance and improve capital allocation process • Identify opportunities and support the business to deliver cost cutting targets and business improvement opportunities.	• Progressed various legal matters to resolution, or near completion, including settlements with various revenue authorities, former mineworkers' occupational health claims, and other litigation items • New project governance model implemented, in conjunction with Technical and Sustainability function, with a focus on improved visibility and forecasting of capital expenditure, approval processes and assessment criteria • Achievement of $1.1 billion of operational improvements.	10.8%
People (4%) • Successfully transition as new finance director and appoint new Group general counsel • Build finance function to support business and implementation of global best practices.	• Successfully established as the finance director and transitioned responsibilities and activities from previous incumbent • Supported transition of new Group general counsel and continued to build finance function capabilities • Continued implementation of finance functional model and organisational structures to support future of the business.	4.0%
Investor relations (4%)	• Developed positive investor and shareholder engagements, articulating Group strategy, outlining financial targets and business performance.	3.6%
Overall individual performance		**36.8%**

Figure 12: Annual bonus performance assessment for 2017

Tony O'Neill

Objectives	Achievement	Outcome
Safety and Environment (4%) • Develop integrated and complete safety and sustainable development framework based on Operating Model • Ensure critical controls for operating sites are integrated into Operating Model work management.	• Continued strengthening of critical controls delivering an 11% decrease in the Group's TRCFR compared with 2016 • Zero Level 4 and 5 environmental incidents in 2017 • Top 10 Priority Unwanted Events: continued critical control monitoring and improvement at each operation: 86% completed • Per-operation high-risk job risk assessments reviewed: 77% completed.	3.0%
Business improvement (16%) • Drive operational improvements and cost savings: – $1.0 billion of EBITDA improvement – Integrate Operating Model with business tools – Develop Operating Model audit process • Develop strategy and pathway for Supply Chain systems to be state of the art by 2020.	• Delivered $1.1 billion cost and volume improvements • Operating Model deployment and associated processes underway at all key operations • Supply Chain strategy on track and progressing to plan.	16.0%
People (4%) • Implement Functional Model with associated deliverables • Continue to attract and retain necessary skills and expertise.	• Further progressed implementation of the functional model in the Technical and Sustainability function; delivery on track • Continued skills development and structures to support future of the business.	3.0%
Endowment projects and R&D (16%) • Develop 5-year asset management plans for each site • Progress Quellaveco plans to project commitment stage • Continue focus on Group exploration and geology projects • Deliver improvements in cyber security capability and performance • Provide thought leadership in technology development.	• 5-year asset management plans in progress • Asset integrity integration with operating model well advanced • Quellaveco project studies and options progressed as scheduled, with milestones established for 2018 • Step-change elevation of structural geology capabilities and outcomes in place • Continued development of cyber security capability and performance improvements • Consistent delivery confirming the potential of future technologies including through the FutureSmart Mining™ approach.	14.0%
Overall individual performance		**36.0%**

René Médori

Objectives	Achievement	Outcome
Strategic development (20%) • Actions to reduce net debt to below $7 billion • Optimise debt maturity profile and maintain liquidity levels • Engage with credit ratings agencies to support credit re-rating of Group • Develop and implement appropriate dividend policy • Continue to progress Group portfolio restructuring.	• Further reduced net debt by $4.0 billion to $4.5 billion, through continued business operational improvements delivering an additional $1.1 billion in underlying EBITDA, capital discipline leading to a $0.2 billion decrease in capital expenditure and working capital reduction of $0.9 billion • Reintroduced the dividend in July 2017, based on a target payout level of 40% of underlying earnings • Increased Group liquidity to $16.8 billion. Successful bond issuances of $3.0 billion and early bond redemptions of $3.1 billion, coupled with $1.9 billion of bond maturities, increased the weighted average maturity of outstanding bonds by approximately one year to 4.4 years • Delivered the disposal of Platinum's Union mine and progressed with the disposal of small Australian coal mines and Coal South Africa's Eskom-tied assets, as well as other smaller platinum operations.	19.2%
Business improvement (12%) • Progress resolution of critical legal matters.	• Progressed various legal matters to resolution, or near resolution, including settlements with various revenue authorities and former employee occupational health claims.	10.4%
People (4%) • Successfully transition new finance director and appoint new Group general counsel • Build finance function to support business and implementation of global best practices.	• Successfully onboarded the new finance director from 24 April 2017 and relinquished Board responsibilities across the Group • Supported appointment and transition of new Group general counsel • Continued the implementation of finance functional model and organisational structures to support future of the business.	4.0%
Investor relations (4%)	• Increased shareholder engagement providing updates on the Group strategy, financial performance and expectations for 2017.	3.2%
Overall individual performance		**36.8%**

Critical tasks are identified in each of the performance categories at the start of the year. These form the basis of measurement, but are overlaid with an assessment of executive performance in the round in the relevant category. The assessment for 2017 took place against a backdrop of improved operational and financial performance through a continued focus on greater operational efficiency and upgrading the asset portfolio.

The personal performance outcomes set out on the previous pages, combined with 98% EPS achievement and the safety modifier of (3.85%), have generated overall bonus outcomes of 76.9%, 81.7%, 80.9% and 81.7%. When applied to the maximum bonus of 210% of salary, these performance outcomes translate into bonuses of £2,076,655, £1,228,935, £1,365,421 and £441,740 for the chief executive, finance director, technical director and former finance director, respectively.

40% of the total bonus is payable in cash, with 60% deferred into Bonus Shares. Two-thirds of the Bonus Shares will vest after three years, subject to continued employment; the remaining third will vest after five years. René Médori's bonus will be delivered entirely in cash.

3.1.4 LTIP award vesting

In 2015, Mark Cutifani, Tony O'Neill and René Médori received LTIP grants of 362,275, 195,000 and 198,072 conditional shares respectively, with vesting subject to:

(a) the Group's TSR performance relative to:
- (i) the Euromoney Global Mining Index; and
- (ii) FTSE 100 constituents over the three-year period to 31 December 2017; and

(b) Group Attributable ROCE to 31 December 2017.

Figure 13 sets out further details of the measures and the Group's performance against each, resulting in an overall vesting level of 50%.

3.1.5 Pension

The pension contribution amounts in Figure 14 should be read in conjunction with the following information:

- The amounts stated for Mark Cutifani, Stephen Pearce and Tony O'Neill for 2017 include a cash allowance of £192,625 (2016: £317,000), £188,828 and £158,905 (2016: £208,000) respectively
- During 2017, both Mark Cutifani and Tony O'Neill joined the UURBS. The amounts of pension contributions treated as having been paid into the scheme were £156,575 and £54,448
- For René Médori, the total amount of pension contributions treated as having been paid into the UURBS for his time on the Board during 2017 was £77,239 (2016: £241,000)
- Contributions treated as being paid into the UURBS earn a return equivalent to the Group's pre-tax sterling nominal cost of debt, capped at a rate determined by the Remuneration Committee. The total return earned in 2017 was £1,480 for Mark Cutifani, £260 for Tony O'Neill, and for René Médori £107,142 (2016: £90,000)
- As at 31 December 2017, the total balance due to executive directors in relation to the UURBS was £212,763. Retirement benefits can only be drawn from the UURBS if a member has attained age 55 and has left Group service.

Figure 13: Performance assessment for 2015 LTIP awards

Measure	Threshold performance (25% vesting)	Stretch performance (100% vesting)	Actual performance	Vesting outcome
Euromoney Global Mining Index TSR (25% of total award)	33% (index TSR)	51% (index TSR + 6% p.a.)	21%	0%
FTSE 100 constituents TSR (25% of total award)	22% (median TSR)	73% (upper quartile TSR)	21%	0%
Group attributable ROCE (50% of total award)	11%	15%	19%	100%
Total outcome (% of total award)[1]				**50%**
Mark Cutifani (£'000) (maximum opportunity: 350% of salary)				**£2,783**
Tony O'Neill (£'000) (maximum opportunity: 300% of salary)				**£1,498**
René Médori (£'000) (maximum opportunity: 300% of salary)				**£1,521**

(1) 2015 LTIP vesting includes dividend equivalents and does not breach the limits under the vesting cap. Values based on share price of £14.42; see note (1) to figure 7 for further information.

Figure 14: Pension for 2017

	DC contribution (£'000)	Cash allowance (£'000)	UURBS contribution (£'000)	NIC paid by Company (£'000)	Total (£'000)
Mark Cutifani	10	193	157	27	386
Stephen Pearce[1]		189		26	215
Tony O'Neill	7	159	54	22	241
René Médori[2]			77		77

(1) For the period between joining and year end.
(2) For the period between the start of the year and retirement from the Board.

3.1.6 External directorships

Executive directors are not permitted to hold external directorships or offices without the prior approval of the Board. If approved, they may each retain the fees payable from only one such appointment.

In the year, Mark Cutifani retained fees for one external directorship, amounting to €53,500 for the period between 26 May 2017 and 31 December 2017.

René Médori retained fees amounting to £27,308 in respect of one external directorship.

3.2 Other director remuneration in 2017

3.2.1 Non-executive director remuneration

Figure 15 sets out the remuneration paid to the NEDs of the Company in 2017. Fees shown include any additional fees paid in respect of chairmanships of committees or other roles such as senior independent director.

As disclosed in the 2016 remuneration report, the NED fees were reviewed during 2017. This led to the Board approving an increase in base fees of £5,000 to £85,000, with effect from 1 July 2017. The base fee will be increased by a further £5,000 in July 2018. In addition, the Board approved the introduction of committee fees, which are being phased in between 2017 and 2019.

Figure 15: Single total figure of remuneration for non-executive directors

	Total fees 2017 £'000	Benefits in kind 2017 £'000[5]	**Total 2017 £'000**	Total fees 2016 £'000	Benefits in kind 2016 £'000	**Total 2016 £'000**
Non-executive directors						
Stuart Chambers[1]	175		**175**			
Sir John Parker[2]	583	25	**608**	700	29	**729**
Ian Ashby[3]	37		**37**			
Nolitha Fakude[4]	63		**63**			
Byron Grote	115		**115**	110	–	**110**
Sir Philip Hampton	145		**145**	140	–	**140**
Mphu Ramatlapeng	83		**83**	80	–	**80**
Jim Rutherford	93		**93**	80	–	**80**
Anne Stevens	90		**90**	80	–	**80**
Jack Thompson	115		**115**	110	–	**110**

(1) Stuart Chambers was appointed as a non-executive director and chairman-designate on 1 September 2017, and chairman on 1 November 2017.
(2) Sir John Parker resigned from the Board with effect from 31 October 2017.
(3) Ian Ashby was appointed to the Board with effect from 25 July 2017.
(4) Nolitha Fakude was appointed to the Board on 24 April 2017.
(5) Benefits comprised car-related benefits and medical insurance.

3.2.2 Payments for past directors

In addition to retirement benefits, the Company continues to provide seven former executive directors with private medical insurance arrangements. The annual cost to the Company is minimal. The committee continues to meet these longstanding commitments, but no new commitments have been made recently or will be made in future. There were no other payments to past directors during 2017 in respect of qualifying services.

3.3 Scheme interests granted during 2017

The information in this section has been subject to external audit.

Figure 16 summarises the longer-term, conditional share awards granted to executive directors during 2017. Receipt of these awards is dependent on the Group's performance over 2017-2019 and to the maximum vesting value imposed by the committee, as detailed below.

The value of Bonus Shares awarded to directors in respect of 2017 is included in the annual performance bonus figures, set out in Figure 10. They are also included in Figure 17.

Figure 16: Summary of conditional share awards and options granted in 2017

Type of award	Performance measure	Vesting schedule	Performance period end	Director	Basis of award	Number of shares awarded	Face value at grant[(1)]
LTIP share awards	**TSR vs. Euromoney Global Mining Index (47%)**	25% for TSR equal to the Index; 100% for the Index +6% pa or above	31/12/2019	Mark Cutifani	300% of salary	366,606	£3,857,795
				Stephen Pearce	300% of salary	220,944	£2,324,994
				Tony O'Neill	300% of salary	229,129	£2,411,124
	TSR vs. FTSE 100 constituents (23%)	25% for TSR equal to median; 100% for 80th percentile or above					
	Balanced Scorecard 30%	**ROCE (10%)** 25% for 10%; 100% for 20% **Cumulative attributable free cash flow (10%)** **CO_2 emissions (5%)** **Inhalable hazards (5%)**					
Non-cyclical awards[(2)]	Vesting outcome to mirror actual percentage achieved at Fortescue Metals Group (FMG).		June 2017	Stephen Pearce	Sign-on award	80,773[(3)]	
	Anglo American relative TSR January 2017 to June 2018 – 50% of the shares: 25% will vest if the Group's TSR is equal to the median TSR of the constituents of the FTSE 100, with 100% vesting if the Group's TSR is equal to or above the 80th percentile of the constituents of the FTSE 100. – the remaining 50% of the shares: 25% will vest if the Group's TSR is equal to that of the Euromoney Global Mining Index, with 100% vesting if the Group's TSR exceeds that of the Euromoney Global Mining Index by 6% per annum or more.		June 2018			203,692	
	Aligned with 2016 Anglo American LTIP – subject to the 50% ROCE and 50% TSR-based conditions applicable to the awards granted to executive directors and other PDMRs under the LTIP in March 2016. Any shares vesting pursuant to this award will be subject to a holding period of two years from vesting.		December 2018			97,770	

(1) The face value of each award has been calculated using the share price at time of grant (£10.523 for the LTIP awards). As receipt of these awards is conditional on performance, the actual value of these awards may be nil. In addition, the maximum value that may be received in the year of vesting of the awards granted from 2017 onwards is limited for each executive director to 200% of the face value at grant. Any value over this level will be forfeit. Vesting outcomes will be disclosed in the Remuneration Report for 2019.

(2) Conditional awards were made to Stephen Pearce on joining Anglo American, to compensate for incentives forfeited from his previous employer.

(3) Lapsed in full in September 2017, as Fortescue Metals Group performance conditions were not met.

3.4 Total interests in shares

Figure 17 summarises the total interests of the directors in shares of Anglo American plc as at 31 December 2017. These include beneficial and conditional interests, and shareholdings of their connected persons.

As already disclosed, Mark Cutifani is expected to hold interests in shares to a value of three times basic salary (built up over five years), Stephen Pearce and Tony O'Neill to a value of two times salary. At the date of preparation of this report, Mark Cutifani and Tony O'Neill have net shareholdings (including Bonus Shares) equal to 656% and 515% of basic salary, respectively. Stephen Pearce has five years from appointment to build up shareholdings to the value of two times salary.

Figure 17: Shares in Anglo American plc at 31 December 2017

	Beneficial	Conditional (no performance conditions)		Conditional (with performance conditions)		Total
Directors		BSP Bonus Shares	SAYE/SIP	LTIP	Other	
Mark Cutifani	191,439	332,309	7,911	1,722,691	–	2,254,350
Stephen Pearce[(1)]	–	–	3,057	220,944	301,462	525,463
Tony O'Neill	51,322	205,608	4,395	956,527	–	1,217,852
Stuart Chambers	425	–	–	–	–	425
Ian Ashby	–	–	–	–	–	–
Nolitha Fakude	1,035	–	–	–	–	1,035
Byron Grote[(2)]	30,000	–	–	–	–	30,000
Sir Philip Hampton	22,184	–	–	–	–	22,184
Mphu Ramatlapeng	5,663	–	–	–	–	5,663
Jim Rutherford	26,041	–	–	–	–	26,041
Anne Stevens	2,122	–	–	–	–	2,122
Jack Thompson[(2)]	14,950	–	–	–	–	14,950
Former directors[(3)]						
René Médori[(4)]	223,860	206,095	9,746	741,432	–	1,181,133
Sir John Parker	62,696	–	–	–	–	62,696

(1) The award listed as 'Other' is in relation to awards received on joining with performance conditions attached.
(2) Included in the beneficial interests of Byron Grote and Jack Thompson are shares held via unsponsored ADRs, representing 0.5 ordinary shares of $0.54945 each.
(3) For former directors, interests are shown as at their respective dates of resignation.
(4) Included in the beneficial interests of René Médori are his wife's interests in shares.

Differences from 31 December 2017 to 21 February 2018

Mark Cutifani's and Stephen Pearce's interests increased by 34 shares each from 31 December 2017 to 21 February 2018, as a result of the acquisition of shares under the SIP. Their total holdings therefore increased to 2,254,384 and 525,497 respectively.

3.5 Statement of implementation of policy in 2018

The Group's policy on executive director remuneration for 2018 is summarised in the policy statements in Figure 1. Figure 18 summarises how that policy will be implemented in 2018.

The EPS performance range for 2018 is considered by the Board to be commercially sensitive, although it will be disclosed in the 2018 remuneration report. Further details of the individual performance targets for 2018 bonuses will also be included in the 2018 remuneration report.

The financial elements of the balanced scorecard for the 2018 LTIP awards will remain the same as 2017. The value that may be derived on vesting of the awards will, as in 2017, be limited to 200% of their face value on grant. ROCE (10%) has again been selected to maintain focus on disciplined capital allocation. A free cash flow target (10%) has also been included to continue to ensure linkage between management's remuneration outcomes and the Group's goal of reducing net debt through cash generation, thereby maintaining the Group's net debt/EBITDA ratio below 1.5.

The remaining 10% of the balanced scorecard for 2018 will be based on delivery of the sustainability strategy (7%) and achievement of concurrent rehabilitation targets (3%). The sustainability strategy target, relates to sustainability planning and will ensure that operations have a five year site-level sustainability plan strategy in place by the end of 2020. The concurrent rehabilitation is essential to ensuring that the post-mining land-use, as agreed with our stakeholders, is achieved. The target is based on 100% of planned rehabilitation being achieved for open-cast mining operations.

The three-year cumulative attributable free cash flow target within the LTIP is considered by the Board to be commercially sensitive; disclosing it would enable competitors to derive information as to our detailed business plan. The actual targets, along with the outcomes, will be disclosed in the 2020 remuneration report. The definition of attributable free cash flow can be found on page 196.

Governance

Figure 18: Summary of key remuneration aspects in 2018

Element	Performance measure 1, weighting and component detail	Performance measure 2, weighting and component detail	Director	Level
Basic salary	–	–	Mark Cutifani	£1,318,082 (2.5% increase)
			Stephen Pearce	£794,375 (2.5% increase)
			Tony O'Neill	£823,802 (2.5% increase)
Annual bonus	**EPS (50%)** Half on performance at outturn prices and FX and half on performance at fixed prices and FX	**Individual objectives and safety modifier (50%)** Personal and strategic objectives supporting the Group's delivery on projects, business improvement, capital allocation, commercial activities, employee development and stakeholder engagement, subject to the application of a safety modifier	Mark Cutifani	210% of salary
			Stephen Pearce	210% of salary
			Tony O'Neill	210% of salary
Long-Term Incentive Plan (LTIP)	**TSR (70%)** **TSR vs. Euromoney Global Mining Index (47%)** 25% for TSR equal to Index 100% for Index +6% pa or above **TSR vs. FTSE 100 (23%)** 25% for TSR equal to median 100% for 80th percentile or above	**Balanced Scorecard (30%)** **ROCE (10%)** 25% for 13% 100% for 23% **Cumulative attributable free cash flow (10%)** **Sustainability strategy (7%)** All operations to have a five-year site-level sustainability strategy in place by the end of 2020, meeting Group requirements as defined and assessed by the Sustainability Strategy Steering committee **Concurrent rehabilitation (3%)** 100% of planned rehabilitation to be achieved for open-cast mining operations.	Mark Cutifani	300% of salary
			Stephen Pearce	300% of salary
			Tony O'Neill	300% of salary

3.5.1 Outstanding LTIP awards
As explained in the 2016 remuneration report, the committee has imposed a limit on the value that can be delivered on vesting for recent awards. The delivered value for the awards granted in 2015 and 2016 (the 2014 awards lapsed in full) is limited to 100% of the total face value (number of shares granted multiplied by share price on grant) of the awards granted in 2014, 2015 and 2016. The value that can be received from awards granted from 2017 onwards is limited to twice the face value at grant.

3.6 Remuneration disclosures

3.6.1 Nine-year remuneration and returns

Figure 19 shows the Group's TSR performance against the performance of the FTSE 100 Index from 1 January 2008 to 31 December 2017.

The FTSE 100 Index was chosen as being a broad equity market index which includes companies of a comparable size and complexity to Anglo American.

TSR is calculated in US dollars, and assumes all dividends are reinvested. The TSR level shown as at 31 December each year is the average of the closing daily TSR levels for the five-day period up to and including that date.

Figure 20 shows the total remuneration earned by the incumbent chief executive over the same nine-year period, along with the proportion of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as for Figure 7.

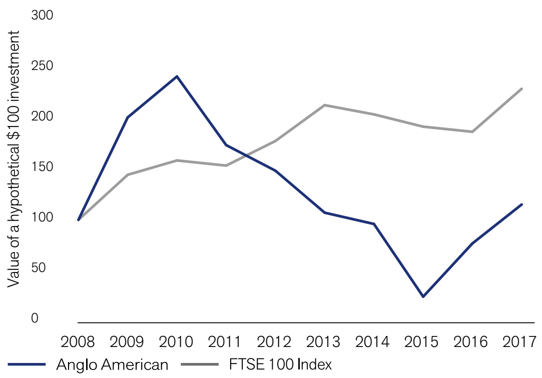
For the period 2010 to 2011, the TSR performance of the Company, and the remuneration received by Cynthia Carroll as chief executive, demonstrates that this was a period of strong operational performance and high commodity prices. These led to a doubling of profits and almost a doubling of underlying EPS in 2010.

Cynthia Carroll's remuneration levels in 2011 also reflect record profits and strong EPS performance for the year in addition to the increase in value of the LTIP awards that vested at the end of 2011 – when granted, the Group's share price was £12.61; the share price at vesting was £26.00.

The vesting levels of long term incentives from 2012 have been much lower, reflecting, in part, the impact of the severe decline in commodity prices on earnings and the returns delivered to shareholders.

Mark Cutifani's remuneration levels in 2013 and 2014 are not reflective of his underlying remuneration, given that he received a compensatory share award in 2013 and compensation for tax on relocation benefits in 2014. The impact of longer term incentives was only realised in 2015 as a consequence of the vesting of the 2013 LTIP award.

Figure 19: Nine-year TSR performance



Source: Datastream Return Index

Figure 20: Chief executive's remuneration

Financial year ending	31 December 2009	31 December 2010	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015	31 December 2016	**31 December 2017**
Cynthia Carroll									
Total remuneration (single figure, £'000)	4,379	4,235	8,113	3,203	1,462	–	–	–	–
Annual bonus (% of maximum)	99%	88%	94%	35%	67%	–	–	–	–
LTIP (% of maximum)	61%	50%	96%	50%	28%	–	–	–	–
BSP Enhancement Shares (% of maximum)	0%	0%	100%	0%	0%	–	–	–	–
Mark Cutifani									
Total remuneration (single figure, £'000)	–	–	–	–	5,305	3,725	3,462	3,996	**6,693**
Annual bonus (% of maximum)	–	–	–	–	65%	60%	36.5%	87.5%	**76.9%**
LTIP (% of maximum)	–	–	–	–	–	–	50%	–	**50%**

3.6.2 Change in the chief executive's remuneration in 2017 relative to London employees

Figure 21 sets out the chief executive's basic salary, benefits and annual bonus amounts for 2017 and the year-on-year change. We show the average change in each element for London employees below GMC level, which is considered to be the most relevant employee comparator group given the Group-wide nature of roles performed at the corporate head office.

3.6.3 Distribution statement for 2017

Figure 22 sets out the total expenditure on employee reward over 2017, compared to profit generated by the Company and the dividends received by investors. Underlying earnings are shown, as this is one of the Group's key measures of performance, while employee numbers help put the payroll costs of employees into context.

Figure 21: Change in chief executive's remuneration compared to UK employees

		Salary	Benefits	Bonus
Chief executive	£'000	1,286	34	2,077
	% change	2.0	(4.9)	(10.36)
London employees(1)	Average % change	4.49	7.87	30.15

(1) Benefits for London employees comprise pension and car allowances (where applicable), these being the most material.

Figure 22: Distribution statement for 2017

Distribution statement		2017	2016
Underlying earnings(1)	$m	**3,272**	2,210
	% change	**48**	167
Dividends payable for year to Company shareholders	$m	**618**	–
	% change	**100**	(100)
Dividends payable for year to non-controlling interests	$m	**672**	40
	% change	**1,580**	(79)
Payroll costs for all employees	$m	**3,370**	3,738
	% change	**(10)**	(16)
Employee numbers	'000	**69**	80
	% change	**(14)**	(12)

(1) Please see page 195 for details on how underlying earnings are calculated.

Figure 23: Response to 2017 AGM shareholder voting

Vote	Number of votes: For	Against	Abstain	Company response to issues raised
2016 Implementation report	**897,721,384 (95.05%)**	**46,760,152 (4.95%)**	**1,245,949**	Shareholders were generally highly supportive of the new policy proposed at the 2017 AGM.
2017 Remuneration policy	**875,719,701 (92.91%)**	**66,854,666 (7.09%)**	**3,153,118**	Shareholders' views differ and the committee engaged extensively with major investors to understand their concerns.

3.7 Remuneration committee in 2017

3.7.1 Membership

The committee comprised the non-executive directors listed on page 92 on 31 December 2017.

3.7.2 External advisers to the committee

Figure 24 details the external advisers to the committee and the fees paid for services provided during 2017. The fees are charged in accordance with the terms and conditions set out in each relevant engagement letter.

PwC is a signatory, and adheres to, the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). In addition, the committee chairman has regular direct dialogue with advisers. For these reasons, the committee considers that the advice it receives is independent.

Figure 24: External advisers and fees

Advisers		Other services provided to the Company	Fees for committee assistance
Pricewaterhouse Coopers LLP (PwC)	Appointed by the Company, with the agreement of the committee, to support and advise on the Group's incentive arrangements, in addition to the provision of specialist valuation services and market remuneration data.	Investment advice, actuarial and audit work for various pension schemes; advice on internal audit projects; taxation, payroll and executive compensation advice.	£50,623
Deloitte LLP (Deloitte)	In its capacity as Group auditor, Deloitte undertakes an audit of sections 3 and 4 of the remuneration report annually. However, it provides no advice to the committee.		n/a

Note: Certain overseas operations within the Group are also provided with audit-related services from Deloitte's and PwC's worldwide member firms.

APPROVAL

This directors' remuneration report has been approved by the Board of directors of Anglo American plc.

Signed on behalf of the Board of directors.

Sir Philip Hampton
Chairman, Remuneration Committee

21 February 2018

GENDER PAY

Summary

The UK Gender Pay Gap reporting requirement, designed to provide public transparency in relation to the difference between men's and women's earnings within a company, came into effect on 6 April 2017. As a UK registered company that employed, at the snapshot date of 5 April 2017, 258 people in the UK, Anglo American Services (UK) Limited is required to disclose the specifically defined information by 4 April 2018. Anglo American disclosed this information on 5 March 2018, and the full disclosure can be found on the Anglo American website. The following provides a summary of the position and the actions the Board and GMC are taking to address it.

Equal pay at Anglo American

Equal pay legislation has been in place for many years in the UK, giving men and women the legal right to be paid equally for doing equal work. We are confident that we comply fully with this legislation.

Anglo American's hourly pay gap

The key measure that is required to be reported, and which has been the focus of much public attention, is the hourly pay gap. Anglo American Services (UK) Limited's gap is 55% on a mean basis, and 49% on a median basis.

We recognise that this hourly pay gap is sizeable and is higher than that of many other global companies. The gap is primarily a function of the disproportionate number of men in the most senior management roles in the corporate head office, as shown by the fact that while women make up 42% of Anglo American's UK roles, they occupy just 14% of the highest paid quartile:

	Percentage males in Quartile	Percentage females in Quartile
Lower Quartile	21.54	78.46
Lower Middle Quartile	60.94	39.06
Upper Middle Quartile	64.62	35.38
Upper Quartile	85.94	14.06

It is this imbalance between women and men at the most senior levels which is driving our gender pay gap; we are confident that our remuneration structures in themselves do not favour any one group. This is borne out by the fact that the proportion of women who received a bonus during 2017 was almost the same as that of men (and the slight difference can be explained by non-gender-related factors). The Board and GMC are determined to address the wider gender imbalance.

How is the gender pay gap being addressed?

The leadership teams recognise that we are still at the early stages of our work towards greater inclusion and diversity in all its forms, and more information about the work being done in this regard can be found on pages 21-24 of the Sustainability Report.

We are taking a series of practical steps to address the gender pay imbalance, including targeted changes to our recruitment, succession planning and talent management processes.

Remuneration committee's commitment

Reducing the gender imbalance, and therefore the gender pay gap, will of course take time, and the gap is unlikely to reduce significantly in the short term. However, we are confident that as we progress our inclusion and diversity work, the more our annual gender pay gap will narrow. The Remuneration committee's responsibility is to continue to critically review our pay structures to make sure that they support inclusion and diversity for our whole population; we take this responsibility very seriously.

For more information on the UK gender pay gap, visit **www.angloamerican.com**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and Article 4 of the IAS regulation, and have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, IAS 1 requires that directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

for the year ended 31 December 2017

We confirm that to the best of our knowledge:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of Anglo American plc and the undertakings included in the consolidation taken as a whole

(b) the strategic report includes a fair review of the development and performance of the business and the position of Anglo American plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

(c) the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Mark Cutifani
Chief Executive

Stephen Pearce
Finance Director

21 February 2018

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Anglo American plc (the 'Parent company') and its subsidiaries (the 'Group') which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated balance sheet;
- the Consolidated cash flow statement;
- the Consolidated statement of changes in equity;
- the Accounting policies;
- the related notes 1 to 38; and
- the Balance sheet of the Parent Company and related information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 38 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 41-45 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 41 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 41 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

Our assessment of the Group's key audit matters is consistent with 2016 except for Corporate Asset Transactions which is no longer considered a key audit matter as a result of the significant reduction in the scale of the Group's planned and completed disposals during 2017.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment

Refer to the Audit Committee report on pages 80-87 and the disclosures in notes 7 and 8 on pages 132-135.

Key audit matter – description	As a consequence of licensing and operational developments during the year and continued volatility in commodity prices and foreign exchange rates, the assessment of the recoverable amount of operating assets and development projects remains a key judgement. Management assessed whether indicators of impairment or impairment reversal exist for assets in accordance with IAS 36 '*Impairment of Assets*'. During the year, this included El Soldado and the Sishen mine in South Africa (where impairment reversals of $194 million and $468 million have been recorded during the year) as well as other specific assets including Minas-Rio that experienced licensing delays during the year and the coal operations in Australia where impairments had previously been recorded.
How the scope of our audit responded to the key audit matter	We reviewed management's assessment as to whether indicators of impairment or impairment reversal exist. Where such indicators were identified we obtained copies of the valuation models used to determine the value in use or fair value less costs of disposal of the relevant asset. We challenged the assumptions made by management in relation to these models, including the discount rate used, the commodity prices, capital expenditure and operating cost forecasts and the expected production profiles, by comparison to recent analyst forecast commodity price data, reference to third party documentation where available, utilisation of Deloitte valuation specialists, review of Ore Reserve and Mineral Resource reports, consultation with operational management and consideration of sensitivity analyses. We assessed whether the assumptions had been determined and applied on a consistent basis across the Group.
Key observations	We found that the assumptions used were reasonable and had been determined and applied on a consistent basis across the Group. No additional impairments or impairment reversals were identified from the work performed. We found that the impairment reversal recorded at the Sishen mine in South Africa was appropriate, primarily due to the increased forecast production in the updated Life of Mine Plan and continued improvements in the operational performance of the mine.

Taxation

Refer to the Audit Committee report on pages 80-87 and the disclosures in notes 5 and 16 on pages 130-131 and 141-142 respectively.

Key audit matter – description	The recognition and measurement of certain of the Group's deferred tax assets and liabilities requires management judgement and is a key area of audit effort due to the complexity of tax regulations across the jurisdictions where the Group operates. At 31 December 2017, the deferred tax assets recognised by the Group totalled $1,191 million, with the most significant asset related to Minas-Rio. Management has performed an assessment of the forecast taxable profits against which the Group's tax losses and other tax attributes can be offset in future periods. The deferred tax liabilities recognised across the Group at 31 December 2017 totalled $4,188 million.
How the scope of our audit responded to the key audit matter	Through the close involvement of our tax specialist teams at both a Group and business unit level we assessed the appropriateness of the deferred tax assets and liabilities recognised by the Group through discussions with the Group's taxation department and review of supporting documentation and calculations. In relation to assessing the recoverability of deferred tax assets, we reviewed and challenged the basis and underlying assumptions in the supporting taxable profit forecasts in order to assess the appropriateness of the assets recognised. In particular, we challenged management's assessment that, in measuring the Minas-Rio deferred tax asset, taxable profit forecasts considered probable should be limited by reference to the criteria set out in IAS 12 '*Income taxes*'. In relation to deferred tax liabilities recognised across the Group, we tested the relevant deferred tax calculations and challenged management's underlying assumptions.
Key observations	We are satisfied that deferred tax assets and liabilities are properly recognised.

Special items and remeasurements

Refer to the Audit Committee report on pages 80-87 and the disclosures in note 8 on pages 134-135.

Key audit matter – description	The Group disclosed 'Special items and remeasurements' in the Consolidated income statement. These items primarily relate to impairment reversals, adjustments arising on the sale or acquisition of operations, adjustments relating to former operations and financing special items and remeasurements which are further defined in note 8 to the financial statements. The assessment of the appropriateness of items disclosed within 'Special items and remeasurements' is a key judgement because of their impact upon the reporting of the underlying financial performance achieved by the Group and is therefore an area where potential management bias could occur. In addition, management considered the guidance from the European Securities and Market Authority (ESMA) in making this assessment.
How the scope of our audit responded to the key audit matter	In the context of our audit of the overall income statement we considered and challenged each item disclosed within 'Special items and remeasurements' with reference to the guidance from ESMA. We determined whether such categorisation is appropriate and consistent with the Group's stated policy and past practice for recognition of such items, and whether, taken as a whole, the income statement is fair and balanced in its presentation.
Key observations	We are satisfied that all items included within 'Special items and remeasurements' display no indication of management bias in the categorisation and that where relevant the categorisation was consistent with prior practice. We consider that the related disclosures are also appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	**Group** $200 million (2016: $200 million) **Parent Company** $76 million (2016: $67.5 million)
Basis for determining materiality	**Group** We have considered both asset and profit bases in the determination of materiality. $200 million equates to 0.7% (2016: 0.8%) of net assets and 5.8% (2016: 6.2%) of normalised three year pre-tax profit before special items and remeasurements. The use of a combination of bases is consistent with our approach in 2016. **Parent Company** The Parent Company materiality represents below 1% (2016: below 1%) of shareholders' equity. When determining this materiality, we also considered the appropriateness of this materiality for the consolidation of this set of financial statements to the Group's results.
Rationale for the benchmark applied	**Group** Given the continued volatility in commodity prices and the cyclical nature of the mining industry we believe that incorporating balance sheet metrics in our assessment in addition to pre-tax profit before special items and remeasurements is a more appropriate approach as it reflects the capital invested, the changes in production, the volume of commodities sold and the scale of the Group's operations. **Parent Company** Due to the Parent Company's primary role as a holding company, owning investments in other Group entities, shareholders' equity is the key metric driving shareholder value. As such we considered shareholders' equity the most appropriate benchmark to determine the Parent Company materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $10 million (2016: $10 million) for the Group and $3.8 million (2016: $3.4 million) for the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group, the Parent Company and their environment, including internal control, and assessing the risks of material misstatement.

All business units were subject to a full scope audit with the exception of Manganese and Nickel where specific procedures were performed. This represents a change from 2016 where Nickel had been subject to full audit scope procedures. Our approach in 2017 has been designed to focus on the key audit matters identified within that business unit and to perform appropriate procedures on the rest of the business unit's financial information noting its financial significance in the context of the Group as a whole.

The work performed by the component audit teams at each business unit is guided by the Group audit team and is executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from $90 million to $110 million (2016: $90 million to $110 million).

The Senior Statutory Auditor and/or a senior member of the Group audit team visits the principal location of each significant business unit at least once every year and key operational assets on a rotating basis.

The Parent Company is located in the United Kingdom and audited directly by the Group audit team.

Group revenue

	%
Full audit scope	95
Specified procedures	5

Underlying EBIT

	%
Full audit scope	92
Specified procedures	8

Net assets

	%
Full audit scope	97
Specified procedures	3

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, Deloitte and Touche were appointed by the shareholders on 24 May 1999 to audit the financial statements for the year ended 31 December 1999 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the years ended 31 December 1999 to 31 December 2017.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Kari Hale, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
21 February 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2017

US$ million	Note	2017 Before special items and remeasurements	2017 Special items and remeasurements (note 8)	2017 Total	2016 Before special items and remeasurements	2016 Special items and remeasurements (note 8)	2016 Total
Revenue	2	26,243	–	26,243	21,378	–	21,378
Operating costs		(21,001)	287	(20,714)	(18,047)	(1,665)	(19,712)
Operating profit	1, 2	5,242	287	5,529	3,331	(1,665)	1,666
Non-operating special items	8	–	(5)	(5)	–	1,203	1,203
Net income from associates and joint ventures	13	577	(10)	567	271	7	278
Profit before net finance costs and tax		5,819	272	6,091	3,602	(455)	3,147
Investment income		268	–	268	186	120	306
Interest expense		(694)	(99)	(793)	(490)	(45)	(535)
Other net financing losses		(47)	(14)	(61)	95	(389)	(294)
Net finance costs	4	(473)	(113)	(586)	(209)	(314)	(523)
Profit before tax		5,346	159	5,505	3,393	(769)	2,624
Income tax expense	5	(1,324)	(122)	(1,446)	(742)	44	(698)
Profit for the financial year		4,022	37	4,059	2,651	(725)	1,926
Attributable to:							
Non-controlling interests	25	750	143	893	441	(109)	332
Equity shareholders of the Company		3,272	(106)	3,166	2,210	(616)	1,594
Earnings per share (US$)							
Basic	3	2.57	(0.09)	2.48	1.72	(0.48)	1.24
Diluted	3	2.53	(0.08)	2.45	1.70	(0.47)	1.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

US$ million	2017	2016
Profit for the financial year	4,059	1,926
Items that will not be reclassified to the income statement (net of tax)[1]		
Remeasurement of net retirement benefit obligation	204	(179)
Items that have been or may subsequently be reclassified to the income statement (net of tax)[1]		
Net exchange differences:		
Net gain (including associates and joint ventures)	1,725	1,150
Cumulative gain transferred to the income statement on disposal of foreign operations	(81)	(50)
Revaluation of available for sale investments:		
Net revaluation gain	23	122
Cumulative revaluation gain transferred to the income statement on disposal	(43)	(151)
Revaluation of cash flow hedges:		
Transferred to the income statement	–	(11)
Share of associates' and joint ventures' other comprehensive income	(1)	–
Other comprehensive income for the financial year (net of tax)	1,827	881
Total comprehensive income for the financial year (net of tax)	5,886	2,807
Attributable to:		
Non-controlling interests	1,240	514
Equity shareholders of the Company	4,646	2,293

(1) Tax amounts are shown in note 5C.

CONSOLIDATED BALANCE SHEET
as at 31 December 2017

US$ million	Note	2017	2016
ASSETS			
Non-current assets			
Intangible assets	10	**3,323**	3,217
Property, plant and equipment	11	**30,643**	28,719
Environmental rehabilitation trusts	15	**421**	353
Investments in associates and joint ventures	13	**1,956**	1,974
Financial asset investments	14	**561**	835
Trade and other receivables	18	**937**	812
Deferred tax assets	16	**1,191**	1,013
Derivative financial assets	22	**309**	484
Other non-current assets		**487**	293
Total non-current assets		**39,828**	37,700
Current assets			
Inventories	17	**4,441**	3,727
Trade and other receivables	18	**2,136**	2,232
Current tax assets		**146**	330
Derivative financial assets	22	**81**	109
Cash and cash equivalents	20	**7,800**	6,051
Total current assets		**14,604**	12,449
Assets classified as held for sale	32	**129**	–
Total assets		**54,561**	50,149
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(4,501)**	(3,384)
Short term borrowings	20, 21	**(1,351)**	(1,806)
Provisions for liabilities and charges	15	**(562)**	(621)
Current tax liabilities		**(601)**	(442)
Derivative financial liabilities	22	**(336)**	(272)
Total current liabilities		**(7,351)**	(6,525)
Non-current liabilities			
Trade and other payables	19	**(89)**	(116)
Medium and long term borrowings	20, 21	**(10,620)**	(11,363)
Retirement benefit obligations	27	**(695)**	(778)
Deferred tax liabilities	16	**(4,188)**	(3,520)
Derivative financial liabilities	22	**(460)**	(1,603)
Provisions for liabilities and charges	15	**(2,235)**	(1,919)
Total non-current liabilities		**(18,287)**	(19,299)
Liabilities directly associated with assets classified as held for sale	32	**(41)**	–
Total liabilities		**(25,679)**	(25,824)
Net assets		**28,882**	24,325
EQUITY			
Called-up share capital	24	**772**	772
Share premium account		**4,358**	4,358
Own shares	24	**(6,191)**	(6,090)
Other reserves		**(8,702)**	(10,000)
Retained earnings		**32,735**	29,976
Equity attributable to equity shareholders of the Company		**22,972**	19,016
Non-controlling interests	25	**5,910**	5,309
Total equity		**28,882**	24,325

The financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 21 February 2018 and signed on its behalf by:

Mark Cutifani
Chief Executive

Stephen Pearce
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

US$ million	Note	2017	2016
Cash flows from operating activities			
Profit before tax		**5,505**	2,624
Net finance costs including financing special items and remeasurements		**586**	523
Net income from associates and joint ventures		**(567)**	(278)
Non-operating special items	8	**5**	(1,203)
Operating profit	1	**5,529**	1,666
Operating special items and remeasurements	8	**(287)**	1,665
Cash element of special items		**(102)**	(144)
Depreciation and amortisation	1	**2,390**	2,138
Share-based payment charges		**180**	174
Decrease in provisions and net retirement benefit obligations		**(311)**	(139)
(Increase)/decrease in inventories		**(294)**	301
Decrease/(increase) in operating receivables		**23**	(365)
Increase in operating payables		**1,150**	455
Other adjustments		**97**	87
Cash flows from operations		**8,375**	5,838
Dividends from associates and joint ventures	13	**506**	167
Dividends from financial asset investments		**11**	5
Income tax paid		**(843)**	(611)
Net cash inflows from operating activities		**8,049**	5,399
Cash flows from investing activities			
Expenditure on property, plant and equipment	12	**(2,278)**	(2,418)
Cash flows from derivatives related to capital expenditure	12	**40**	(22)
Proceeds from disposal of property, plant and equipment	12	**52**	23
Investments in associates and joint ventures	13	**(86)**	(51)
Purchase of financial asset investments	14	**(6)**	(3)
Net redemption of financial asset loans and receivables	14	**168**	61
Interest received and other investment income		**165**	77
Net cash inflow on disposals	33	**52**	1,765
Return of capital and repayments of capitalised loans by associates and joint ventures	13	**–**	62
Other investing activities		**(54)**	(19)
Net cash used in investing activities		**(1,947)**	(525)
Cash flows from financing activities			
Interest paid		**(542)**	(747)
Cash flows from derivatives related to financing activities	20	**(419)**	(414)
Dividends paid to Company shareholders	6	**(618)**	–
Dividends paid to non-controlling interests	25	**(601)**	(15)
Proceeds from issuance of bonds		**2,998**	–
Proceeds from other borrowings		**35**	694
Repayments of bonds and borrowings		**(5,189)**	(5,213)
Proceeds from issue of shares to non-controlling interests		**36**	38
Purchase of shares by Group companies for employee share schemes		**(242)**	(117)
Other financing activities		**(11)**	(6)
Net cash used in financing activities		**(4,553)**	(5,780)
Net increase/(decrease) in cash and cash equivalents		**1,549**	(906)
Cash and cash equivalents at start of year	20	**6,044**	6,889
Cash movements in the year		**1,549**	(906)
Effects of changes in foreign exchange rates		**199**	61
Cash and cash equivalents at end of year	20	**7,792**	6,044

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

US$ million	Total share capital[1]	Own shares[2]	Retained earnings	Cumulative translation adjustment reserve	Other reserves (note 24)	Total equity attributable to equity shareholders of the Company	Non-controlling interests	Total equity
At 1 January 2016	5,130	(6,051)	28,301	(11,747)	936	16,569	4,773	21,342
Total comprehensive income	–	–	1,419	896	(22)	2,293	514	2,807
Dividends payable	–	–	–	–	–	–	(40)	(40)
Issue of shares to non-controlling interests	–	–	–	–	–	–	38	38
Equity settled share-based payment schemes	–	(39)	146	–	(63)	44	24	68
Tax recognised directly in equity[3]	–	–	110	–	–	110	–	110
At 31 December 2016	5,130	(6,090)	29,976	(10,851)	851	19,016	5,309	24,325
Total comprehensive income	–	–	3,351	1,577	(282)	4,646	1,240	5,886
Dividends payable	–	–	(618)	–	–	(618)	(672)	(1,290)
Issue of shares to non-controlling interests	–	–	–	–	–	–	36	36
Equity settled share-based payment schemes	–	(101)	26	–	6	(69)	(3)	(72)
Other	–	–	–	–	(3)	(3)	–	(3)
At 31 December 2017	5,130	(6,191)	32,735	(9,274)	572	22,972	5,910	28,882

[1] Includes share capital and share premium.

[2] Own shares comprise shares of Anglo American plc held by the Company (treasury shares), its subsidiaries and employee benefit trusts.

[3] See note 5D for further details.

Financial statements

NOTES TO THE FINANCIAL STATEMENTS

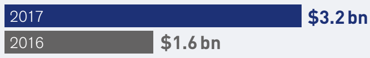
FINANCIAL PERFORMANCE

Profit attributable to equity shareholders increased 99% to $3,166 million and underlying earnings increased 48% to $3,272 million.

The following disclosures provide further information about the drivers of the Group's financial performance in the year. This includes analysis of the respective contribution of the Group's operating segments along with information about its operating cost base, net finance costs and tax. In addition, disclosure on earnings per share and the dividend is provided.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

$3.2 bn



1. OPERATING PROFIT FROM SUBSIDIARIES AND JOINT OPERATIONS

Overview

US$ million	Note	2017	2016
Revenue		**26,243**	21,378
Operating costs:			
Employee costs	26	**(3,323)**	(3,336)
Depreciation of property, plant and equipment		**(2,342)**	(2,096)
Amortisation of intangible assets		**(48)**	(42)
Third party commodity purchases		**(5,808)**	(4,676)
Consumables, maintenance and production input costs		**(5,569)**	(5,072)
Logistics, marketing and selling costs		**(2,251)**	(1,452)
Royalties		**(613)**	(377)
Exploration and evaluation		**(184)**	(185)
Net foreign exchange losses		**(93)**	(31)
Other net operating expenses		**(770)**	(780)
Operating profit before special items and remeasurements		**5,242**	3,331
Operating special items and remeasurements	8	**287**	(1,665)
Operating profit		**5,529**	1,666

The table above presents costs by nature, with comparative information restated accordingly. The change in presentation better reflects the manner in which the Group manages its costs and excludes operating special items and remeasurements to improve the comparability of the operating profit analysis between reporting periods.

Royalties exclude items which meet the definition of income tax on profit and accordingly have been accounted for as taxes.

Exploration and evaluation excludes associated employee costs. The full exploration and evaluation expenditure is presented below.

Operating profit before special items and remeasurements is stated after (charging)/crediting:

US$ million	2017	2016
Exploration expenditure	**(103)**	(107)
Evaluation expenditure	**(125)**	(105)
Rentals under operating leases	**(137)**	(67)
Research and development expenditure	**(78)**	(63)
Provisional pricing adjustment	**522**	893

Further information

Included in revenue is a total (realised and unrealised) gain on provisionally priced sales of $601 million (2016: gain of $904 million). This comprises realised gains of $156 million (2016: gains of $21 million) relating to sales that were provisionally priced as at 31 December 2016 with the final price settled in the current year, realised gains of $198 million (2016: gains of $584 million) relating to sales fully priced during the year, and unrealised gains of $247 million (2016: gains of $299 million) relating to sales that were provisionally priced as at 31 December 2017. In addition, operating costs include losses on provisionally priced purchase contracts of $79 million (2016: losses of $11 million).

Accounting policy

See note 38C for the Group's accounting policy on revenue.

New IFRS accounting standards not yet adopted

IFRS 15 *Revenue from Contracts with Customers* became effective for the Group from 1 January 2018 and further information on the new standard is provided in note 38A. Had the requirements of IFRS 15 been applied during the year ended 31 December 2017, the effect would have been to reduce revenue and operating costs respectively by $29 million with no impact on profit. Current assets and current liabilities as at 31 December 2017 would each have been higher by $39 million.

FINANCIAL PERFORMANCE

2. FINANCIAL PERFORMANCE BY SEGMENT

Overview

The Group's segments are aligned to those business units that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 194.

Segment results

US$ million	Group revenue	Underlying EBITDA	Depreciation and amortisation	Underlying EBIT	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
							2017
De Beers	5,841	1,435	(562)	873	(244)	(101)	528
Copper	4,233	1,508	(585)	923	(440)	(113)	370
Platinum	5,078	866	(354)	512	(218)	(77)	217
Iron Ore and Manganese	5,831	2,357	(379)	1,978	(507)	(445)	1,026
Coal	7,211	2,868	(594)	2,274	(484)	(27)	1,763
Nickel	451	81	(81)	–	(4)	–	(4)
Corporate and other	5	(292)	(21)	(313)	(326)	11	(628)
	28,650	8,823	(2,576)	6,247	(2,223)[(1)]	(752)	3,272
Less: associates and joint ventures	(2,407)	(1,191)	186	(1,005)	426	2	(577)
Subsidiaries and joint operations	26,243	7,632	(2,390)	5,242	(1,797)	(750)	2,695
Reconciliation:							
Net income from associates and joint ventures				567			567
Special items and remeasurements				282			(96)
Closest equivalent IFRS measure				6,091			3,166

US$ million	Group revenue	Underlying EBITDA	Depreciation and amortisation	Underlying EBIT	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
							2016
De Beers	6,068	1,406	(387)	1,019	(242)	(110)	667
Copper	3,066	903	(642)	261	(9)	102	354
Platinum	4,394	532	(347)	185	(101)	(19)	65
Iron Ore and Manganese	3,426	1,536	(261)	1,275	(304)	(405)	566
Coal	5,263	1,646	(534)	1,112	(183)	(16)	913
Nickel	426	57	(72)	(15)	(42)	–	(57)
Corporate and other	499	(5)	(66)	(71)	(237)	10	(298)
	23,142	6,075	(2,309)	3,766	(1,118)[(1)]	(438)	2,210
Less: associates and joint ventures	(1,764)	(606)	171	(435)	167	(3)	(271)
Subsidiaries and joint operations	21,378	5,469	(2,138)	3,331	(951)	(441)	1,939
Reconciliation:							
Net income from associates and joint ventures				278			278
Special items and remeasurements				(462)			(623)
Closest equivalent IFRS measure				3,147			1,594

(1) Comprises net finance costs of $526 million (2016: $253 million) and income tax expense of $1,697 million (2016: $865 million).

The Kumba Iron Ore, Iron Ore Brazil and Samancor business units have been aggregated as the 'Iron Ore and Manganese' segment on the basis of the ultimate product produced (ferrous metals). The 'Corporate and other' segment includes unallocated corporate costs, exploration costs and the Niobium and Phosphates business unit. Exploration costs represent the cost of the Group's exploration activities across all segments. Comparative information for Corporate and other has been restated to include Niobium and Phosphates, which was sold in 2016.

The segment results are stated after elimination of inter-segment interest and dividends and include an allocation of corporate costs.

FINANCIAL PERFORMANCE

2. FINANCIAL PERFORMANCE BY SEGMENT continued

Further information

Segments predominantly derive revenue as follows – De Beers: rough and polished diamonds; Copper: copper; Platinum: platinum group metals; Iron Ore and Manganese: iron ore, manganese ore and alloys; Coal: metallurgical coal and thermal coal; Nickel: nickel. See note 38C for the Group's accounting policy on revenue recognition.

Group revenue by product

US$ million	2017	2016
Diamonds	5,841	6,064
Copper	4,128	2,946
Platinum	2,454	2,498
Palladium	1,417	967
Rhodium	327	215
Iron ore	4,489	2,611
Manganese ore and alloys	940	625
Metallurgical coal	3,357	2,243
Thermal coal	3,854	3,024
Nickel	728	694
Niobium	–	137
Phosphates	–	358
Other	1,115	760
	28,650	23,142

Group revenue by destination

The Group's geographical analysis of segment revenue is allocated based on the customer's port of destination. Where the port of destination is not known, revenue is allocated based on the customer's country of domicile:

US$ million	2017	2016
South Africa	1,876	1,630
Other Africa	1,709	1,604
Brazil	422	679
Chile	432	481
Other South America	9	12
North America	875	572
Australia	41	164
China	6,451	4,784
India	3,636	2,756
Japan	2,625	2,131
Other Asia	5,514	3,813
United Kingdom (Anglo American plc's country of domicile)	1,571	1,341
Other Europe	3,489	3,175
	28,650	23,142

3. EARNINGS PER SHARE

Overview

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 194.

US$	2017	2016
Earnings per share		
Basic	2.48	1.24
Diluted	2.45	1.23
Underlying earnings per share		
Basic	2.57	1.72
Diluted	2.53	1.70
Headline earnings per share		
Basic	2.29	1.47
Diluted	2.26	1.46

Further information

The calculation of basic and diluted earnings per share is based on the following data:

	Profit attributable to equity shareholders of the Company		Underlying earnings		Headline earnings	
	2017	2016	2017	2016	2017	2016
Earnings (US$ million)						
Basic and diluted earnings	3,166	1,594	3,272	2,210	2,920	1,896
Number of shares (million)						
Basic number of ordinary shares outstanding	1,275	1,288	1,275	1,288	1,275	1,288
Effect of dilutive potential ordinary shares	18	12	18	12	18	12
Diluted number of ordinary shares outstanding	1,293	1,300	1,293	1,300	1,293	1,300

FINANCIAL PERFORMANCE

3. EARNINGS PER SHARE continued

The average number of ordinary shares in issue excludes shares held by employee benefit trusts and Anglo American plc shares held by Group companies. The diluted number of ordinary shares outstanding including share options and awards is calculated on the assumption of conversion of all potentially dilutive ordinary shares. In the year ended 31 December 2017 there were 132,188 (2016: 274,815) share options which were potentially dilutive but not included in the calculation of diluted earnings because they were anti-dilutive.

Headline earnings, a Johannesburg Stock Exchange defined performance measure, is reconciled from underlying earnings as follows:

US$ million	2017	2016
Underlying earnings for the financial year	**3,272**	2,210
Operating special items – restructuring	**31**	(90)
Other operating special items	**(60)**	–
Operating remeasurements	**(86)**	(25)
Non-operating special items – credits/(charges) relating to BEE transactions	**14**	(36)
Financing special items and remeasurements	**(114)**	(318)
Tax special items and remeasurements	**(32)**	33
Associates' and joint ventures' special items and remeasurements	**(8)**	7
Other reconciling items	**(97)**	115
Headline earnings for the financial year	**2,920**	1,896

The reconciling items above are shown net of tax and non-controlling interests.

Other reconciling items principally relate to the settlement of class action claims (2016: principally relate to derecognition of contingent liabilities previously recognised in business combinations and losses on disposal of plant and equipment and other assets).

4. NET FINANCE COSTS

Overview

US$ million	2017	2016
Investment income		
Interest income from cash and cash equivalents	**154**	78
Interest income from associates and joint ventures	**35**	50
Other interest income	**52**	43
Net interest income on defined benefit arrangements	**16**	20
Dividend income from financial asset investments	**11**	5
	268	196
Less: interest income capitalised	**–**	(10)
Investment income before special items and remeasurements	**268**	186
Financing special items and remeasurements	**–**	120
Investment income	**268**	306
Interest expense		
Interest and other finance expense	**(580)**	(711)
Net interest cost on defined benefit arrangements	**(49)**	(44)
Unwinding of discount relating to provisions and other liabilities	**(100)**	(111)
	(729)	(866)
Less: interest expense capitalised	**35**	376
Interest expense before special items and remeasurements	**(694)**	(490)
Financing special items and remeasurements	**(99)**	(45)
Interest expense	**(793)**	(535)
Other net financing losses		
Net foreign exchange (losses)/gains	**(47)**	84
Other net fair value gains	**–**	11
Other net financing (losses)/gains before special items and remeasurements	**(47)**	95
Financing special items and remeasurements	**(14)**	(389)
Other net financing losses	**(61)**	(294)
Net finance costs	**(586)**	(523)

Further information

Interest income recognised at amortised cost is $200 million (2016: $131 million) and interest expense recognised at amortised cost is $506 million (2016: $237 million).

Accounting policy

See note 38C for the Group's accounting policy on borrowing costs.

FINANCIAL PERFORMANCE

5. INCOME TAX EXPENSE

Overview

The effective tax rate for the year of 26.3% (2016: 26.6%) is higher (2016: higher) than the applicable weighted average statutory rate of corporation tax in the United Kingdom of 19.25% (2016: 20%).

	2017		
	Profit before tax US$ million	Tax (charge)/ credit US$ million	Effective tax rate
Calculation of effective tax rate (statutory basis)	**5,505**	**(1,446)**	**26.3%**
Adjusted for:			
Special items and remeasurements	**(159)**	**122**	
Associates' and joint ventures' tax and non-controlling interests	**375**	**(373)**	
Calculation of underlying effective tax rate	**5,721**	**(1,697)**	**29.7%**

The underlying effective tax rate was 29.7% for the year ended 31 December 2017. This is higher than the equivalent underlying effective tax rate of 24.6% for the year ended 31 December 2016. The effective tax rate in 2017 has benefited from the reassessment of deferred tax balances primarily in Australia and Brazil, partially offset by the reassessment of withholding tax provisions primarily in relation to Chile and South Africa, and the impact of the relative levels of profits arising in the Group's operating jurisdictions. In future periods, it is expected that the underlying effective tax rate will remain above the United Kingdom statutory tax rate.

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 194.

A. Analysis of charge for the year

US$ million	2017	2016
United Kingdom corporation tax	**29**	26
South Africa tax	**649**	433
Other overseas tax	**689**	101
Prior year adjustments	**(162)**	(176)
Current tax	**1,205**	384
Deferred tax	**119**	358
Income tax expense before special items and remeasurements	**1,324**	742
Special items and remeasurements tax (note 8)	**122**	(44)
Income tax expense	**1,446**	698

Current tax includes royalties which meet the definition of income tax and are in addition to royalties recorded in operating costs.

B. Factors affecting tax charge for the year

The reconciling items between the statutory effective tax rate and the income tax expense are:

US$ million	2017	2016
Profit before tax	**5,505**	2,624
Less: Net income from associates and joint ventures	**(567)**	(278)
Profit before tax (excluding associates and joint ventures)	**4,938**	2,346
Tax calculated at United Kingdom corporation tax rate of 19.25% (2016: 20%)	**951**	469
Tax effects of:		
Items non-deductible/taxable for tax purposes	**124**	6
Temporary difference adjustments		
Current year losses not recognised	**108**	91
Recognition of losses and temporary differences not previously recognised	**(305)**	(15)
Utilisation of losses and temporary differences not previously recognised	**(32)**	(70)
Write-off of losses and temporary differences previously recognised	**52**	1
Adjustment in deferred tax due to change in tax rate	**(4)**	(9)
Other temporary differences	**21**	345
Special items and remeasurements	**89**	111
Other adjustments		
Dividend withholding taxes	**245**	(118)
Effect of differences between local and United Kingdom tax rates	**353**	56
Prior year adjustments to current tax	**(162)**	(176)
Other adjustments	**6**	7
Income tax expense	**1,446**	698

Included within other temporary differences for the year ended 31 December 2016 was an amount of $306 million in respect of enhanced tax depreciation in Chile, partially offset by an amount included within prior year adjustments of $200 million. There are no such inclusions in the year ended 31 December 2017.

The special items and remeasurements reconciling item of $89 million (2016: $111 million) relates to the net tax impact of total special items and remeasurements before tax calculated at the United Kingdom corporation tax rate less the associated tax recorded against these items and tax special items and remeasurements.

Associates' and joint ventures' tax included within Net income from associates and joint ventures for the year ended 31 December 2017 is a charge of $371 million (2016: charge of $117 million). Excluding special items and remeasurements, this becomes a charge of $373 million (2016: charge of $123 million).

FINANCIAL PERFORMANCE

5. INCOME TAX EXPENSE continued

C. Tax amounts included in other comprehensive income

The Consolidated statement of comprehensive income includes a tax charge on the remeasurement of net retirement benefit obligations recognised directly in equity that will not be reclassified to the income statement of $24 million (2016: credit of $35 million), and a tax charge on the net gain on revaluation of available for sale assets recognised directly in equity that may subsequently be reclassified to the income statement of $5 million (2016: $25 million). In addition, there is a tax credit on items transferred directly from equity to the income statement of $10 million (2016: $35 million) primarily in relation to the disposal of available for sale investments.

D. Tax amounts recognised directly in equity

Deferred tax of $10 million was credited directly to equity in the year ended 31 December 2017.

In 2016, deferred tax of $110 million was credited directly to equity in relation to the disposal of a 25.4% interest in Anglo American Sur S.A. in 2012 as a consequence of the reassessment of withholding tax provisions in Chile.

Accounting judgement

The Group's tax affairs are governed by complex domestic tax legislations, international tax treaties between countries and the interpretation of these by tax authorities and courts. Given the many uncertainties that could arise from these factors, judgement is often required in determining the tax that is due. Where management is aware of potential uncertainties that are judged more likely than not to result in a liability for additional tax, a provision is made for management's best estimate of the liability, determined with reference to similar transactions and, in some cases, reports from independent experts.

Accounting policy

See note 38G for the Group's accounting policy on tax.

6. DIVIDENDS

	2017	2016
Proposed final ordinary dividend per share (US cents)	54	–
Proposed final ordinary dividend (US$ million)	695	–

These financial statements do not reflect the proposed final ordinary dividend as it is still subject to shareholder approval.

Dividends payable during the year are as follows:

US$ million	2017	2016
Final ordinary dividend for 2016 – Nil per ordinary share (2015: Nil per ordinary share)	–	–
Interim ordinary dividend for 2017 – 48 US cents per ordinary share (2016: Nil per ordinary share)	618	–
	618	–

SIGNIFICANT ITEMS

Special items and remeasurements are a net charge of $0.1 billion and include net impairment reversals of $0.4 billion, relating to the impairment reversals at Sishen (Iron Ore and Manganese) of $0.5 billion and El Soldado (Copper) of $0.2 billion, partially offset by impairments of the Group's interest in BRPM (Platinum) and at Coal South Africa (Coal).

During 2017, the significant accounting matters addressed by management included:

- the assessment of impairment and impairment reversal indicators; and
- the estimation of cash flow projections for impairment testing.

SPECIAL ITEMS AND REMEASUREMENTS

$(0.1) bn

(2016: $(0.6) bn)

7. SIGNIFICANT ACCOUNTING MATTERS

In the course of preparing financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The critical judgements and sources of estimation uncertainty that affect the results for the year ended 31 December 2017 are set out below. In addition to these items, further detail on other significant judgements and estimates determined by management is provided, where applicable, in the relevant note to the financial statements.

Impairment and impairment reversals of assets

i) Critical accounting judgements

The Group assesses at each reporting date whether there are any indicators that its assets and cash generating units (CGUs) may be impaired. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flows, are updated regularly as part of the Group's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal. The judgement also takes into account the Group's long-term economic forecasts, market consensus and sensitivity analysis of the discounted cash flow models used to value the Group's assets.

Assets (other than goodwill) that have been previously impaired must be assessed for indicators of both impairment and impairment reversal. Such assets are, by definition, carried on the balance sheet at a value close to their recoverable amount at the last assessment. Therefore in principle any change to operational plans or assumptions, economic parameters, or the passage of time, could result in further impairment or impairment reversal if an indicator is identified. Significant operating assets that the Group has previously impaired include Minas-Rio and Sishen (Iron Ore and Manganese); Moranbah-Grosvenor, Capcoal, Dawson and Isibonelo (Coal); Barro Alto (Nickel) and El Soldado (Copper). These assets have a combined carrying value of $10.0 billion within Property, plant and equipment as at 31 December 2017.

ii) Cash flow projections for impairment testing

Expected future cash flows used in discounted cash flow models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Mineral Resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure. Where discounted cash flow models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13 *Fair Value Measurement*, as they depend to a significant extent on unobservable valuation inputs.

Cash flow projections are based on financial budgets and Life of Mine Plans or, for non-mine assets, an equivalent appropriate long-term forecast, incorporating key assumptions as detailed below:

- Ore Reserves and Mineral Resources
  Ore Reserves and, where considered appropriate, Mineral Resources are incorporated in projected cash flows, based on Ore Reserves and Mineral Resources statements and exploration and evaluation work undertaken by appropriately qualified persons. Mineral Resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to Ore Reserves.
- Commodity and product prices
  Commodity and product prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. In estimating the forecast cash flows, management also takes into account the expected realised price from existing contractual arrangements.
- Foreign exchange rates
  Foreign exchange rates are based on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation. Long-term foreign exchange rates are kept constant on a real basis.
- Discount rates
  Cash flow projections used in fair value less costs of disposal impairment models are discounted based on a real post-tax discount rate, assessed annually, of 7.0% (2016: 6.5%). Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows, including the risk profile of the individual asset and country risk.
- Operating costs, capital expenditure and other operating factors
  Operating costs and capital expenditure are based on financial budgets covering a five year period. Cash flow projections beyond five years are based on Life of Mine Plans or non-mine production plans, as applicable, and internal management forecasts. Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith (for example, the grade of Ore Reserves varying significantly over time and unforeseen operational issues). Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management's best estimate of the outcome of uncertain future events at the balance sheet date. For further information refer to the unaudited Ore Reserves and Mineral Resources Report 2017.

  Where an asset has potential for future development through capital investment, to which a market participant would attribute value, and the costs and economic benefits can be estimated reliably, this development is included in the cash flows (with appropriate risk adjustments).

SIGNIFICANT ITEMS

iii) Key sources of estimation uncertainty

For assets where indicators of impairment or impairment reversal are identified, the Group performs impairment reviews to assess the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. Mining operations are large, complex assets requiring significant technical and financial resources to operate. Their value may be sensitive to a range of characteristics unique to each asset. Management applies judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined in note 38D.

Sishen

The Sishen iron ore mine (Iron Ore and Manganese) is located in the Northern Cape Province in South Africa. It was impaired at year end 2015 by $0.5 billion based on a recoverable amount of $1.3 billion, as a result of a deterioration in the long-term outlook for iron ore prices, which led to a reconfiguration of the Sishen pit shell to improve cash flows.

During 2017, Sishen has achieved improved levels of production and operating efficiencies. Additionally, whilst the long-term outlook for iron ore has remained broadly unchanged since 2015, the outlook for market conditions in the nearer term has improved. Consequently, the valuation of the Sishen mine has been assessed and the previous impairment has been reversed to the carrying value of $2.1 billion that would have been determined had no impairment loss been previously recognised, resulting in a gain of $468 million ($216 million after tax and non-controlling interests). Of the impairment reversal, $175 million has been recorded against plant and equipment, $169 million against mining properties and leases, $55 million against land and buildings and $69 million against capital works in progress, with an associated tax charge of $129 million.

The valuation, based on discounted cash flows, is sensitive to changes in input assumptions particularly in relation to future iron ore prices and South African rand foreign exchange rates. For example, a $5/tonne increase in the long-term price forecast for iron ore equates to a $0.3 billion increase in the valuation. The recoverable amount has been assessed under a range of valuation scenarios, incorporating downside adjustments to both operating and economic assumptions, all of which indicate headroom over the revised carrying value of $2.1 billion. For example, under the most conservative downside case considered the headroom is $0.4 billion.

Minas-Rio

The Minas-Rio iron ore project (Minas-Rio) (Iron Ore and Manganese) in Brazil was acquired in two separate transactions in 2007 and 2008. Prior to 2016, impairment charges totalling $11.3 billion (before tax) were recorded against the carrying value of Minas-Rio. The valuation was reassessed as at 31 December 2017 and the recoverable amount was considered to be in line with the carrying value of $4.2 billion. The valuation remains sensitive to economic and operational factors that provide both upside and downside risk, including price and the scheduling of required permits and licences. For example, a $5/tonne change in the long-term price forecast for iron ore, with all other valuation assumptions remaining the same, would change the valuation by $0.7 billion.

El Soldado

In 2016, an impairment of $200 million was recorded to fully impair El Soldado (Copper), following the suspension of mining operations in February 2017 due to licensing uncertainty. In March 2017, the Group was notified that El Soldado's mine permit application had been rejected by the Chilean mining authorities. Following an appeal, the mining permit was approved and mining operations were resumed in April 2017. As a result of the receipt of the permit, an impairment reversal of $194 million ($65 million after tax and non-controlling interests) has been recorded.

SIGNIFICANT ITEMS

8. SPECIAL ITEMS AND REMEASUREMENTS

Overview

US$ million	Before tax	Tax	Non-controlling interests	2017 Net	2016 Net
Impairments and impairment reversals	442	(177)	(154)	111	(1,354)
Restructuring costs	31	–	–	31	(90)
Other operating special items	(91)	31	–	(60)	–
Operating remeasurements	(95)	12	(3)	(86)	(25)
Operating special items and remeasurements	287	(134)	(157)	(4)	(1,469)
Disposals of businesses and investments	4	47	20	71	1,082
Adjustments relating to business combinations	59	–	(6)	53	82
Adjustments relating to former operations	(84)	(1)	(1)	(86)	3
Credits/(charges) relating to BEE transactions	16	–	(2)	14	(36)
Non-operating special items	(5)	46	11	52	1,131
Financing special items and remeasurements	(113)	–	(1)	(114)	(318)
Tax special items and remeasurements	–	(34)	2	(32)	33
Total	169	(122)	(145)	(98)	(623)
Associates' and joint ventures' special items and remeasurements				(10)	7
Non-controlling interests on associates' and joint ventures' special items and remeasurements				2	–
Total special items and remeasurements				(106)	(616)

Special items

Special items are those items of financial performance that, due to their size and nature, the Group believes should be separately disclosed on the face of the income statement. These items, along with related tax and non-controlling interests, are excluded from underlying earnings, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 194.

- Operating special items are those that relate to the operating performance of the Group and principally include impairment charges and reversals and restructuring costs.
- Non-operating special items are those that relate to changes in the Group's asset portfolio. This category principally includes profits and losses on disposal of businesses and investments or closure of operations, adjustments relating to business combinations, and adjustments relating to former operations of the Group, such as changes in the measurement of deferred consideration receivable or provisions recognised on disposal or closure of operations in prior periods. This category also includes charges relating to Black Economic Empowerment (BEE) transactions.
- Financing special items are those that relate to financing activities and include realised gains and losses on early repayment of borrowings, and the unwinding of the discount on material provisions previously recognised as special items.
- Tax special items are those that relate to tax charges or credits where the associated cash outflow or inflow is anticipated to be significant due to its size and nature, principally including resolution of tax enquiries.

Remeasurements

Remeasurements are items that are excluded from underlying earnings in order to reverse timing differences in the recognition of gains and losses in the income statement in relation to transactions that, whilst economically linked, are subject to different accounting measurement or recognition criteria. Remeasurements include mark-to-market movements on derivatives that are economic hedges of transactions not yet recorded in the financial statements, in order to ensure that the overall economic impact of such transactions is reflected within the Group's underlying earnings in the period in which they occur. When the underlying transaction is recorded in the income statement, the realised gains or losses are reversed from remeasurements and are recorded in underlying earnings within either revenue, operating costs or net finance costs as appropriate. If the underlying transaction is recorded in the balance sheet, for example capital expenditure, the realised amount remains in remeasurements on settlement of the derivative.

- Operating remeasurements include unrealised gains and losses on derivatives relating to revenue, operating costs or capital expenditure transactions. They also include the reversal through depreciation and amortisation of a fair value gain or loss, arising on revaluation of a previously held equity interest in a business combination.
- Financing remeasurements include unrealised gains and losses on financial assets and liabilities that represent economic hedges, including accounting hedges, related to financing arrangements.
- Tax remeasurements include foreign exchange impacts arising in US dollar functional currency entities where tax calculations are generated based on local currency financial information and hence deferred tax is susceptible to currency fluctuations.

Operating special items

Impairments and impairment reversals

Net impairments and impairment reversals of $442 million ($111 million after tax and non-controlling interests) for the year ended 31 December 2017 principally comprise the impairment reversals of Sishen (Iron Ore and Manganese) of $468 million ($216 million after tax and non-controlling interests) and El Soldado (Copper) of $194 million ($65 million after tax and non-controlling interests), the impairment of the investment in Bafokeng–Rasimone Platinum Mine (BRPM) (Platinum) of $147 million ($116 million after tax and non-controlling interests) and an impairment of $61 million ($44 million after tax) in Coal South Africa (Coal). Further information on significant accounting matters relating to impairments and impairment reversals is provided in note 7.

BRPM impairment

The Group holds a 33% interest in BRPM (Platinum) and an 11.44% shareholding in Royal Bafokeng Platinum Limited (RBPlat), the Johannesburg Stock Exchange listed controlling shareholder of the operation. Given the reduction in the market capitalisation of RBPlat, the carrying value of the investment in BRPM has been assessed for impairment. This has resulted in an impairment of $147 million ($116 million after tax and non-controlling interests) which has been recorded against investments in associates to bring the carrying amount into line with its recoverable amount of $0.2 billion.

2016

Net impairments of $1,354 million after tax and non-controlling interests for the year ended 31 December 2016 principally related to the impairment of the Moranbah North and Grosvenor cash generating unit (Coal).

Other operating special items

The loss of $91 million ($60 million after tax) relates to the cost to the Group of an arbitration settlement relating to a commercial dispute arising during the construction of the Barro Alto Nickel project.

SIGNIFICANT ITEMS

8. SPECIAL ITEMS AND REMEASUREMENTS continued

Restructuring costs

Following the finalisation of the *Driving Value* programme and the decision to continue metallurgical coal operations in Australia, restructuring provisions recognised in 2016 relating to the closure of the Brisbane Corporate Office have been derecognised, resulting in a credit of $31 million ($31 million after tax). Restructuring costs for the year ended 31 December 2016 were $120 million ($90 million after tax and non-controlling interests).

Operating remeasurements

Operating remeasurements reflect a net loss of $95 million ($86 million after tax and non-controlling interests) which principally relates to a $118 million depreciation and amortisation charge arising due to the fair value uplift on the Group's pre-existing 45% shareholding in De Beers, which was required on acquisition of a controlling stake. This was partially offset by net gains on derivatives of $23 million, principally related to economic hedges of capital expenditure.

Operating remeasurements reflected a net loss of $33 million ($25 million after tax and non-controlling interests) for the year ended 31 December 2016.

Non-operating special items

Disposals of businesses and investments

On 15 February 2017, the Group announced that it had agreed the sale of its interests in the Union platinum mine and Masa Chrome Company Proprietary Limited (Platinum) to a subsidiary of Siyanda Resources Proprietary Limited for consideration comprising upfront cash of R400 million ($34 million) and deferred consideration based on the operation's free cash flow generation over a ten year period.

The fair value of the Union mine and its associated Mineral Resources is expected to be recovered principally through the sale. An impairment of $197 million ($113 million after tax and non-controlling interests) has been recorded to bring the operation's carrying value into line with its fair value less costs of disposal. The impairment charge has been recorded principally against Property, plant and equipment.

On 1 February 2018, the Group completed the sale.

In addition, a gain on disposal of $76 million ($76 million after tax) was recorded on the disposal of the Group's 83.3% interest in the Dartbrook mine (Coal) and a further gain on disposal of $82 million ($65 million after non-controlling interests) was recorded on disposal of long-dated Mineral Resources in Platinum.

In October 2017, the Group recorded a net gain of $43 million ($43 million after tax) on the disposal of its 11.18% interest in Dreamvision Investments 15 Proprietary Limited through a share buy back which formed part of the unwinding of Exxaro Resources Limited's original BEE transaction. This holding equated to a 2.28% interest in Exxaro.

2016

Non-operating special items in the year ended 31 December 2016 of $1,131 million after tax and non-controlling interests principally included net gains on the disposals of Callide (Coal), Niobium and Phosphates (Corporate and other) and the Group's investment in Exxaro Resources Limited (Corporate and other) and a net loss on the disposal of the Rustenburg mine (Platinum).

Adjustments relating to business combinations

Of the gain of $59 million, $39 million ($33 million after non-controlling interests) relates to the acquisition of the remaining 50% share in De Beers Jewellers (De Beers) in March 2017. The remaining $20 million gain relates to adjustments in respect of business combinations in prior periods.

Adjustments relating to former operations

Anglo American South Africa Limited

Anglo American South Africa Limited (AASA) is named as one of 32 respondents in a consolidated class certification application filed in the South Gauteng High Court (Johannesburg) on behalf of former mineworkers (or their dependants or survivors) who allegedly contracted silicosis or tuberculosis as a result of having worked for various gold mining companies including some in which AASA was a shareholder and to which AASA provided various technical and administrative services (the 'class action claims'). The High Court has certified two classes of claimants: those with silicosis or who died from silicosis and those with tuberculosis or who died from tuberculosis. AASA and other respondents are appealing the ruling which had been set down for hearing from 19 to 23 March 2018, but was subsequently postponed indefinitely based on the progress made in the settlement negotiations with the claimants' representatives.

AASA, AngloGold Ashanti, Gold Fields, Harmony Gold and Sibanye Gold announced in November 2014 that they had formed an industry working group to address issues relating to compensation and medical care for occupational lung disease in the gold mining industry in South Africa. The working group was subsequently extended in 2015 to include African Rainbow Minerals. At the same time, the industry working group has been engaging all stakeholders on these matters, including government, organised labour, other mining companies and legal representatives of claimants who have filed legal suits against the companies. These engagements have sought a comprehensive solution to address legacy compensation issues and future legal frameworks that is fair to past and current employees and enables companies to continue to be competitive over the long term. The companies in the working group continue to defend the legal proceedings filed against them.

As a consequence of the status of negotiations between the working group and affected stakeholders, a charge of $101 million was recognised at 30 June 2017 within non-operating special items ($101 million after tax), representing management's best estimate of the cost to the Group of a settlement of the class action claims and related costs. The ultimate outcome of these matters remains uncertain, with a possible failure to reach a settlement or to obtain the requisite court approval of the settlement, and the provisions recorded in the financial statements are consequently subject to adjustment or reversal in the future, depending on the progress of the working group discussions and stakeholder consultations, and the ongoing legal proceedings.

Other

The remaining net gain of $17 million before tax and non-controlling interests relates to adjustments in respect of disposals completed in prior years.

Credits relating to BEE transactions

The net gain of $16 million ($14 million after tax and non-controlling interests) relates to the revaluation of provisions associated with De Beers BEE transactions recorded in prior years. In 2016 the net charge of $36 million principally included $24 million ($20 million after tax and non-controlling interests) related to the repurchase of shares in Ponahalo Holdings Limited awarded to certain employees and their dependents as part of DBCM's 2006 empowerment transaction.

Financing special items and remeasurements

Financing special items and remeasurements principally comprise a loss of $95 million (2016: net gain of $120 million) arising on bond buybacks completed in the period and a net fair value loss of $14 million (2016: $389 million) on derivatives hedging net debt.

Tax associated with special items and remeasurements

This includes a tax remeasurement charge of $34 million (2016: credit of $74 million) principally arising on Brazilian deferred tax assets.

Of the total tax charge of $122 million, there is a net current tax charge of $1 million (2016: charge of $129 million) and a net deferred tax charge of $121 million (2016: credit of $173 million).

Associates' and joint ventures' special items and remeasurements

Associates' and joint ventures' special items and remeasurements relates to the Coal and Platinum segments (2016: Coal and Iron Ore and Manganese segments).

CAPITAL BASE

We have a value-focused approach to capital allocation with clear prioritisation: maintain asset integrity; ensure a strong balance sheet; and pay dividends to our shareholders.

Value-disciplined capital allocation throughout the cycle is critical to protecting and enhancing our shareholders' capital, given the long-term and capital intensive nature of our business.

The Group uses attributable return on capital employed (ROCE) to monitor how efficiently assets are generating profit on invested capital for the equity shareholders of the Company. Attributable ROCE is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 194.

	Attributable ROCE %	
US$ million	2017	2016
De Beers	9%	11%
Copper	16%	6%
Platinum	10%	4%
Iron Ore and Manganese	21%	12%
Coal	67%	29%
Nickel	–	(1)%
Corporate and other	n/a	n/a
	19%	11%

Attributable ROCE increased to 19% in 2017 (2016: 11%), primarily because of higher attributable underlying EBIT. Average attributable capital employed remained flat at $27.4 billion as disposals in 2016 and reductions in working capital were offset by the impact of the strengthening South African rand and Australian dollar on assets denominated in those currencies.

9. CAPITAL BY SEGMENT

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 194.

Capital employed by segment

Capital employed is the principal measure of segment assets and liabilities reported to the Group Management Committee. Capital employed is defined as net assets excluding net debt and financial asset investments.

	Capital employed	
US$ million	2017	2016
De Beers	9,294	8,725
Copper	5,899	6,073
Platinum	4,510	4,457
Iron Ore and Manganese	8,008	7,472
Coal	3,384	3,509
Nickel	1,959	2,003
Corporate and other	(241)	(335)
Capital employed	32,813	31,904
Reconciliation to Consolidated balance sheet:		
Net debt	(4,501)	(8,487)
Debit valuation adjustment attributable to derivatives hedging net debt	9	73
Financial asset investments	561	835
Net assets	28,882	24,325

Non-current assets by location

	Intangible assets and Property, plant and equipment		Total non-current assets	
US$ million	2017	2016	2017	2016
South Africa	10,818	9,554	11,638	10,488
Botswana	4,536	4,266	4,536	4,266
Other Africa	1,121	1,019	1,127	1,025
Brazil	5,589	5,674	5,729	5,804
Chile	6,281	6,089	6,282	6,089
Other South America	1,282	1,106	2,128	1,915
North America	741	784	739	787
Australia and Asia	2,302	2,078	2,798	2,451
United Kingdom (Anglo American plc's country of domicile)	1,168	1,263	1,247	1,321
Other Europe	128	103	128	125
Non-current assets by location	33,966	31,936	36,352	34,271
Unallocated assets			3,476	3,429
Total non-current assets			39,828	37,700

Total non-current assets by location primarily comprise Intangible assets, Property, plant and equipment, Environmental rehabilitation trusts and Investments in associates and joint ventures.

CAPITAL BASE

10. INTANGIBLE ASSETS

Overview

Intangible assets comprise goodwill acquired through business combinations, brands, contracts and other non-mining assets.

	2017			2016		
US$ million	Brands, contracts and other intangibles	Goodwill	Total	Brands, contracts and other intangibles	Goodwill	Total
Net book value						
At 1 January	**1,203**	**2,014**	**3,217**	1,224	2,170	3,394
Additions	**22**	**–**	**22**	12	–	12
Amortisation charge for the year	**(65)**	**–**	**(65)**	(61)	–	(61)
Impairments	**–**	**(8)**	**(8)**	–	–	–
Disposals	**–**	**–**	**–**	(2)	(224)	(226)
Remeasurements	**–**	**–**	**–**	–	17	17
Currency movements	**41**	**116**	**157**	30	51	81
At 31 December	**1,201**	**2,122**	**3,323**	1,203	2,014	3,217
Cost	**1,609**	**2,122**	**3,731**	1,521	2,014	3,535
Accumulated amortisation	**(408)**	**–**	**(408)**	(318)	–	(318)

Brands, contracts and other intangibles includes $1,174 million (2016: $1,172 million) relating to De Beers, principally comprising assets that were recognised at fair value on acquisition of a controlling interest in De Beers in August 2012. Of these, $517 million (2016: $517 million) have indefinite useful lives.

Further information

Goodwill relates to the following cash generating units (CGUs) or groups of CGUs:

US$ million	2017	2016
De Beers	**1,721**	1,604
Copper	**124**	124
Platinum	**181**	189
Coal South Africa	**88**	88
Other	**8**	9
	2,122	2,014

Accounting judgement

Goodwill is tested at least annually for impairment by assessing the recoverable amount of the related CGU or group of CGUs. The recoverable amounts have been determined based on fair value less costs of disposal using discounted cash flow projections. The key assumptions used in determining the recoverable amount are set out in note 7. Management believes that any reasonably possible change in a key assumption on which the recoverable amounts are based would not cause the carrying amounts to exceed their recoverable amounts.

Accounting policy

See note 38D for the Group's accounting policies on intangible assets.

11. PROPERTY, PLANT AND EQUIPMENT

Overview

Property, plant and equipment comprises the physical assets that make up the Group's operations. These include acquired mineral rights, capitalised waste stripping and mine development costs, processing plant and infrastructure, vehicles and other equipment.

	2017					2016				
US$ million	Mining properties and leases	Land and buildings	Plant and equipment	Capital works in progress	Total	Mining properties and leases	Land and buildings	Plant and equipment	Capital works in progress	Total
Net book value										
At 1 January	**9,620**	**2,682**	**8,814**	**7,603**	**28,719**	8,973	2,771	8,930	8,947	29,621
Additions	**281**	**4**	**78**	**2,088**	**2,451**	285	6	27	2,350	2,668
Depreciation charge for the year	**(1,024)**	**(152)**	**(1,276)**	**–**	**(2,452)**	(829)	(166)	(1,233)	–	(2,228)
Impairments	**(144)**	**(9)**	**(68)**	**(23)**	**(244)**	(446)	(251)	(749)	(62)	(1,508)
Impairments reversed	**212**	**58**	**296**	**85**	**651**	2	–	9	–	11
Disposals	**(10)**	**(122)**	**(3)**	**(3)**	**(138)**	(64)	(283)	(595)	(161)	(1,103)
Reclassifications	**1,673**	**83**	**4,607**	**(6,363)**	**–**	1,094	463	2,072	(3,629)	–
Currency movements	**928**	**125**	**400**	**203**	**1,656**	605	142	353	158	1,258
At 31 December	**11,536**	**2,669**	**12,848**	**3,590**	**30,643**	9,620	2,682	8,814	7,603	28,719
Cost	**25,709**	**4,367**	**30,516**	**3,796**	**64,388**	22,655	4,395	20,153	13,297	60,500
Accumulated depreciation	**(14,173)**	**(1,698)**	**(17,668)**	**(206)**	**(33,745)**	(13,035)	(1,713)	(11,339)	(5,694)	(31,781)

Additions include $35 million (2016: $366 million) of net interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalised during the year.

Financial statements

CAPITAL BASE

11. PROPERTY, PLANT AND EQUIPMENT continued

Depreciation includes $2,342 million (2016: $2,096 million) of depreciation within operating profit, $101 million (2016: $85 million) of depreciation arising due to the fair value uplift on the pre-existing 45% shareholding in De Beers which has been included within operating remeasurements (see note 8), and $9 million (2016: $47 million) of pre-commercial production depreciation which has been capitalised.

Disposals includes disposal of assets, businesses, and transfers to Assets classified as held for sale.

Accounting judgements

Impairment testing

For the purposes of impairment testing, the recoverable amount of each of the CGUs or group of CGUs has been determined based on a fair value less costs of disposal basis. The key assumptions used in determining fair value less costs of disposal are set out in note 7.

Deferred stripping

In certain mining operations, rock or soil overlying a mineral deposit, known as overburden, and other waste materials must be removed to access the orebody. The process of removing overburden and other mine waste materials is referred to as stripping.

The Group defers stripping costs onto the balance sheet where they are considered to improve access to ore in future periods. Where the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. This determination is dependent on an individual mine's design and Life of Mine Plan and therefore changes to the design or Life of Mine Plan will result in changes to these estimates. Identification of the components of a mine's orebody is made by reference to the Life of Mine Plan. The assessment depends on a range of factors including each mine's specific operational features and materiality.

Accounting policy

See note 38D for the Group's accounting policies on property, plant and equipment.

12. CAPITAL EXPENDITURE

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 194.

Capital expenditure by segment

US$ million	2017	2016
De Beers	273	526
Copper	665	563
Platinum	355	314
Iron Ore and Manganese	252	269
Coal	568	613
Nickel	28	62
Corporate and other	9	40
Capital expenditure	2,150	2,387
Reconciliation to Consolidated cash flow statement:		
Cash flows from derivatives related to capital expenditure	40	(22)
Proceeds from disposal of property, plant and equipment	52	23
Direct funding for capital expenditure received from non-controlling interests	36	30
Expenditure on property, plant and equipment	2,278	2,418

Comparative information for Corporate and other has been restated to include Niobium and Phosphates, which was sold in 2016.

Capitalised operating cash flows

Capital expenditure includes net capitalised operating cash inflows of $78 million (2016: net inflows of $150 million) generated by operations prior to reaching commercial production for accounting purposes.

Capital expenditure by category

US$ million	2017	2016
Expansionary	306	817
Stay-in-business	1,310	1,042
Stripping and development	586	551
Proceeds from disposal of property, plant and equipment	(52)	(23)
	2,150	2,387

Expansionary capital expenditure includes the cash flows from derivatives related to capital expenditure and is net of direct funding for capital expenditure received from non-controlling interests.

CAPITAL BASE

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Overview

Investments in associates and joint ventures represent businesses the Group does not control, but instead exercises joint control or significant influence. These include the associate Cerrejón (Coal) and the joint ventures Ferroport (Iron Ore and Manganese) and Samancor (Iron Ore and Manganese).

			2017			2016
US$ million	Associates	Joint ventures	Total	Associates	Joint ventures	Total
At 1 January	1,371	603	1,974	1,374	443	1,817
Net income from associates and joint ventures	296	271	567	148	130	278
Dividends received	(263)	(243)	(506)	(139)	(28)	(167)
Investments in equity and capitalised loans	86	–	86	34	17	51
Return of capital and repayment of loans	–	–	–	(58)	(4)	(62)
Impairments	(164)	–	(164)	(19)	–	(19)
Other movements	(21)	(24)	(45)	–	36	36
Currency movements	45	(1)	44	31	9	40
At 31 December	1,350	606	1,956	1,371	603	1,974

Further information

The Group's total investments in associates and joint ventures include long-term loans of $330 million (2016: $273 million) which in substance form part of the Group's net investment. These loans are not repayable in the foreseeable future.

The Group's share of the results of the associates and joint ventures is as follows:

Income statement

US$ million	2017	2016
Revenue	2,407	1,764
Operating costs (before special items and remeasurements)	(1,402)	(1,329)
Associates' and joint ventures' underlying EBIT	1,005	435
Net finance costs	(53)	(44)
Income tax expense	(373)	(123)
Non-controlling interests	(2)	3
Net income from associates and joint ventures (before special items and remeasurements)	577	271
Special items and remeasurements	(12)	1
Special items and remeasurements tax	2	6
Net income from associates and joint ventures	567	278

Balance sheet

US$ million	Associates	Joint ventures	Total
Non-current assets	1,449	865	2,314
Current assets	594	457	1,051
Current liabilities	(313)	(248)	(561)
Non-current liabilities	(380)	(468)	(848)
Net assets as at 31 December 2017	1,350	606	1,956
Net assets as at 31 December 2016	1,371	603	1,974

Segmental information

		Revenue		Underlying EBIT	Depreciation and amortisation			Underlying EBITDA
US$ million	2017	2016	2017	2016	2017	2016	2017	2016
De Beers	18	73	2	3	1	3	3	6
Platinum	148	156	(16)	(8)	26	16	10	8
Iron Ore and Manganese	1,021	625	534	209	55	49	589	258
Coal	1,220	910	486	236	104	103	590	339
Corporate and other	–	–	(1)	(5)	–	–	(1)	(5)
	2,407	1,764	1,005	435	186	171	1,191	606

		Aggregate investment
US$ million	2017	2016
De Beers	23	50
Platinum	200	289
Iron Ore and Manganese	584	559
Coal	1,127	1,055
Corporate and other	22	21
	1,956	1,974

Accounting policy

See note 38I for the Group's accounting policy on associates and joint arrangements, which includes joint ventures.

CAPITAL BASE

14. FINANCIAL ASSET INVESTMENTS

Overview

Financial asset investments include two main categories. Loans and receivables principally comprise loans to and deposits with third parties including the Group's associates and joint ventures. Assets classified as available for sale represent investments in equities of other companies.

US$ million	Loans and receivables 2017	Available for sale investments 2017	Total 2017	Loans and receivables 2016	Available for sale investments 2016	Total 2016
At 1 January	701	134	835	662	184	846
Additions	–	6	6	–	3	3
Interest receivable	35	–	35	47	–	47
Net loans repaid	(168)	–	(168)	(61)	–	(61)
Disposals	–	(55)	(55)	(27)	(233)	(260)
Impairments	(77)	–	(77)	(16)	–	(16)
Fair value and other movements	(48)	18	(30)	–	147	147
Currency movements	3	12	15	96	33	129
At 31 December	446	115	561	701	134	835

Accounting policy

See note 38D for the Group's accounting policies on financial asset investments.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Overview

US$ million	Environmental restoration	Decommissioning	Employee benefits	Onerous contracts	Other	Total
At 1 January 2017	(1,208)	(538)	(350)	(87)	(357)	(2,540)
Charged to the income statement	(91)	(16)	(85)	–	(193)	(385)
Capitalised	(65)	(66)	–	–	(4)	(135)
Unwinding of discount	(63)	(33)	(1)	(5)	–	(102)
Amounts applied	41	2	191	24	99	357
Unused amounts reversed	7	47	84	20	53	211
Other movements	6	15	–	(22)	(2)	(3)
Currency movements	(115)	(41)	(21)	(6)	(17)	(200)
At 31 December 2017	(1,488)	(630)	(182)	(76)	(421)	(2,797)
Current	(133)	(12)	(154)	(19)	(244)	(562)
Non-current	(1,355)	(618)	(28)	(57)	(177)	(2,235)

Further information

Environmental restoration

The Group has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs, based on management's best estimate of the legal and constructive obligations incurred. Changes in legislation could result in changes in provisions recognised. It is anticipated that the majority of these costs will be incurred over a period in excess of 20 years.

Decommissioning

Provision is made for the present value of costs relating to the decommissioning of plant or other site restoration work. It is anticipated that the majority of these costs will be incurred over a period in excess of 20 years.

The pre-tax, real discount rates that have been used in calculating the environmental restoration and decommissioning liabilities as at 31 December 2017 and 31 December 2016, in the principal currencies in which these liabilities are denominated, are as follows: US dollar: 2.1%; South African rand: 4%; Australian dollar: 3%; Chilean peso: 3%; and Brazilian real: 6%.

Employee benefits

Provision is made for statutory or contractual employee entitlements where there is significant uncertainty over the timing or amount of settlement. It is anticipated that these costs will be incurred when employees choose to take their benefits.

Onerous contracts

Provision is made for the present value of certain long-term contracts where the unavoidable cost of meeting the Group's obligations is expected to exceed the benefits to be received. It is anticipated that the majority of these costs will be incurred over a period of up to nine years.

Other

Other provisions primarily relate to restructuring costs, indemnities, legal and other claims. A provision for $101 million (2016: nil) is included for the settlement of class action claims (see note 8 for further details). It is anticipated that the majority of these costs will be incurred over a period of up to five years.

CAPITAL BASE

15. PROVISIONS FOR LIABILITIES AND CHARGES continued

Environmental rehabilitation trusts

The Group makes contributions to controlled funds that were established to meet the cost of some of its restoration and environmental rehabilitation liabilities in South Africa. The funds comprise the following investments:

US$ million	2017	2016
Equity	160	135
Bonds	186	153
Cash	75	65
	421	353

These assets are primarily denominated in South African rand. Cash is held in short-term fixed deposits or earns interest at floating inter-bank rates. Bonds earn interest at a weighted average fixed rate of 8.0% (2016: 8.0%) for an average period of three years (2016: three years). Equity investments are recorded at fair value through profit and loss and bonds are recorded at amortised cost.

These funds are not available for the general purposes of the Group. All income from these assets is reinvested to meet specific environmental obligations. These obligations are included in provisions stated above.

Accounting policy

See note 38D for the Group's accounting policy on environmental restoration and decommissioning obligations.

16. DEFERRED TAX

Overview

The movement in net deferred tax liabilities during the year is as follows:

US$ million	2017	2016
At 1 January	(2,507)	(2,339)
Charged to the income statement	(240)	(185)
(Charged)/credited to the statement of comprehensive income	(19)	43
Credited directly to equity	10	110
Transfers to held for sale	(4)	–
Disposal of business	–	38
Currency movements	(237)	(174)
At 31 December	(2,997)	(2,507)
Comprising:		
Deferred tax assets	1,191	1,013
Deferred tax liabilities	(4,188)	(3,520)

Further information

The amount of deferred tax recognised in the Consolidated balance sheet is as follows:

US$ million	2017	2016
Deferred tax assets		
Tax losses	292	363
Post employment benefits	29	31
Share-based payments	33	15
Enhanced tax depreciation	430	362
Depreciation in excess of capital allowances	500	372
Other temporary differences	(93)	(130)
	1,191	1,013
Deferred tax liabilities		
Capital allowances in excess of depreciation	(3,030)	(2,642)
Fair value adjustments	(853)	(775)
Tax losses	27	27
Provisions	385	324
Withholding tax	(396)	(237)
Other temporary differences	(321)	(217)
	(4,188)	(3,520)

The deferred tax liability on other temporary differences of $321 million (2016: $217 million) arises primarily in relation to deferred stripping costs, partially offset by an amount related to post-employment benefits.

CAPITAL BASE

16. DEFERRED TAX continued

The amount of deferred tax (charged)/credited to the Consolidated income statement is as follows:

US$ million	2017	2016
Capital allowances in excess of depreciation	(182)	(384)
Fair value adjustments	15	(25)
Tax losses	49	(48)
Provisions	164	22
Withholding tax	(159)	163
Other temporary differences	(127)	87
	(240)	(185)

Deferred tax charged to the income statement includes a charge of $34 million (2016: credit of $74 million) relating to deferred tax remeasurements and a charge of $87 million (2016: credit of $99 million) relating to deferred tax on special items.

The Group has the following balances in respect of which no deferred tax asset has been recognised:

	2017				2016			
US$ million	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total
Expiry date								
Greater than one year, less than five years	17	–	–	17	575	–	–	575
Greater than five years	38	–	2,556	2,594	–	–	3,186	3,186
No expiry date	3,536	715	2,473	6,724	2,784	1,051	3,363	7,198
	3,591	715	5,029	9,335	3,359	1,051	6,549	10,959

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries, branches, associates and interests in joint arrangements where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries, branches, associates and interests in joint arrangements is represented by the contribution of those investments to the Group's retained earnings and amounted to $18,609 million (2016: $17,804 million).

Accounting policy

See note 38G for the Group's accounting policy on tax.

WORKING CAPITAL

This section includes analysis of inventories, receivables and payables. These balances principally relate to current assets and liabilities held to support operating activities.

US$ million	2017	2016
Inventories	4,441	3,727
Trade and other receivables	3,073	3,044
Trade and other payables	(4,590)	(3,500)
	2,924	3,271

During the year there were net cash inflows of $0.9 billion on inventories and operating receivables and payables. The net reduction in inventories, trade and other receivables and trade and other payables of $0.3 billion also includes other movements such as foreign exchange.

17. INVENTORIES

Overview

Inventories represent goods held for sale in the ordinary course of business (finished products), ore being processed into a saleable condition (work in progress) and spares, raw materials and consumables to be used in the production process (raw materials and consumables).

US$ million	2017	2016
Raw materials and consumables	817	882
Work in progress	1,703	1,220
Finished products	1,921	1,625
	4,441	3,727

Further information

The cost of inventories recognised as an expense and included in cost of sales amounted to $16,264 million (2016: $14,006 million). The write-down of inventories to net realisable value (net of revaluation of provisionally priced purchases) amounted to $105 million (2016: $96 million).

Accounting judgements

Accounting for inventory involves the use of judgements and estimates, particularly related to the measurement and valuation of work in progress inventory within the production process. Certain estimates, including expected metal recoveries and work in progress volumes, are calculated by engineers using available industry, engineering and scientific data. Estimates used are periodically reassessed by the Group taking into account technical analysis and historical performance.

Accounting policy

See note 38E for the Group's accounting policy on inventories.

18. TRADE AND OTHER RECEIVABLES

Overview

Trade receivables are amounts due from the Group's customers for commodities and services the Group has provided. Many of the Group's sales are provisionally priced, which means that the price is finalised at a date after the sale takes place. When there is uncertainty about the final amount that will be received, the receivable is marked to market based on the forward price.

This balance also includes amounts receivable for VAT and other indirect taxes, prepaid expenses and amounts receivable from others for non-sale transactions.

			2017			2016
US$ million	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Trade receivables	1,355	206	1,561	1,570	158	1,728
Tax receivables	407	353	760	316	294	610
Prepayments and accrued income	166	50	216	154	37	191
Other receivables	208	328	536	192	323	515
	2,136	937	3,073	2,232	812	3,044

Further information

Of the year end trade receivables balance, $42 million (2016: $29 million) were past due, stated after an associated impairment provision of $18 million (2016: $13 million). The overdue debtor ageing profile is typical of the industry in which certain of the Group's businesses operate. Given this, the use of payment security instruments (including letters of credit from acceptable financial institutions), and the nature of the related counterparties, these amounts are considered recoverable. The historical level of customer default is minimal and as a result the credit quality of year end trade receivables is considered to be high.

Trade receivables do not incur any interest, are principally short-term in nature and are measured at their nominal value (with the exception of receivables relating to provisionally priced sales, as set out in the revenue recognition accounting policy, see note 38C), net of appropriate provision for estimated irrecoverable amounts. Such provisions are raised based on an assessment of debtor ageing, past experience or known customer circumstances.

WORKING CAPITAL

19. TRADE AND OTHER PAYABLES

Overview

Trade and other payables include amounts owed to suppliers, tax authorities and other parties that are typically due to be settled within 12 months. The total also includes deferred income, which represents monies received from customers but for which we have not yet delivered the associated service. These amounts are recognised as revenue when the service is provided. Other payables includes deferred consideration in respect of business combinations, dividends payable to non-controlling interests and employee-related payables.

US$ million	2017	2016
Trade payables	**2,214**	1,700
Accruals	**1,366**	815
Deferred income	**453**	166
Tax and social security	**68**	54
Other payables	**489**	765
	4,590	3,500

Further information

Trade payables are non interest bearing and are measured at their nominal value (with the exception of payables relating to provisionally priced commodity purchases which are marked to market using the appropriate forward price) until settled. Other payables, of which $89 million (2016: $116 million) is included within non-current liabilities, includes deferred consideration in respect of business combinations, dividends payable to non-controlling interests and employee-related payables.

NET DEBT AND FINANCIAL RISK MANAGEMENT

Net debt decreased from $8.5 billion to $4.5 billion during the year, driven by operating cash inflows. Gearing has decreased from 26% at 31 December 2016 to 13% at 31 December 2017 as net debt decreased coupled with an increase in total capital.

US$ million	2017	2016
Net assets	28,882	24,325
Net debt including related derivatives (note 20)	**4,501**	8,487
Total capital	33,383	32,812
Gearing	**13%**	26%

Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives that provide an economic hedge of net debt). Total capital is calculated as 'Net assets' (as shown in the Consolidated balance sheet) excluding net debt.

20. NET DEBT

Overview

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 194.

Movement in net debt

US$ million	Cash and cash equivalents	Short term borrowings	Medium and long term borrowings	Net debt excluding derivatives	Derivatives hedging net debt	Net debt including derivatives
At 1 January 2016	6,889	(1,634)	(16,318)	(11,063)	(1,838)	(12,901)
Cash flow	(906)	1,834	2,685	3,613	414	4,027
Reclassifications	–	(1,977)	1,977	–	–	–
Movement in fair value	–	19	79	98	55	153
Other non-cash movements	–	(12)	59	47	–	47
Currency movements	61	(29)	155	187	–	187
At 31 December 2016	6,044	(1,799)	(11,363)	(7,118)	(1,369)	(8,487)
Cash flow	1,549	1,838	318	3,705	419	4,124
Reclassifications	–	(1,077)	1,077	–	–	–
Movement in fair value	–	(7)	210	203	601	804
Other non-cash movements	–	(151)	(144)	(295)	–	(295)
Currency movements	199	(128)	(718)	(647)	–	(647)
At 31 December 2017	**7,792**	**(1,324)**	**(10,620)**	**(4,152)**	**(349)**	**(4,501)**

Further information

Reconciliation to the Consolidated balance sheet

	Cash and cash equivalents		Short term borrowings		Medium and long term borrowings	
US$ million	2017	2016	2017	2016	2017	2016
Balance sheet	7,800	6,051	(1,351)	(1,806)	(10,620)	(11,363)
Balance sheet – disposal groups	19	–	–	–	–	–
Bank overdrafts	(27)	(7)	27	7	–	–
Net cash/(debt) classifications	**7,792**	6,044	**(1,324)**	(1,799)	**(10,620)**	(11,363)

South Africa net cash

The Group operates in South Africa where the existence of exchange controls may restrict the use of certain cash balances. The Group therefore monitors the cash and debt associated with these operations separately. These restrictions are not expected to have a material effect on the Group's ability to meet its ongoing obligations. Below is a breakdown of net cash in South Africa.

US$ million	2017	2016
Cash and cash equivalents	4,276	2,749
Short term borrowings	(34)	(61)
Medium and long term borrowings	(798)	(1,130)
Net cash excluding derivatives	**3,444**	1,558
Derivatives hedging net debt	2	–
Net cash including derivatives	**3,446**	1,558

Debit valuation adjustment

The debit valuation adjustments reduce the valuation of derivative liabilities hedging net debt reflecting the impact of the Group's own credit risk. These adjustments are excluded from the Group's definition of net debt (as detailed on page 195). The movement in the debit valuation adjustments are as follows:

US$ million	2017	2016
At 1 January	73	555
Movement in fair value	(64)	(482)
At 31 December	**9**	73

Accounting policy

See note 38F for the Group's accounting policy on cash and debt.

NET DEBT AND FINANCIAL RISK MANAGEMENT

21. BORROWINGS

Overview

The Group accesses borrowings mostly in capital markets through bonds issued under the Euro Medium Term Note (EMTN) programme, the South African Domestic Medium Term Note (DMTN) programme, the Australian Medium Term Note (AMTN) programme and through accessing the US bond markets. The Group uses interest rate and cross currency swaps to ensure that the majority of the Group's borrowings are floating rate US dollar denominated.

In March 2017, the Group completed a bond buyback transaction consisting of Euro and Sterling denominated bonds with maturities from April 2018 to June 2019. The Group used $1.27 billion of cash to retire $1.25 billion of contractual repayment obligations (including derivatives hedging the bonds).

In April 2017, the Group issued $300 million 3.75% senior notes due 2022 and $700 million 4.75% senior notes due 2027 through accessing the US bond markets.

In September 2017, the Group completed a bond buyback transaction consisting of Euro and US dollar denominated bonds with maturities from September 2018 to November 2020. The Group used $1.93 billion of cash to retire $1.86 billion of contractual repayment obligations (including derivatives hedging the bonds).

In September 2017, the Group issued $650 million 3.625% senior notes due 2024 and $650 million 4% senior notes due 2027 through accessing the US bond markets. The Group also issued €600 million 1.625% senior notes due 2025 under the EMTN programme.

On 7 February 2018, the Group gave notice that it will redeem in full its outstanding $750 million 9.375% US bond due April 2019 on 9 March 2018.

Further information

US$ million	2017 Short term borrowings	2017 Medium and long term borrowings	2017 Total borrowings	2017 Contractual repayment at hedged rates	2016 Short term borrowings	2016 Medium and long term borrowings	2016 Total borrowings	2016 Contractual repayment at hedged rates
Secured								
Bank loans and overdrafts	18	39	57	57	13	48	61	61
Obligations under finance leases	13	68	81	81	8	53	61	61
	31	107	138	138	21	101	122	122
Unsecured								
Bank loans and overdrafts	24	123	147	147	12	457	469	469
Bonds issued under EMTN programme								
1.75% €594m bond due November 2017	–	–	–	–	633	–	633	799
1.75% €258m bond due April 2018[1]	309	–	309	355	–	574	574	741
6.875% £92m bond due May 2018[1]	125	–	125	181	–	348	348	529
2.5% €160m bond due September 2018[1]	194	–	194	204	–	521	521	616
1.028% JPY10,000m bond due December 2018	89	–	89	97	–	86	86	97
2.75% €357m bond due June 2019[1]	–	439	439	448	–	823	823	941
1.5% €205m bond due April 2020[1]	–	264	264	226	–	638	638	659
2.875% €354m bond due November 2020[1]	–	426	426	477	–	669	669	807
2.5% €750m bond due April 2021	–	930	930	977	–	830	830	977
3.5% €750m bond due March 2022	–	979	979	992	–	884	884	992
3.25% €750m bond due April 2023	–	954	954	1,033	–	857	857	1,033
1.625% €600m bond due September 2025	–	710	710	714	–	–	–	–
US bonds								
2.625% $452m bond due April 2017	–	–	–	–	453	–	453	452
2.625% $635m bond due September 2017	–	–	–	–	633	–	633	635
9.375% $750m bond due April 2019	–	763	763	750	–	781	781	750
3.625% $352m bond due May 2020[1]	–	346	346	352	–	841	841	850
4.45% $281m bond due September 2020[1]	–	285	285	281	–	515	515	500
4.125% $500m bond due April 2021	–	499	499	500	–	504	504	500
3.75% $300m bond due April 2022	–	295	295	300	–	–	–	–
4.125% $600m bond due September 2022	–	583	583	600	–	586	586	600
3.625% $650m bond due September 2024	–	631	631	650	–	–	–	–
4.875% $650m bond due May 2025	–	638	638	650	–	640	640	650
4.75% $700m bond due April 2027	–	693	693	700	–	–	–	–
4% $650m bond due September 2027	–	629	629	650	–	–	–	–
Bonds issued under AMTN programme								
5.75% AUD500m bond due November 2018	397	–	397	470	–	371	371	470
Bonds issued under DMTN programme								
JIBAR+1.38% R600m bond due March 2017	–	–	–	–	44	–	44	44
9.27% R1,400m bond due March 2019	–	114	114	114	–	102	102	102
9.49% R650m bond due April 2021	–	54	54	53	–	48	48	47
JIBAR+1.47% R400m bond due April 2021	–	31	31	32	–	29	29	29
Interest payable and other loans	182	127	309	309	10	158	168	168
	1,320	10,513	11,833	12,262	1,785	11,262	13,047	14,457
Total borrowings	1,351	10,620	11,971	12,400	1,806	11,363	13,169	14,579

[1] Outstanding value of bond shown subsequent to bond buyback transactions completed in March and September 2017.

Accounting policy

See note 38F for the Group's accounting policy on bank borrowings.

NET DEBT AND FINANCIAL RISK MANAGEMENT

22. FINANCIAL INSTRUMENTS AND DERIVATIVES

Financial instruments overview

For financial assets and liabilities which are traded on an active market, such as listed investments or listed debt instruments, fair value is determined by reference to market value. For non-traded financial assets and liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant, and based on observable market data where available (for example forward exchange rate, interest rate or commodity price curve), unless carrying value is considered to approximate fair value.

Where discounted cash flow models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13 *Fair Value Measurement*, as they depend to a significant extent on unobservable valuation inputs.

All derivatives that have been designated into hedge relationships have been separately disclosed.

						2017
US$ million	At fair value through profit and loss	Loans and receivables	Available for sale	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets						
Trade and other receivables	796	1,356	–	–	–	2,152
Derivative financial assets	83	–	–	307	–	390
Cash and cash equivalents	–	7,800	–	–	–	7,800
Financial asset investments	–	446	115	–	–	561
	879	9,602	115	307	–	10,903
Financial liabilities						
Trade and other payables	(706)	–	–	–	(3,363)	(4,069)
Derivative financial liabilities	(738)	–	–	(58)	–	(796)
Borrowings	–	–	–	(11,496)	(475)	(11,971)
	(1,444)	–	–	(11,554)	(3,838)	(16,836)
Net financial (liabilities)/assets	(565)	9,602	115	(11,247)	(3,838)	(5,933)

						2016
US$ million	At fair value through profit and loss	Loans and receivables	Available for sale	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets						
Trade and other receivables	1,090	1,199	–	–	–	2,289
Derivative financial assets	110	–	–	483	–	593
Cash and cash equivalents	–	6,051	–	–	–	6,051
Financial asset investments	–	701	134	–	–	835
	1,200	7,951	134	483	–	9,768
Financial liabilities						
Trade and other payables	(591)	–	–	–	(2,689)	(3,280)
Derivative financial liabilities	(1,865)	–	–	(10)	–	(1,875)
Borrowings	–	–	–	(12,337)	(832)	(13,169)
	(2,456)	–	–	(12,347)	(3,521)	(18,324)
Net financial (liabilities)/assets	(1,256)	7,951	134	(11,864)	(3,521)	(8,556)

Trade and other receivables exclude prepayments and tax receivables. Trade and other payables exclude tax, social security and deferred income.

Fair value hierarchy

An analysis of financial assets and liabilities carried at fair value is set out below:

				2017				2016
US$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
At fair value through profit and loss								
Provisionally priced trade receivables	–	558	–	558	–	877	–	877
Other receivables	–	–	238	238	–	–	213	213
Derivatives hedging net debt	–	30	–	30	–	10	–	10
Other derivatives	–	53	–	53	6	94	–	100
Designated into hedges								
Derivatives hedging net debt	–	307	–	307	–	483	–	483
Available for sale investments								
Financial asset investments	69	–	46	115	77	–	57	134
	69	948	284	1,301	83	1,464	270	1,817
Financial liabilities								
At fair value through profit and loss								
Provisionally priced trade payables	–	(594)	–	(594)	–	(466)	–	(466)
Other payables	–	–	(112)	(112)	–	–	(125)	(125)
Derivatives hedging net debt	–	(628)	–	(628)	–	(1,852)	–	(1,852)
Other derivatives	(2)	(117)	–	(119)	(21)	(65)	–	(86)
Designated into hedges								
Derivatives hedging net debt	–	(58)	–	(58)	–	(10)	–	(10)
Debit valuation adjustment to derivative liabilities	–	9	–	9	–	73	–	73
	(2)	(1,388)	(112)	(1,502)	(21)	(2,320)	(125)	(2,466)
Net assets/(liabilities) carried at fair value	67	(440)	172	(201)	62	(856)	145	(649)

NET DEBT AND FINANCIAL RISK MANAGEMENT

22. FINANCIAL INSTRUMENTS AND DERIVATIVES continued

Fair value hierarchy	Valuation technique
Level 1	Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares and quoted futures.
Level 2	Instruments in this category are valued using valuation techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. This category includes provisionally priced trade receivables and payables and over-the-counter derivatives.
Level 3	Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input. This category includes contingent consideration, receivables relating to disposals and unlisted equity investments.

The movements in the fair value of the level 3 financial assets and liabilities are shown as follows:

	Assets		Liabilities	
US$ million	2017	2016	2017	2016
At 1 January	270	109	(125)	(555)
Net profit/(loss) recorded in the income statement	2	(3)	17	39
Net profit recorded in the statement of comprehensive income	34	31	–	–
Additions	19	131	–	(136)
Settlements and disposals	(59)	–	–	526
Currency movements	18	2	(4)	1
At 31 December	**284**	**270**	**(112)**	**(125)**

For the level 3 financial assets and liabilities, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly.

Further information on financial instruments

Borrowings designated in fair value hedges represent listed debt which is held at amortised cost, adjusted for the fair value of the hedged interest rate risk. The fair value of these borrowings is $11,900 million (2016: $12,405 million), which is measured using quoted indicative broker prices and consequently categorised as level 2 in the fair value hierarchy. The carrying value of the remaining borrowings at amortised cost of $475 million (2016: $832 million), principally comprising bank borrowings, is considered to approximate the fair value.

Offsetting of financial assets and liabilities

The Group offsets financial assets and liabilities and presents them on a net basis in the Consolidated balance sheet only where there is a legally enforceable right to offset the recognised amounts, and the Group intends to either settle the recognised amounts on a net basis or to realise the asset and settle the liability simultaneously.

At 31 December 2017, certain over-the-counter derivatives entered into by the Group and recognised at fair value through profit and loss are both subject to enforceable ISDA master netting arrangements and intended to be settled on a net basis. In accordance with the requirements of IAS 32 *Financial Instruments: Presentation*, the positions of these derivatives have been offset; those in an asset position totalling $62 million (2016: $45 million) were offset against those in a liability position totalling $165 million (2016: $57 million). The net liability position of $103 million (2016: $12 million) is presented within derivative liabilities in the Consolidated balance sheet.

Derivatives overview

The Group utilises derivative instruments to manage certain market risk exposures. The Group does not use derivative financial instruments for speculative purposes, however it may choose not to designate certain derivatives as hedges for accounting purposes. Such derivatives are classified as 'Held for trading' and fair value movements are recorded in the Consolidated income statement.

The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to senior management.

Fair value hedges

The majority of interest rate swaps (taken out to swap the Group's fixed rate borrowings to floating rate, in accordance with the Group's policy) have been designated as fair value hedges. The carrying value of the hedged debt is adjusted at each balance sheet date to reflect the impact on its fair value of changes in market interest rates. Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and recognised in the Consolidated income statement as financing remeasurements. Recognised in the Consolidated income statement is a gain on fair value hedged items of $203 million (2016: $98 million), offset by a loss on fair value hedging instruments of $213 million (2016: $106 million).

Held for trading

The Group may choose not to designate certain derivatives as hedges. This may occur where the Group is economically hedged but IAS 39 hedge accounting cannot be achieved or where gains and losses on both the derivative and hedged item naturally offset in the Consolidated income statement, as is the case for certain cross currency swaps of non-US dollar debt. Fair value changes on these derivatives are recognised in the Consolidated income statement as remeasurements or within underlying earnings in accordance with the policy set out in note 8.

NET DEBT AND FINANCIAL RISK MANAGEMENT

22. FINANCIAL INSTRUMENTS AND DERIVATIVES continued

Further information on derivatives

Fair value of derivative positions

The fair value of the Group's open derivative positions at 31 December (excluding normal purchase and sale contracts held off balance sheet), recorded within 'Derivative financial assets' and 'Derivative financial liabilities', is as follows:

	Current				Non-current			
	2017		2016		2017		2016	
US$ million	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Derivatives hedging net debt								
Fair value hedge								
Interest rate swaps	21	–	9	–	286	(58)	474	(10)
Held for trading								
Forward foreign currency contracts	7	(10)	10	(9)	–	–	–	–
Cross currency swaps	–	(209)	–	(178)	23	(409)	–	(1,665)
Debit valuation adjustment to derivative liabilities	–	–	–	1	–	9	–	72
	28	(219)	19	(186)	309	(458)	474	(1,603)
Other derivatives	53	(117)	90	(86)	–	(2)	10	–
Total derivatives	81	(336)	109	(272)	309	(460)	484	(1,603)

Other derivatives primarily relate to forward foreign currency contracts hedging capital expenditure, forward commodity contracts and other commodity contracts that are accounted for as 'Held for trading'. These marked to market valuations are not predictive of the future value of the hedged position, nor of the future impact on the profit of the Group. The valuations represent the cost of closing all hedge contracts at 31 December, at market prices and rates available at the time.

Accounting judgement

Fair value of financial instruments

Certain of the Group's financial instruments, principally derivatives, are required to be measured on the balance sheet at fair value. Where a quoted market price for an identical instrument is not available, a valuation model is used to estimate the fair value based on the net present value of the expected cash flows under the contract. Valuation assumptions are usually based on observable market data (for example forward foreign exchange rate, interest rate or commodity price curves) where available.

Accounting policies

See notes 38D and 38F for the Group's accounting policies on financial asset investments, impairment of financial assets, derivative financial instruments and hedge accounting.

New IFRS accounting standards not yet adopted

IFRS 9 *Financial Instruments*

The impact of applying IFRS 9 *Financial Instruments* for the year ended 31 December 2017 would have been to reduce the Group's opening retained earnings at 1 January 2017 by $18 million, to decrease the Group's operating costs by $17 million and increase the Group's profit before tax and underlying earnings by $17 million for the year ended 31 December 2017. Further information is provided in note 38A.

NET DEBT AND FINANCIAL RISK MANAGEMENT

23. FINANCIAL RISK MANAGEMENT

Overview

The Board approves and monitors the risk management processes, including documented treasury policies, counterparty limits and controlling and reporting structures. The risk management processes of the Group's independently listed subsidiaries are in line with the Group's own policy.

The types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the Consolidated balance sheet at 31 December is as follows:

- liquidity risk;
- credit risk;
- commodity price risk;
- foreign exchange risk; and
- interest rate risk.

A. Liquidity risk

The Group ensures that there are sufficient committed loan facilities (including refinancing, where necessary) in order to meet short-term business requirements, after taking into account cash flows from operations and its holding of cash and cash equivalents, as well as any Group distribution restrictions that exist. In addition, certain projects may be financed by means of limited recourse project finance, if appropriate.

Certain borrowing facilities within the Group are the subject of financial covenants that vary from facility to facility, but which would be considered normal for such facilities, such as the ratio of net debt to tangible net worth, and the respective borrower was in compliance with these facilities throughout 2017.

The expected undiscounted cash flows of the Group's net debt related and other financial liabilities, by remaining contractual maturity, based on conditions existing at the balance sheet date are as follows:

					2017
	Net debt related financial liabilities				
US$ million	Borrowings	Expected future interest payments	Derivatives hedging net debt	Other financial liabilities	Total
Amount due for repayment within one year	(1,174)	(469)	(195)	(3,985)	(5,823)
Greater than one year, less than two years	(1,338)	(382)	(19)	(22)	(1,761)
Greater than two years, less than three years	(1,450)	(321)	(39)	–	(1,810)
Greater than three years, less than four years	(1,592)	(280)	(72)	–	(1,944)
Greater than four years, less than five years	(1,811)	(222)	(65)	–	(2,098)
Greater than five years	(4,313)	(513)	(79)	(228)	(5,133)
Total due for repayment after more than one year	(10,504)	(1,718)	(274)	(250)	(12,746)
Total	(11,678)	(2,187)	(469)	(4,235)	(18,569)

					2016
	Net debt related financial liabilities				
US$ million	Borrowings	Expected future interest payments	Derivatives hedging net debt	Other financial liabilities	Total
Amount due for repayment within one year	(1,801)	(466)	(150)	(3,164)	(5,581)
Greater than one year, less than two years	(1,895)	(460)	(556)	(31)	(2,942)
Greater than two years, less than three years	(1,686)	(350)	(121)	–	(2,157)
Greater than three years, less than four years	(3,090)	(268)	(180)	–	(3,538)
Greater than four years, less than five years	(1,460)	(153)	(166)	–	(1,779)
Greater than five years	(2,900)	(252)	(374)	(304)	(3,830)
Total due for repayment after more than one year	(11,031)	(1,483)	(1,397)	(335)	(14,246)
Total	(12,832)	(1,949)	(1,547)	(3,499)	(19,827)

The Group had the following undrawn committed borrowing facilities at 31 December:

US$ million	2017	2016
Expiry date		
Within one year	490	660
Greater than one year, less than two years	598	1,446
Greater than two years, less than three years	7,676	1,175
Greater than three years, less than four years	–	6,203
Greater than four years, less than five years	244	223
	9,008	9,707

Undrawn committed borrowing facilities expiring within one year include undrawn South African rand facilities equivalent to $0.3 billion (2016: $0.5 billion) in respect of facilities with a 364 day maturity which roll automatically on a daily basis, unless notice is served.

NET DEBT AND FINANCIAL RISK MANAGEMENT

23. FINANCIAL RISK MANAGEMENT continued

B. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a loss to the Group by failing to pay its obligation.

The Group's principal financial assets are cash, trade and other receivables, investments and derivative financial instruments. The Group's maximum exposure to credit risk primarily arises from these financial assets and is as follows:

US$ million	2017	2016
Cash and cash equivalents	7,800	6,051
Trade and other receivables	2,152	2,289
Financial asset investments	446	701
Derivative financial assets	390	593
	10,788	9,634

The Group limits credit risk on liquid funds and derivative financial instruments through diversification of exposures with a range of financial institutions approved by the Board. Counterparty limits are set for each financial institution with reference to credit ratings assigned by Standard & Poor's, Moody's and Fitch Ratings, shareholder equity (in case of relationship banks) and fund size (in case of asset managers).

Given the diverse nature of the Group's operations (both in relation to commodity markets and geographically), and the use of payment security instruments (including letters of credit from financial institutions), it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers.

The classification of trade and other receivables exclude prepayments and tax receivables and the classification of financial asset investments exclude available for sale investments.

C. Commodity price risk

The Group's earnings are exposed to movements in the prices of the commodities it produces.

The Group's policy is to sell its products at prevailing market prices and is generally not to hedge commodity price risk, although some hedging may be undertaken for strategic reasons. In such cases, the Group generally uses forward contracts and other derivative instruments to hedge the price risk.

Certain of the Group's sales and purchases are provisionally priced, meaning that the selling price is determined normally 30 to 180 days after delivery to the customer, based on quoted market prices stipulated in the contract, and as a result are susceptible to future price movements. The exposure of the Group's financial assets and liabilities to commodity price risk is as follows:

	2017				2016			
	Commodity price linked				Commodity price linked			
US$ million	Subject to price movements	Fixed price	Not linked to commodity price	Total	Subject to price movements	Fixed price	Not linked to commodity price	Total
Total net financial instruments (excluding derivatives)	262	378	(6,167)	(5,527)	421	464	(8,159)	(7,274)
Derivatives	(86)	–	(320)	(406)	(28)	–	(1,254)	(1,282)
	176	378	(6,487)	(5,933)	393	464	(9,413)	(8,556)

Commodity price linked financial instruments subject to price movements include provisionally priced trade receivables and trade payables.

Commodity price linked financial instruments at fixed price include receivables and payables for commodity sales and purchases not subject to price adjustment at the balance sheet date.

D. Foreign exchange risk

As a global business, the Group is exposed to many currencies principally as a result of non-US dollar operating costs and, to a lesser extent, from non-US dollar revenue.

The South African rand, Brazilian real and Australian dollar are the most significant non-US dollar currencies influencing costs. A strengthening of the US dollar against the currencies to which the Group is exposed has a positive effect on the Group's earnings. The Group's policy is generally not to hedge such exposures given the correlation, over the longer term, with commodity prices and the diversified nature of the Group, although exceptions can be approved by the Group Management Committee.

In addition, currency exposures exist in respect of non-US dollar approved capital expenditure projects and non-US dollar borrowings in US dollar functional currency entities. The Group's policy is that such exposures should be hedged subject to a review of the specific circumstances of the exposure.

Net other financial liabilities (excluding net debt related balances and cash in disposal groups, but including the debit valuation adjustment attributable to derivatives hedging net debt) are $1,432 million. This includes net assets of $208 million denominated in Brazilian real, and net liabilities of $217 million denominated in US dollars, $295 million denominated in Australian dollars, $305 million denominated in Chilean pesos and $568 million denominated in South African rand.

NET DEBT AND FINANCIAL RISK MANAGEMENT

23. FINANCIAL RISK MANAGEMENT continued

E. Interest rate risk

Interest rate risk arises due to fluctuations in interest rates which impact on the value of short-term investments and financing activities. The Group is principally exposed to US and South African interest rates.

The Group's policy is to borrow funds at floating rates of interest given the link with economic output and therefore the correlation, over the longer term, with commodity prices. The Group uses interest rate swap contracts to manage its exposure to interest rate movements on its debt.

In respect of financial assets, the Group's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments (less than one year) in order to maintain liquidity.

Analysis of interest rate risk associated with net debt balances and the impact of derivatives to hedge against this risk is included within the table below. Net other financial liabilities (excluding net debt related balances and cash in disposal groups, but including the debit valuation adjustment attributable to derivatives hedging net debt) of $1,432 million (2016: $72 million) are primarily non-interest bearing.

The table below reflects the exposure of the Group's net debt to currency and interest rate risk.

						2017
US$ million	Cash and cash equivalents	Floating rate borrowings	Fixed rate borrowings	Derivatives hedging net debt	Impact of currency derivatives	Total
US dollar	5,975	(154)	(5,481)	(351)	(5,904)	(5,915)
Euro	15	–	(5,286)	–	5,286	15
South African rand	1,445	(212)	(178)	2	–	1,057
Brazilian real	99	–	–	–	–	99
Australian dollar	121	–	(399)	–	399	121
Sterling	20	–	(130)	–	130	20
Other	117	–	(104)	–	89	102
Impact of interest derivatives	–	(11,497)	11,497	–	–	–
Total	7,792	(11,863)	(81)	(349)	–	(4,501)

						2016
US$ million	Cash and cash equivalents	Floating rate borrowings	Fixed rate borrowings	Derivatives hedging net debt	Impact of currency derivatives	Total
US dollar	4,844	(168)	(4,992)	(1,369)	(7,234)	(8,919)
Euro	5	–	(6,429)	–	6,429	5
South African rand	894	(594)	(160)	–	–	140
Brazilian real	96	–	–	–	–	96
Australian dollar	74	–	(371)	–	371	74
Sterling	18	–	(348)	–	348	18
Other	113	–	(100)	–	86	99
Impact of interest derivatives	–	(12,337)	12,337	–	–	–
Total	6,044	(13,099)	(63)	(1,369)	–	(8,487)

Based on the net foreign currency and interest rate risk exposures detailed above, and taking into account the effects of the hedging arrangements in place, management considers that earnings and equity are not materially sensitive to reasonable foreign exchange or interest rate movements in respect of the financial instruments held as at 31 December 2017 or 2016.

EQUITY

Equity represents the capital of the Group attributable to Company shareholders and non-controlling interests, and includes share capital, share premium and reserves.

Total equity has increased from $24.3 billion to $28.9 billion in the year, principally reflecting the profit for the year and net exchange gains on foreign operations, partially offset by dividends to Company shareholders and non-controlling interests of $1.3 billion.

TOTAL EQUITY

$28.9 bn

24. CALLED-UP SHARE CAPITAL AND CONSOLIDATED EQUITY ANALYSIS

Called-up share capital

	2017		2016	
	Number of shares	US$ million	Number of shares	US$ million
Called-up, allotted and fully paid:				
5% cumulative preference shares of £1 each	50,000	–	50,000	–
Ordinary shares of $54\frac{86}{91}$ US cents each:				
At 1 January and 31 December	1,405,465,332	772	1,405,465,332	772

Excluding shares held in treasury (but including the shares held by the Group in other structures, as outlined below) the number and carrying value of called-up, allotted and fully paid ordinary shares as at 31 December 2017 was 1,404,613,432 and $772 million (2016: 1,402,242,532 and $770 million).

At general meetings, every member who is present in person has one vote on a show of hands and, on a poll, every member who is present in person or by proxy has one vote for every ordinary share held.

In the event of winding up, the holders of the cumulative preference shares will be entitled to the repayment of a sum equal to the nominal capital paid up, or credited as paid up, on the cumulative preference shares held by them and any accrued dividend, whether such dividend has been earned or declared or not, calculated up to the date of the winding up.

Own shares

	2017		2016	
	Number of shares	US$ million	Number of shares	US$ million
Own shares				
Treasury shares	851,900	53	3,222,800	153
Own shares held by subsidiaries and employee benefit trusts	134,642,359	6,138	123,743,483	5,937
Total	135,494,259	6,191	126,966,283	6,090

The movement in treasury shares during the year is as follows:

	2017		2016	
	Number of shares	US$ million	Number of shares	US$ million
Treasury shares				
At 1 January	3,222,800	153	3,603,824	173
Transferred to employees in settlement of share awards	(2,370,900)	(100)	(381,024)	(20)
At 31 December	851,900	53	3,222,800	153

Included in Own shares are 112,300,129 (2016: 112,300,129) Anglo American plc shares held by Epoch Investment Holdings Proprietary Limited, Epoch Two Investment Holdings Proprietary Limited and Tarl Investment Holdings Proprietary Limited, which are consolidated by the Group by virtue of their contractual arrangements with Tenon Investment Holdings Proprietary Limited, a wholly owned subsidiary of Anglo American South Africa Limited. Further details of these arrangements are provided in note 38B.

Included in the calculation of the dividend payable are 16,239,717 ($340 million) shares held in treasury and in the Employee Benefit Trust in respect of forfeitable share awards granted to certain employees. Under the terms of these awards, the shares are beneficially owned by the respective employees, who are entitled to receive dividends in respect of the shares. The shares are released to the employees on vesting of the awards, and any shares that do not vest are returned to the Company or the Employee Benefit Trust. These shares are recognised on the balance sheet within Own shares and are excluded from the calculation of basic earnings per share. They are included in the calculation of diluted earnings per share to the extent that the related share awards are dilutive (see note 3).

EQUITY

24. CALLED-UP SHARE CAPITAL AND CONSOLIDATED EQUITY ANALYSIS continued

Consolidated equity analysis

Fair value and other reserves comprise:

US$ million	Share-based payment reserve	Available for sale reserve	Cash flow hedge reserve	Other reserves	Total fair value and other reserves
At 1 January 2016	499	303	11	123	936
Total comprehensive expense	–	(11)	(11)	–	(22)
Equity settled share-based payment schemes	(63)	–	–	–	(63)
At 31 December 2016	436	292	–	123	851
Total comprehensive expense	–	(281)	(1)	–	(282)
Equity settled share-based payment schemes	6	–	–	–	6
Other	–	–	–	(3)	(3)
At 31 December 2017	**442**	**11**	**(1)**	**120**	**572**

Other reserves comprise a capital redemption reserve of $115 million (2016: $115 million) and a legal reserve of $5 million (2016: $8 million).

25. NON-CONTROLLING INTERESTS

Overview

Non-controlling interests that are material to the Group relate to the following subsidiaries:

- Kumba Iron Ore Limited (Kumba Iron Ore), which is a company incorporated in South Africa and listed on the JSE. Its principal mining operations are the Sishen and Kolomela iron ore mines which are located in South Africa. Non-controlling interests hold an effective 46.4% (2016: 46.8%) interest in the operations of Kumba Iron Ore, comprising the 29.7% interest held by other shareholders in Kumba Iron Ore and the 23.7% (2016: 23.7%) of Kumba Iron Ore's principal operating subsidiary, Sishen Iron Ore Company Proprietary Limited, that is held by shareholders outside the Group.
- Anglo American Sur S.A. (Anglo American Sur), which is a company incorporated in Chile. Its principal operations are the Los Bronces and El Soldado copper mines and the Chagres smelter, which are located in Chile. Non-controlling interests hold a 49.9% interest in Anglo American Sur.

	2017				2016			
US$ million	Kumba Iron Ore	Anglo American Sur	Other	Total	Kumba Iron Ore	Anglo American Sur	Other	Total
Profit/(loss) attributable to non-controlling interests	562	178	153	893	351	(162)	143	332
Equity attributable to non-controlling interests	1,726	1,735	2,449	5,910	1,214	1,946	2,149	5,309
Dividends paid to non-controlling interests	(239)	(317)	(45)	(601)	–	–	(15)	(15)

Other non-controlling interests consist of individually immaterial non-controlling interests.

Further information

Summarised financial information on a 100% basis and before inter-company eliminations for Kumba Iron Ore and Anglo American Sur is as follows:

	2017		2016	
US$ million	Kumba Iron Ore	Anglo American Sur	Kumba Iron Ore	Anglo American Sur
Non-current assets	3,264	4,266	2,473	4,122
Current assets	1,952	1,056	1,709	1,188
Current liabilities	(447)	(635)	(432)	(379)
Non-current liabilities	(973)	(1,210)	(1,079)	(1,035)
Net assets	**3,796**	**3,477**	**2,671**	**3,896**
Revenue	3,486	2,152	2,801	1,676
Profit/(loss) for the financial year[(1)]	1,288	362	775	(324)
Total comprehensive income/(expense)	1,658	368	1,024	(336)
Net cash inflow from operating activities	1,315	895	933	529

[(1)] Stated after special items and remeasurements.

There were no material changes in ownership interests in subsidiaries in 2017 or 2016.

EMPLOYEES

This section contains information about the Group's current and former employees as well as the associated cost of employment and post employment benefits incurred by the Group.

The Group had on average 69,000 employees during 2017, down 11,000 since the prior year principally as a result of divestments.

EMPLOYEES

69,000

26. EMPLOYEE NUMBERS AND COSTS

Employee numbers

The average number of employees, excluding contractors and associates' and joint ventures' employees and including a proportionate share of employees within joint operations by segment, was:

Thousand	2017	2016
De Beers	**10**	9
Copper	**4**	4
Platinum	**36**	45
Iron Ore and Manganese	**8**	7
Coal	**9**	10
Nickel	**1**	2
Corporate and other	**1**	3
	69	80

Comparative information for Corporate and other has been restated to include Niobium and Phosphates, which was sold in 2016.

The average number of employees, excluding contractors and associates' and joint ventures' employees and including a proportionate share of employees within joint operations, by principal location of employment was:

Thousand	2017	2016
South Africa	**52**	61
Other Africa	**4**	4
South America	**8**	9
North America	**1**	1
Australia and Asia	**2**	3
Europe	**2**	2
	69	80

Employee costs

Payroll costs in respect of the employees included in the tables above were:

US$ million	2017	2016
Wages and salaries	**2,807**	3,107
Social security costs	**141**	110
Post employment benefits	**253**	285
Share-based payments (note 28)	**169**	236
Total payroll costs	**3,370**	3,738
Reconciliation:		
Less: employee costs capitalised	**(71)**	(258)
Less: employee costs included within special items	**24**	(144)
Employee costs included in operating costs	**3,323**	3,336

Post employment benefits include contributions to defined contribution pension and medical plans, current and past service costs related to defined benefit pension and medical plans and other benefits provided to certain employees during retirement.

Key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (executive and non-executive) of the Group. Key management comprises members of the Board and the Group Management Committee.

Compensation for key management was as follows:

US$ million	2017	2016
Salaries and short-term employee benefits	**23**	19
Social security costs	**3**	3
Termination benefits	**–**	5
Post employment benefits	**3**	3
Share-based payments	**23**	17
	52	47

Disclosure of directors' emoluments, pension entitlements, share options and long term incentive plan awards required by the Companies Act 2006 and those specified for audit by Part 3 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 are included in the Remuneration report.

EMPLOYEES

27. RETIREMENT BENEFITS

Overview

The Group operates a number of defined contribution and defined benefit pension plans with the most significant plans being in South Africa and the United Kingdom. It also operates post employment medical plans the majority of which are unfunded, principally in South Africa. The post employment medical plans provide health benefits to retired employees and certain dependants.

Defined contribution plans

The charge for the year for defined contribution pension plans (net of amounts capitalised and special items) was $158 million (2016: $180 million) and for defined contribution medical plans (net of amounts capitalised) was $74 million (2016: $64 million).

Defined benefit pension plans and post employment medical plans

Characteristics of plans

The majority of the defined benefit pension plans are funded. The assets of these plans are held separately from those of the Group, in independently administered funds, in accordance with statutory requirements or local practice in the relevant jurisdiction. The responsibility for the governance of the funded retirement benefit plans, including investment and funding decisions, lies with the Trustees of each scheme. The unfunded liabilities are principally in relation to termination indemnity plans in Chile.

South Africa

The pension plans in South Africa are in surplus. All pension plans in South Africa are closed to new members and the majority of plans are closed to future benefit accrual. As the plans are in surplus no employer contributions are currently being made. The Group's provision of anti-retroviral therapy to HIV positive staff does not significantly impact the post employment medical plan liability.

United Kingdom

The Group operates funded pension plans in the United Kingdom. These plans are closed to new members and to the future accrual of benefits. The Group is committed to make payments to certain United Kingdom pension plans under deficit funding plans agreed with the respective Trustees.

Other

Other pension and post employment medical plans primarily comprise obligations in Chile where legislation requires employers to provide for a termination indemnity, entitling employees to a cash payment made on the termination of an employment contract.

Contributions

Employer contributions are made in accordance with the terms of each plan and may vary from year to year. Employer contributions made to funded pension plans in the year ended 31 December 2017 were $100 million (2016: $105 million). In addition, $11 million (2016: $24 million) of benefits were paid to unfunded pension plans and $25 million (2016: $21 million) of benefits were paid in relation to post employment medical plans. The Group expects to contribute $119 million to its pension plans and $29 million to its post employment medical plans in 2018.

Income statement

The amounts recognised in the Consolidated income statement are as follows:

			2017			2016
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Charge to operating costs	14	2	16	14	4	18
Net charge/(credit) to net finance costs	(3)	36	33	(8)	32	24
Total net charge to the income statement	11	38	49	6	36	42

Net charge/(credit) to net finance costs includes interest expense on surplus restriction of $17 million (2016: $16 million).

Comprehensive income

The pre-tax amounts recognised in the Consolidated statement of comprehensive income are as follows:

			2017			2016
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Return on plan assets, excluding interest income	45	–	45	627	–	627
Actuarial gains/(losses) on plan liabilities	156	19	175	(858)	(10)	(868)
Movement in surplus restriction	8	–	8	27	–	27
Remeasurement of net defined benefit obligation	209	19	228	(204)	(10)	(214)

Actuarial gains/(losses) on plan liabilities comprise gains/(losses) from changes in financial and demographic assumptions as well as experience on plan liabilities. The tax amounts arising on remeasurement of the net defined benefit obligations are disclosed in note 5.

EMPLOYEES

27. RETIREMENT BENEFITS continued

Balance sheet

A summary of the movements in the net pension plan assets and retirement benefit obligations on the Consolidated balance sheet is as follows:

US$ million	2017	2016
Net liability recognised at 1 January	(508)	(361)
Net income statement charge	(49)	(42)
Remeasurement of net defined benefit obligation	228	(214)
Employer contributions to funded pension plans	100	105
Benefits paid to unfunded plans	34	39
Other	1	(5)
Currency movements	(33)	(30)
Net liability recognised at 31 December	(227)	(508)
Amounts recognised as:		
Defined benefit pension plans in surplus	468	270
Retirement benefit obligation – pension plans	(255)	(377)
Retirement benefit obligation – medical plans	(440)	(401)
	(227)	(508)

Defined benefit pension plans in surplus are included in Other non-current assets on the Consolidated balance sheet.

Further information

Movement analysis

The changes in the fair value of plan assets are as follows:

	2017			2016		
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	5,191	13	5,204	5,051	13	5,064
Interest income	229	1	230	257	1	258
Return on plan assets, excluding interest income	45	–	45	627	–	627
Contributions paid by employer to funded pension plans	100	–	100	105	–	105
Benefits paid	(324)	(1)	(325)	(230)	(1)	(231)
Other	–	–	–	(23)	–	(23)
Currency movements	490	1	491	(596)	–	(596)
At 31 December	5,731	14	5,745	5,191	13	5,204

Benefits paid includes $2 million (2016: $6 million) of benefits paid to defined contribution plans.

The changes in the present value of defined benefit obligations are as follows:

	2017			2016		
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	(5,137)	(414)	(5,551)	(4,918)	(350)	(5,268)
Current service costs	(14)	(2)	(16)	(14)	(4)	(18)
Interest costs	(209)	(37)	(246)	(233)	(33)	(266)
Actuarial gains/(losses)	156	19	175	(858)	(10)	(868)
Benefits paid	333	26	359	248	22	270
Other	2	(1)	1	21	(3)	18
Currency movements	(462)	(45)	(507)	617	(36)	581
At 31 December	(5,331)	(454)	(5,785)	(5,137)	(414)	(5,551)

The most significant actuarial gain arose from changing demographic assumptions on pension plans totalling $108 million (2016: loss from changing financial assumptions of $917 million).

EMPLOYEES

27. RETIREMENT BENEFITS continued

Pension plan assets and liabilities by geography

The split of the present value of funded and unfunded obligations in defined benefit pension plans and the fair value of pension assets at 31 December is as follows:

	2017				2016			
US$ million	South Africa	United Kingdom	Other	Total	South Africa	United Kingdom	Other	Total
Corporate bonds	332	2,299	5	2,636	267	1,561	31	1,859
Government bonds	602	1,618	87	2,307	510	1,699	33	2,242
Equity	399	119	8	526	400	402	6	808
Cash	49	19	–	68	54	15	2	71
Other	–	194	–	194	–	207	4	211
Fair value of pension plan assets	1,382	4,249	100	5,731	1,231	3,884	76	5,191
Active members	(6)	(209)	(12)	(227)	(6)	(198)	(16)	(220)
Deferred members	(8)	(1,526)	(4)	(1,538)	(11)	(1,550)	(6)	(1,567)
Pensioners	(1,004)	(2,281)	(92)	(3,377)	(929)	(2,179)	(66)	(3,174)
Present value of funded obligations	(1,018)	(4,016)	(108)	(5,142)	(946)	(3,927)	(88)	(4,961)
Present value of unfunded obligations	–	–	(189)	(189)	–	–	(176)	(176)
Net surplus/(deficit) in pension plans	364	233	(197)	400	285	(43)	(188)	54
Surplus restriction	(187)	–	–	(187)	(161)	–	–	(161)
Recognised retirement benefit assets/(liabilities)	177	233	(197)	213	124	(43)	(188)	(107)
Other non-current assets – pension plans	177	290	1	468	124	146	–	270
Retirement benefit obligations – pension plans	–	(57)	(198)	(255)	–	(189)	(188)	(377)

The fair value of assets is used to determine the funding level of the plans. The fair value of the assets of the funded plans was sufficient to cover 111% (2016: 105%) of the benefits that had accrued to members after allowing for expected increases in future earnings and pensions. The present value of unfunded obligations includes $178 million (2016: $166 million) relating to active members. All material investments are quoted.

In South Africa the asset recognised is restricted to the amount in the Employer Surplus Account. The Employer Surplus Account is the amount that the Group is entitled to by way of a refund, taking into consideration any contingency reserves as recommended by the funds' actuaries.

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension charges and credits are detailed below (shown as weighted averages):

	2017			2016		
	South Africa	United Kingdom	Other	South Africa	United Kingdom	Other
Defined benefit pension plans						
Average discount rate for plan liabilities	9.6%	2.6%	5.7%	9.5%	2.6%	5.5%
Average rate of inflation	6.7%	3.2%	3.0%	7.0%	3.3%	3.3%
Average rate of increase of pensions in payment	6.7%	3.2%	2.8%	7.0%	3.3%	3.0%
Post employment medical plans						
Average discount rate for plan liabilities	9.6%	n/a	8.0%	9.4%	2.6%	6.9%
Average rate of inflation	6.7%	n/a	5.6%	7.0%	3.3%	5.2%
Expected average increase in healthcare costs	8.4%	n/a	8.0%	8.8%	7.8%	8.0%

The weighted average duration of the South African plans is 10 years (2016: 11 years), United Kingdom plans is 19 years (2016: 19 years) and plans in other regions is 13 years (2016: 14 years). This represents the average period over which future benefit payments are expected to be made.

Mortality assumptions are determined based on standard mortality tables with adjustments, as appropriate, to reflect experience of conditions locally. In South Africa, the PA90 tables are used. The main plans in the United Kingdom use CMI tables or Club Vita models with plan specific adjustments based on mortality investigations. The mortality tables used imply that a male or female aged 60 at the balance sheet date has the following future life expectancy (shown as weighted averages):

	Male		Female	
Years	2017	2016	2017	2016
South Africa	20.0	19.9	24.8	24.7
United Kingdom	27.6	28.1	29.0	29.8
Other	22.7	21.9	26.6	26.0

The table below summarises the expected life expectancy from the age of 60 for a male or female aged 45 at the balance sheet date. When viewed together with the respective life expectancy at age 60 in the table above this indicates the anticipated improvement in life expectancy (shown as weighted averages):

	Male		Female	
Years	2017	2016	2017	2016
South Africa	20.0	19.9	24.8	24.7
United Kingdom	28.3	29.9	30.2	32.2
Other	24.7	23.9	28.5	27.9

EMPLOYEES

27. RETIREMENT BENEFITS continued

Risks of plans

The Group has identified the main risk to its defined benefit pension schemes as being interest rate risk due to the impact on the UK discount rate assumption:

Risk	Description	Mitigation
Interest rate risk	A fall in longer-term real and nominal interest rates expectations causes gilt yields and corporate bond yields to decrease, which results in a lower discount rate being applied to the UK pension liabilities and so, with all else being held equal, the value of the pension scheme liabilities increases. If the pension scheme assets do not increase by the same amount as the increase in the pension scheme liabilities (caused by the fall in interest rates) then, all else being equal, this will result in a worsening of the pension scheme funding position.	The Trustees' investment strategies vary by plan for the UK and include investing, with the intention of counter-balancing the movements in the liabilities, in fully owned (fully funded) physical credit and gilts, and by gaining unfunded exposure to gilts (via gilt repurchase agreements) and other fixed income based derivatives to match the real and nominal interest rate sensitivity of the pension scheme liabilities. Approximately 75-100% (depending on the scheme) of the pension scheme liabilities are currently hedged against movements in real and nominal interest rates. The Trustees' hedging strategies are typically designed to protect the respective schemes' funding plans against volatility in market yields. The discount rate used to calculate any funding requirement for the schemes is linked to gilt yields rather than to corporate bond yields as required under IAS 19. Consequently the valuation of the net retirement benefit obligation for accounting purposes remains susceptible to movements in value due to the difference between corporate bond and gilt yields. In addition, since corporate bond yields are typically higher than gilt yields, this can result in the recognition of accounting surpluses in respect of schemes where cash contributions continue to be made to meet funding shortfalls.

Sensitivity analysis

Significant actuarial assumptions for the determination of pension and medical plan liabilities are the discount rate, inflation rate and mortality. The sensitivity analysis below has been provided by local actuaries on an approximate basis based on changes in the assumptions occurring at the end of the year, assuming that all other assumptions are held constant and the effect of interrelationships is excluded. The effect on plan liabilities is as follows:

				2017
US$ million	South Africa	United Kingdom	Other	Total
Discount rate – 0.5% decrease	(61)	(398)	(19)	(478)
Inflation rate – pension plans – 0.5% increase	(42)	(153)	(11)	(206)
Inflation rate – medical plans – 0.5% increase	(18)	–	(4)	(22)
Life expectancy – increase by 1 year	(59)	(178)	(5)	(242)

Independent qualified actuaries carry out full valuations at least every three years using the projected unit credit method. The actuaries have updated the valuations to 31 December 2017. Assumptions are set after consultation with the qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the Group's other comprehensive income.

Accounting policy

See note 38H for the Group's accounting policy on retirement benefits.

EMPLOYEES

28. SHARE-BASED PAYMENTS

Overview

During the year ended 31 December 2017 the Group had share-based payment arrangements with employees relating to shares of the Company, the details of which are described in the Remuneration report. All of these Company schemes, as well as any non-cyclical awards, are equity settled either by award of ordinary shares (BSP, LTIP, SIP and Non-cyclical) or award of options to acquire ordinary shares (SAYE). These awards have a contractual life of three years and are conditional on three years continuous employment. LTIP awards granted prior to 2017 are conditional on a Group ROCE target and market based performance conditions being achieved and LTIPs granted in 2017 are conditional on a Group ROCE target, market based performance conditions, an attributable free cash flow target and environmental and occupational health targets.

The total share-based payment charge relating to Anglo American plc shares for the year is split as follows:

US$ million	2017	2016
BSP	73	100
LTIP	57	49
Other schemes	11	12
Share-based payment charge relating to Anglo American plc shares	**141**	161

In addition, there are equity settled share-based payment charges of $10 million (2016: $43 million) relating to Kumba Iron Ore Limited shares, $14 million (2016: $28 million) relating to Anglo American Platinum Limited shares and $2 million (2016: $2 million) of other equity settled share-based payment charges. Certain business units also operate cash settled employee share-based payment schemes. These schemes had a charge of $2 million (2016: $2 million).

Further information

The movements in the number of shares for the more significant share-based payment arrangements are as follows:

Bonus Share Plan

Ordinary shares of $54\frac{86}{91}$ US cents may be awarded under the terms of this scheme for no consideration.

Number of awards	2017	2016
Outstanding at 1 January	17,382,925	12,623,762
Conditionally awarded in year	5,728,412	11,369,105
Vested in year	(4,118,111)	(4,413,116)
Forfeited or expired in year	(941,277)	(2,196,826)
Outstanding at 31 December	**18,051,949**	17,382,925

Further information in respect of the BSP, including performance conditions, is shown in the Remuneration report.

Long-Term Incentive Plan

Ordinary shares of $54\frac{86}{91}$ US cents may be awarded under the terms of this scheme for no consideration.

Number of awards	2017	2016
Outstanding at 1 January	16,811,778	8,558,889
Conditionally awarded in year	4,988,350	11,424,827
Vested in year	(1,466,485)	(1,800,261)
Forfeited or expired in year	(1,886,934)	(1,371,677)
Outstanding at 31 December	**18,446,709**	16,811,778

The early vesting of share awards is permitted at the discretion of the Company upon, *inter alia*, termination of employment, ill health or death. The LTIP awards are contingent on pre-established performance criteria being met. Further information in respect of this scheme is shown in the Remuneration report.

Accounting policy

See note 38H for the Group's accounting policy on share-based payments.

UNRECOGNISED ITEMS AND UNCERTAIN EVENTS

This section includes disclosure of items and transactions that are not reflected in the Group's results because they are uncertain or have been incurred after the end of the year. These disclosures are considered relevant to an understanding of the Group's financial position and the effect of expected or possible future events.

29. EVENTS OCCURRING AFTER END OF YEAR

With the exception of the completion of the sale transaction for the Union platinum mine detailed in note 32, the redemption of a bond detailed in note 21 and the proposed final dividend for 2017, there have been no reportable events since 31 December 2017.

30. COMMITMENTS

Overview

A commitment is a contractual obligation to make a payment in the future which is not provided for in the balance sheet. The Group also has purchase obligations relating to take or pay agreements which are legally binding and enforceable.

Capital commitments for subsidiaries and joint operations relating to the acquisition of property, plant and equipment are $1,444 million (2016: $1,317 million), of which 50% (2016: 45%) relate to expenditure to be incurred within the next year.

The Group's outstanding commitments relating to take or pay agreements are $14,698 million (2016: $15,494 million), of which 11% (2016: 8%) relate to expenditure to be incurred within the next year.

At 31 December the Group's total future minimum lease payments under non-cancellable operating leases are as follows:

US$ million	2017	2016
Within one year	168	92
Greater than one year, less than two years	101	50
Greater than two years, less than five years	129	48
Greater than five years	115	22
	513	212

Operating leases relate principally to corporate offices, diamond jewellery retail outlets and shipping vessels.

Accounting policy

See note 38C for the Group's accounting policy on leases.

New IFRS accounting standards not yet adopted

IFRS 16 *Leases*

IFRS 16 *Leases* will be effective for the Group from 1 January 2019. It is expected that on adoption of this standard there will be a material increase in lease liabilities representing the present value of future payments under arrangements currently classified as operating leases, along with a corresponding increase in property, plant and equipment right of use assets. Further information is provided in note 38A.

31. CONTINGENT LIABILITIES

Overview

The Group is subject to various claims which arise in the ordinary course of business. Additionally, the Group has provided indemnities against certain liabilities as part of agreements for the sale or other disposal of business operations. Having taken appropriate legal advice, the Group believes that a material liability arising from the indemnities provided is remote.

The Group is required to provide guarantees in several jurisdictions in respect of environmental restoration and decommissioning obligations. The Group has provided for the estimated cost of these activities.

Accounting judgement

A provision is recognised where, based on the Group's legal views and, in some cases, independent advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably.

GROUP STRUCTURE

This section includes details about the composition of the Group and how this is reflected in the Consolidated financial statements. It also includes disclosures of significant corporate transactions such as disposals.

32. ASSETS AND LIABILITIES HELD FOR SALE

Assets classified as held for sale as at 31 December 2017 of $129 million and associated liabilities of $41 million relate to the Union mine (Platinum) in South Africa and the former head office of De Beers in the UK. The sale transaction for the Union mine was announced on 15 February 2017 and subsequently completed on 1 February 2018.

33. DISPOSALS

During the year, the Group completed the disposal of the Group's 83.3% interest in the Dartbrook coal mine (Coal), realising net cash proceeds of $13 million and resulting in a net gain on disposal of $76 million, including recycling of a cumulative translation gain of $81 million from reserves. Platinum disposed of long-dated Mineral Resources for proceeds of $82 million.

In addition, the Group made net cash payments of $126 million principally in respect of disposals completed in prior years, which included payments for in-process inventories from the Rustenburg mine (Platinum) held at the date of disposal following the disposal of the operation in 2016 of $117 million. This resulted in a net cash outflow on disposals of subsidiaries and joint operations of $31 million.

The Group also received proceeds of $61 million on the sale of financial asset investments, including Dreamvision Investments (see note 8), and proceeds of $22 million on the disposal of interests in associates.

This resulted in a net cash inflow on disposals of $52 million.

2016

Disposals in 2016 principally comprised the sale of the Callide thermal coal mine in Queensland (Coal), the sale of the Niobium and Phosphates businesses (Corporate and other), the sale of the Rustenburg mine (Platinum) and the sale of the Group's 70% interest in the Foxleigh metallurgical coal mine in Queensland (Coal).

GROUP STRUCTURE

34. BASIS OF CONSOLIDATION

Overview

The principal subsidiaries, joint operations, joint ventures and associates of the Group and the Group percentage of equity capital are set out below. All these interests are held indirectly by the Parent Company and are consolidated within these financial statements.

A complete list of the Group's related undertakings can be found in note 35.

Segment and asset	Location	Accounting treatment	Percentage of equity owned 2017	2016
De Beers[1]			**85%**	85%
Debswana[2], comprising:	Botswana	Joint operation	**19.2%**	19.2%
Jwaneng				
Orapa				
Damtshaa				
Letlhakane				
Namdeb Holdings[3], comprising:	Namibia	Joint operation	**50%**	50%
Namdeb Diamond Corporation				
Debmarine Namibia				
De Beers Consolidated Mines[4], comprising:	South Africa	Full consolidation	**100%**	100%
Venetia				
Voorspoed				
De Beers Canada, comprising:				
Snap Lake	Canada	Full consolidation	**100%**	100%
Victor	Canada	Full consolidation	**100%**	100%
Gahcho Kué	Canada	Joint operation	**51%**	51%
Sales, comprising:				
De Beers Global Sightholder Sales	Botswana	Full consolidation	**100%**	100%
De Beers Sightholder Sales South Africa	South Africa	Full consolidation	**100%**	100%
Auction Sales	Singapore	Full consolidation	**100%**	100%
DTC Botswana	Botswana	Joint operation	**50%**	50%
Namibia DTC	Namibia	Joint operation	**50%**	50%
Element Six, comprising:				
Element Six Technologies	Global	Full consolidation	**100%**	100%
Element Six Abrasives	Global	Full consolidation	**60%**	60%
Brands, comprising:				
Forevermark	Global	Full consolidation	**100%**	100%
De Beers Jewellers[5]	Global	Full consolidation (2016: Equity accounted joint venture)	**100%**	50%
Copper				
Los Bronces	Chile	Full consolidation	**50.1%**	50.1%
El Soldado	Chile	Full consolidation	**50.1%**	50.1%
Chagres	Chile	Full consolidation	**50.1%**	50.1%
Collahuasi	Chile	Joint operation	**44%**	44%
Quellaveco	Peru	Full consolidation	**81.9%**	81.9%
Platinum[6]			**78%**	78%
Mogalakwena mine	South Africa	Full consolidation	**100%**	100%
Amandelbult complex[7]	South Africa	Full consolidation	**100%**	100%
Twickenham mine	South Africa	Full consolidation	**100%**	100%
Unki mine	Zimbabwe	Full consolidation	**100%**	100%
Union mine	South Africa	Full consolidation	**85%**	85%
Platinum refining	South Africa	Full consolidation	**100%**	100%
Modikwa Platinum Joint Operation	South Africa	Joint operation	**50%**	50%
Mototolo Joint Operation	South Africa	Joint operation	**50%**	50%
Kroondal Pooling and Sharing Agreement	South Africa	Joint operation	**50%**	50%
Bokoni	South Africa	Equity accounted associate	**49%**	49%
Bafokeng-Rasimone	South Africa	Equity accounted associate	**33%**	33%

See page 164 for footnotes.

GROUP STRUCTURE

34. BASIS OF CONSOLIDATION continued

Segment and asset	Location	Accounting treatment	Percentage of equity owned 2017	2016
Iron Ore and Manganese				
Kumba Iron Ore	South Africa	Full consolidation	**69.7%**	69.7%
Sishen(8)	South Africa	Full consolidation	**76.3%**	76.3%
Kolomela(8)	South Africa	Full consolidation	**76.3%**	76.3%
Minas-Rio	Brazil	Full consolidation	**100%**	100%
Ferroport(9)	Brazil	Equity accounted joint venture	**50%**	50%
Samancor(10)	South Africa and Australia	Equity accounted joint venture	**40%**	40%
Coal				
Coal Australia and Canada, comprising:				
Moranbah North	Australia	Joint operation	**88%**	88%
Grosvenor	Australia	Full consolidation	**100%**	100%
Capcoal(11)	Australia	Joint operation	**70%**	70%
Dawson(11)	Australia	Joint operation	**51%**	51%
Drayton(11)	Australia	Joint operation	**88.2%**	88.2%
Dartbrook(12)	Australia	Joint operation	**–**	83.3%
Jellinbah(10)(13)	Australia	Equity accounted associate	**33.3%**	33.3%
Dalrymple Bay Coal Terminal	Australia	Equity accounted associate	**25.3%**	25.3%
Newcastle Coal Shippers	Australia	Equity accounted associate	**17.6%**	17.6%
Peace River Coal	Canada	Full consolidation	**100%**	100%
Coal South Africa, comprising:				
Goedehoop	South Africa	Full consolidation	**100%**	100%
Greenside	South Africa	Full consolidation	**100%**	100%
Kleinkopje(14)	South Africa	Full consolidation	**–**	100%
Landau(14)	South Africa	Full consolidation	**–**	100%
Khwezela(14)	South Africa	Full consolidation	**100%**	–
Mafube	South Africa	Joint operation	**50%**	50%
Zibulo(15)	South Africa	Full consolidation	**73%**	73%
Kriel(15)	South Africa	Full consolidation	**73%**	73%
New Denmark	South Africa	Full consolidation	**100%**	100%
New Vaal	South Africa	Full consolidation	**100%**	100%
Isibonelo	South Africa	Full consolidation	**100%**	100%
Richards Bay Coal Terminal	South Africa	Equity accounted associate	**23.2%**	23.2%
Carbones del Cerrejón	Colombia	Equity accounted associate	**33.3%**	33.3%
Nickel				
Barro Alto	Brazil	Full consolidation	**100%**	100%

(1) 85% should be applied to all holdings within De Beers to determine the Group's attributable share of the asset.
(2) De Beers owns 50% of equity in Debswana, but consolidates 19.2% of Debswana on a proportionate basis, reflecting the economic interest. The Group's effective interest in Debswana is 16.3% (taking into account the Group's 85% interest in De Beers Group).
(3) The 50% interest in Namdeb Holdings is held indirectly through De Beers. The Group's effective interest in Namdeb Holdings is 42.5%.
(4) De Beers' legal ownership of De Beers Consolidated Mines (DBCM) is 74%. For accounting purposes De Beers consolidates 100% of DBCM as it is deemed to control the BEE entity, Ponahalo, which holds the remaining 26%. The Group's effective interest in DBCM is 85%.
(5) De Beers acquired the remaining 50% of De Beers Jewellers in March 2017. This was previously an equity accounted 50% joint venture.
(6) The Group's effective interest in Anglo American Platinum is 79.5%, which includes shares issued as part of a community empowerment deal.
(7) Amandelbult complex comprises Tumela mine and Dishaba mine.
(8) Sishen and Kolomela are fully owned by the Sishen Iron Ore Company (SIOC). Kumba Iron Ore Limited has a 76.3% interest in SIOC (2016: 76.3%). Including shares held by Kumba Iron Ore in relation to its own employee share schemes, the Group's effective interest in Kumba Iron Ore is 70.3%. Consequently, the Group's effective interest in SIOC is 53.6% (2016: 53.2%).
(9) Ferroport owns and operates the iron ore handling and shipping facilities at the port of Açu.
(10) These entities have a 30 June year end.
(11) The wholly owned subsidiary Anglo American Metallurgical Coal Holdings Limited holds the proportionately consolidated joint operations. These operations are unincorporated and jointly controlled.
(12) The sale of Dartbrook was completed in May 2017.
(13) The Group's effective interest in the Jellinbah operation is 23.3%.
(14) Kleinkopje and Landau were amalgamated on 1 January 2017 and renamed Khwezela.
(15) Kriel and Zibulo form part of the Anglo American Inyosi Coal BEE company of which the Group owns 73%.

Accounting judgements

Joint arrangements

Joint arrangements are classified as joint operations or joint ventures according to the rights and obligations of the parties, as described in note 38I. Judgement is required in determining this classification through an evaluation of the facts and circumstances arising from each individual arrangement. When a joint arrangement has been structured through a separate vehicle, consideration has been given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties and, the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates that the parties to the arrangement have rights to the assets and obligations for the liabilities. Certain joint arrangements that are structured through separate vehicles including Collahuasi, Debswana and Namdeb are accounted for as joint operations. These arrangements are primarily designed for the provision of output to the parties sharing joint control, indicating that the parties have rights to substantially all the economic benefits of the assets. The liabilities of the arrangements are in substance satisfied by cash flows received from the parties; this dependence indicates that the parties effectively have obligations for the liabilities. It is primarily these facts and circumstances that give rise to the classification as joint operations.

GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP

The Group consists of the Parent Company, Anglo American plc, incorporated in the United Kingdom and its subsidiaries, joint operations, joint ventures and associates. In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings, the country of incorporation and the effective percentage of equity owned as at 31 December 2017 is disclosed below. Unless otherwise disclosed all entities with an indirect equity holding of greater than 51% are considered subsidiary undertakings. See note 34 for the Group's principal subsidiaries, joint operations, joint ventures and associates.

As disclosed in the Group's published tax strategy the Group does not use tax haven jurisdictions to manage taxes. There remain a small number of undertakings in the Group which are registered in tax haven jurisdictions. These are the result of legacy undertakings and are overridden by the Group's policy of having them be either resident in the UK for tax purposes or subject to the UK Controlled Foreign Company Rules. The Group is well advanced in our strategy to remove these legacy undertakings from tax haven jurisdictions. Where the tax residency of a related undertaking is different from its country of incorporation, this is referenced in the notes to the list below.

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of[(3)] equity owned	Registered address
Angola	De Beers Angola Holdings S.A.	85%	Rua Rainha Ginga 87 9º andar, Luanda, Caixa Postal 4031
Anguilla	Carbones del Cerrejon Limited[(4)]	33%	Babrow's Commercial Complex, 1341, The Valley
Argentina	Minera Anglo American Argentina S.A.	100%	San Martin 1167 Piso 2° Mendoza
Australia	A.C.N 127 881 510 Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Australia Finance Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Australia Holdings Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Australia Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Exploration (Australia) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Investments (Australia) Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Metallurgical Coal Assets Eastern Australia Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Metallurgical Coal Assets Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Metallurgical Coal Finance Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Metallurgical Coal Holdings Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Metallurgical Coal Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Thermal Coal (Australia) Pty. Ltd.	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Archveyor Management) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Capcoal Management) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Contracting) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Dawson Management) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Dawson Services) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Dawson South Management) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Dawson South) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Dawson) Holdings Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Dawson) Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Drayton Management) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Drayton South Management) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Drayton South) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Drayton) No.2 Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Drayton) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (German Creek) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Grasstree Management) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Grosvenor Management) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Grosvenor) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Jellinbah) Holdings Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Monash Energy) Holdings Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Moranbah North Management) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Roper Creek) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Theodore South) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Operations (Australia) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Bowen Basin Coal Pty Ltd	23%	Level 7 Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Dalrymple Bay Coal Terminal Pty Ltd	25%	Martin Armstrong Drive, Hay Point via Mackay, QLD 4741
Australia	Dawson Coal Processing Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Dawson Highwall Mining Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Dawson Sales Pty Ltd	51%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Dawson South Sales Pty Ltd	51%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	De Beers Australia Exploration Limited	85%	896 Beaufort Street, Suite 4, Inglewood, WA 6052
Australia	Drayton Coal (Sales) Pty. Ltd.	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Drayton Coal Shipping Pty. Limited	88%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	German Creek Coal Pty. Limited	70%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Groote Eylandt Mining Company Pty Limited	40%	Level 235, 108 St Georges Terrace, Perth, WA 6000
Australia	Grosvenor Sales Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Jellinbah Group Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Jellinbah Mining Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Jellinbah Resources Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Jena Pty. Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	JG Land Company Pty Ltd	23%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Lake Vermont Marketing Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Lake Vermont Resources Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Monash Energy Coal Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Monash Energy Pty Limited	50%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Moranbah North Coal (No2) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Moranbah North Coal (Sales) Pty Ltd	88%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Moranbah North Coal Pty Ltd	100%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	QCMM (Lake Vermont Holdings) Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	QCMM Finance Pty Ltd	33%	Curlew Street, Kooragang Island, NSW
Australia	Tasmanian Electro Metallurgical Company Pty Limited	40%	Curlew Street, Kooragang Island, NSW
Australia	Tremell Pty Ltd	33%	456 Victoria Parade, East Melbourne, Victoria 3002
Belgium	De Beers Auction Sales Belgium NV	85%	21 Schupstraat, 2018 Antwerp

See page 172 for footnotes.

GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of(3) equity owned	Registered address
Belgium	Diamond Trading Company Proprietary Ltd NV	85%	21 Schupstraat, 2018 Antwerp
Belgium	International Institute of Diamond Grading and Research (Belgium) NV	85%	21 Schupstraat, 2018 Antwerp
Bermuda	Coromin Limited	100%	Clarendon House, 2 Church Street, Hamilton
Bermuda	Holdac Limited	100%	Clarendon House, 2 Church Street, Hamilton
Botswana	Ambase Prospecting (Botswana) (Pty) Ltd	100%	Unit G3, Victoria House, Plot 132 Independence Avenue, Gaborone
Botswana	Anglo American Corporation Botswana (Services) Limited	100%	Plot 67977, Fairground Office Park, Gaborone
Botswana	Anglo Coal Botswana (Pty) Ltd	100%	c/o KPMG, Chartered Accountants, Plot 67977, Off Tlokweng Road, Fairground, PO Box 1519, Gaborone
Botswana	Broadhurst Primary School (Pty) Ltd	29%	First Floor Debswana Corporate Centre, Plot 64288 Airport Road, Block 8, Gaborone
Botswana	De Beers Global Sightholder Sales (Pty) Ltd	85%	3rd Floor, DTCB Building, Plot 63016, Block 8, Airport Road, Gaborone
Botswana	De Beers Holdings Botswana (Pty) Ltd	85%	5th Floor, Debswana House, Main Mall, Gaborone
Botswana	Debswana ART Fund Trust	43%	First Floor Debswana Corporate Centre, Plot 64288 Airport Road, Block 8, Gaborone
Botswana	Debswana Diamond Company (Pty) Ltd	43%(5)	First Floor Debswana Corporate Centre, Plot 64288 Airport Road, Block 8, Gaborone
Botswana	Diamond Trading Company Botswana (Pty) Ltd	43%	Plot 63016, Airport Road, Block 8, Gaborone
Botswana	Rainbow Gas and Coal Exploration (Pty) Ltd	51%	Plot 67977, Fairground Office Park, Gaborone
Botswana	Sesiro Insurance Company (Pty) Ltd	43%	First Floor Debswana Corporate Centre, Plot 64288 Airport Road, Block 8, Gaborone
Botswana	The Diamond Trust	21%	Debswana House, The Mall, Gaborone
Botswana	Tokafala (Proprietary) Limited	100%	c/o KPMG, Chartered Accountants, Plot 67977, Off Tlokweng Road, Fairground, PO Box 1519, Gaborone
Brazil	Anglo American Consultoria em Minério de Ferro Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo American Investimentos - Minério de Ferro Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar, sala 1603, bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo American Minério de Ferro Brasil S.A.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar, sala 1601, bairro Santa Lucia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo American Niquel Brasil Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 8º andar (parte), Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo American Participações - Minério de Ferro Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar, sala 1602, Bairro Santa Lúcia, CEP 30.360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo Ferrous Brazil Participações S.A.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Câmara de Comércio Brasil República Sul Africana	100%	Av. Paulista, nº. 2.300, 10º andar, Cerqueira César, São Paulo/SP
Brazil	Coruripe Participações Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Element Six Ltda.	51%	Rua da Consolação, 368, 15º andar Consolação, São Paulo
Brazil	Ferroport Logística Comercial Exportadora S.A.	50%	Rua da Passagem, nº. 123, 11º andar, sala 1101, Botafogo, CEP 22290-030, Rio de Janeiro/RJ
Brazil	GD Empreendimentos Imobiliários S.A.	33%	Rua Visconde de Ouro Preto, nº. 5, 11º andar (parte), Botafogo, Rio de Janeiro/RJ
Brazil	Gespa Gesso Paulista Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Guaporé Mineração Ltda.	49%	Avenida Paulista, nº. 2.300, 10º andar (parte), CEP 01.310-300, São Paulo/SP
Brazil	Instituto Anglo American Brasil	100%	Avenida Paulista, nº. 2.300, 10º andar (parte), CEP 01.310-300, São Paulo/SP
Brazil	Mineração Itamaracá Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Mineração Tanagra Ltda.	49%	Rua Maria Luiza Santiago, nº. 200, 20º andar (parte), bairro Santa Lúcia, CEP 30.360-740, Belo Horizonte, Minas Gerais
Brazil	Mineração Tariana Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Morro do Níquel Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
British Virgin Islands	Anglo American Services (International) Limited	100%	9 Columbus Centre, Pelican Drive, P.O. Box 805, Road Town, Tortola, VG1110
British Virgin Islands	De Beers Angola Investments Limited	68%	9 Columbus Centre, Pelican Drive, Road Town, Tortola
British Virgin Islands	De Beers Angola Prospecting Pty Ltd	68%	Midocean Management and Trust Services (BVI) Limited, Midocean Chambers, P.O. Box 805, Road Town, Tortola
British Virgin Islands	De Beers Centenary Angola Properties Ltd	85%	Midocean Chambers, 9 Columbus Centre, Pelican Drive, Road Town, Tortola
British Virgin Islands	Delibes Holdings Limited(6)	85%	9 Columbus Centre, Pelican Drive, P.O. Box 805, Road Town, Tortola, VG1110
British Virgin Islands	Highbirch Limited(6)	100%	9 Columbus Centre, Pelican Drive, P.O. Box 805, Road Town, Tortola, VG1110
British Virgin Islands	Loma de Niquel Holdings Limited(6)	94%	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola
British Virgin Islands	Scallion Limited(6)	85%	Midocean Chambers, 9 Columbus Centre, Pelican Drive, Road Town, Tortola
Canada	0912055 BC Ltd	100%	Suite 2400, 745 Thurlow Street, Vancouver, BC V6E 0C5
Canada	4259785 Canada Inc.	85%	333 Bay Street, Suite 2400, Toronto ON M5H2T6
Canada	Anglo American Exploration (Canada) Ltd.	100%	Suite 800, 700 West Pender Street, Vancouver, BC V6C 1G8
Canada	Belcourt Saxon Coal Limited	100%	Suite 2400, 745 Thurlow Street, Vancouver, BC V6E 0C5
Canada	Belcourt Saxon Coal Limited Partnership	100%	Suite 2400, 745 Thurlow Street, Vancouver, BC V6E 0C5
Canada	De Beers Canada Holdings Inc.	85%	2400-333 Bay St, Toronto, ON M5H2T6
Canada	De Beers Canada Inc.	85%	2400-333 Bay St, Toronto, ON M5H2T6
Canada	Kaymin Resources Limited	78%	McCarthy Tetrault LLP, Pacific Centre, PO Box 10424, Suite 1300, 777 Dunsmuir Street, Vancouver, BC V7Y 1K2
Canada	Peace River Coal Inc.	100%	Suite 2400, 745 Thurlow Street, Vancouver, BC V6E 0C5
Cayman Islands	Cheviot Holdings Limited(6)	85%	Maples and Calder, P.O. Box 309, George Town, Grand Cayman

See page 172 for footnotes.

GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of[(3)] equity owned	Registered address
Chile	Anglo American Chile Inversiones S.A.	100%	Isidora Goyenechea 2800, piso 46-48, Santiago
Chile	Anglo American Chile Ltda	100%	Isidora Goyenechea 2800, piso 46-48, Santiago
Chile	Anglo American Sur S.A.	50%	Isidora Goyenechea 2800, piso 46-48, Santiago
Chile	Compañía Minera Dona Ines De Collahuasi SCM	44%	Avda Andres Bello 2687, P 11 Edif. el Pacifico, Las Condes, Santiago, Región Metropolitana
Chile	Compañía Minera Westwall S.C.M	50%	Isidora Goyenechea 2800, piso 46-48, Santiago
Chile	Inversiones Anglo American Norte S.A.	100%	Isidora Goyenechea 2800, piso 46-48, Santiago
Chile	Inversiones Anglo American Sur S.A.	100%	Isidora Goyenechea 2800, piso 46-48, Santiago
Chile	Inversiones Minorco Chile S.A.	100%	Isidora Goyenechea 2800, piso 46-48, Santiago
China	Anglo American Resources Trading (China) Co. Ltd.	100%	Units 01, 02A, 07, 08, Floor 32, No. 1198 Century Avenue, Pudong New Area, Shanghai
China	De Beers Jewellers Commercial (Shanghai) Co., Ltd	85%	Room 1707B, 17F, Plaza 66, No. 1266 West Nanjing Road, Shanghai
China	Element Six Hard Materials (Wuxi) Co., Ltd	51%	No. 105-1, Xinjin Road, Meicun, Wuxi New District, Jiangsu Province, 214112
China	Element Six Trading (Shanghai) Co., Ltd	51%	2802A, Chong Hing Finance Centre, No. 288 Nan Jing Road West, Huang Pu District, Shanghai, 200003
China	Forevermark Marketing Shanghai Company Limited	85%	Unit 01 & 08 46F, Park Place No 1601, Nan Jing Road (W), Shanghai
China	Platinum Guild International (Shanghai) Co., Limited	78%	Room 601, L'avenue, 99 XianXia Road, Shanghai 200051
Colombia	Anglo American Colombia Exploration S.A.	100%	Avenida Carrera 9a # 115 – 06/30 Oficina 1702, Bogotá
Colombia	Cerrejon Zona Norte S.A.	33%	Calle 100 19-54, 12th Floor, Bogotá
Cyprus	Anglo American Amcoll (UK) Ltd[(6)]	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Cyprus	Anglo American Chile Investments (UK) Ltd[(6)]	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Cyprus	Anglo American Clarent (UK) Ltd[(6)]	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Democratic Republic of Congo	Ambase Exploration Africa (DRC) SPRL	100%	No. 510 LP, Avenue Sumahili, Quartier Golf, Commune De Lubumbashi, Lubumbashi
Democratic Republic of Congo	De Beers DRC Exploration SARL	85%	7 Concession Bel Air, Commune Ngaliema, Kinshasa
Ecuador	Anglo American Ecuador S.A.	100%	Av. Patria E4-69 y Av. Amazonas, Cofiec, 16th Floor, Ecuador
Finland	AA Sakatti Mining Oy	100%	AA Sakatti Mining Oy, Tuohiaavantie 2, 99600 Sodankylä, Finland
Gabon	Samancor Gabon SA	40%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
Germany	Element Six GmbH (DECAR)	51%	Staedeweg 18, 36151, Burghaun
Germany	Hydrogenious Technologies GmbH	33%	Weidenweg 13, 91058 Erlangen
Guernsey	Intersea Pension Services Limited	85%	Albert House, South Esplanade, St Peter Port, Guernsey, Channel Islands
Hong Kong	De Beers Auction Sales Holdings Ltd	85%	Unit 1001, 10/F Unicorn Trade Centre, 127-131 Des Voeux Road, Central
Hong Kong	De Beers Auction Sales Hong Kong Ltd	85%	Unit 1001, 10/F Unicorn Trade Centre, 127-131 Des Voeux Road, Central
Hong Kong	De Beers Diamond Jewellers (Hong Kong) Limited	85%	24th Floor, Oxford House, 979 King's Road, Taikoo Place, Island East
Hong Kong	Diamdel (Hong Kong) Limited	85%	Unit 1001, 10/F Unicorn Trade Centre, 127-131 Des Voeux Road, Central
Hong Kong	Diamdel Holdings Limited	85%	Unit 1001, 10/F Unicorn Trade Centre, 127-131 Des Voeux Road, Central
Hong Kong	Forevermark Limited	85%	2602B, 2603, 2604, 2605, 2606, 26th Floor Kinwick Centre, 32 Hollywood Road, Central
Hong Kong	Platinum Guild International (Hong Kong) Limited	78%	Suites 2901-2, Global Trade Square, No. 21 Wong Chuk Hang Road
India	Anglo American Exploration (India) Private Limited	100%	A-1/292, Janakpuri, New Delhi, 110058
India	Anglo American Services (India) Private Limited	100%	A-1/292, Janakpuri, New Delhi, 110058
India	De Beers India Private Ltd	85%	Advanced Business Centre, 83 Maker Chambers VI, Nariman Point, Mumbai, 400 021
India	Forevermark Diamonds Private Limited	85%	Advanced Business Centre, 83 Maker Chambers VI, Nariman Point, Mumbai, 400 021
India	Hindustan Diamond Company Private Limited	43%	E-6010 Bharat Diamond Bourse, Bandra Kurla Complex, Bandra (East), Mumbai, 400 051
India	Inglewood Minerals Private Limited	100%	A-1/292, Janakpuri, New Delhi, 110058
India	International Institute of Diamond Grading & Research India Private Limited	85%	Advanced Business Centre, 83 Maker Chambers VI, Nariman Point, Mumbai, 400 021
India	Platinum Guild India Private Limited	78%	Notan Classic, 3rd Floor, 114 Turner Road, Bandra West, Mumbai 400 050, India
Indonesia	PT Anglo American Indonesia	100%	Pondok Indah Office Tower 3, 17th Floor, Jl. Sultan Iskandar Muda, Pondok Indah, Jakarta 12310
Indonesia	PT Minorco Services Indonesia	100%	Belagri Hotel, Jl. Raja Ampat, No 1 Kampung Baru, Sorong, Papua Barat
Ireland	Alluvium Unlimited Company[(6)]	100%	Shannon Airport, Co. Clare
Ireland	CMC-Coal Marketing Designated Activity Company	33%	Fumbally Square, New Street, Dublin 8
Ireland	Coromin Insurance (Ireland) DAC	100%	Fourth Floor, 25/28 Adelaide Road, Dublin
Ireland	Element Six (Holdings) Limited	51%	Shannon Airport, Shannon, Co. Clare
Ireland	Element Six (Trade Marks)	51%	Shannon Airport, Shannon, Co. Clare
Ireland	Element Six Abrasives Treasury Limited	51%	Shannon Airport, Shannon, Co. Clare
Ireland	Element Six Limited	51%	Shannon Airport, Shannon, Co. Clare
Ireland	Element Six Treasury Limited	85%	Shannon Airport, Shannon, Co. Clare
Isle of Man	Element Six Limited	85%	Isle of Man Freeport, PO Box 6, Ballasalla
Isle of Man	Element Six (Isle of Man) Corporate Trustee Limited	85%	Isle of Man Freeport, PO Box 6, Ballasalla
Israel	De Beers Auction Sales Israel Ltd	85%	21 Toval Street, Ramat Gan, 52522
Israel	Diamdel Diamonds Ltd	85%	21 Toval Street, Ramat Gan, 52522
Italy	Anglo American Italy S.R.L.	100%	Via Melchiorre Gioia, 8, 20124 Milano
Italy	Forevermark Italy S.R.L.	85%	Via Burlamacchi Francesco 14, 20135, Milan
Japan	De Beers Diamond Jewellers Japan K.K.	85%	New Otani Garden Court, 7th Floor, 4-1 Kioi-cho, Chiyoda-ku, Tokyo
Japan	Element Six Ltd	51%	9F PMO Hatchobori, 3-22-13 Hatchobori, Chuo-ku, Tokyo, 104
Japan	Forevermark KK	85%	New Otani Garden Court, 7th Floor, 4-1 Kioi-cho, Chiyoda-ku, Tokyo
Japan	PGI KK	78%	Imperial Hotel Tower 17F, 1-1-1 Uchisaiwai-cho, Chiyoda-ku, Tokyo, 100-8575
Jersey	Ambras Holdings Limited[(6)(7)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Ammin Coal Holdings Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	A.R.H. Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	A.R.H. Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo African Exploration Holdings Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Buttercup Company Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Capital Overseas Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG

See page 172 for footnotes.

GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of[(3)] equity owned	Registered address
Jersey	Anglo American Exploration Colombia Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Exploration Overseas Holdings Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Ferrous Investments (Overseas) Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Finance Overseas Holdings Limited[(6)(8)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Finland Holdings 1 Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Finland Holdings 2 Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Hermitage Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Liberia Holdings Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Michiquillay Peru Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Midway Investment Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Overseas Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Venezuela Corporation Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Australia Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Coal International Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Diamond Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Iron Ore Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Loma Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Operations (International) Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Peru Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Quellaveco Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo South American Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Venezuela Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Aval Holdings Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Cencan plc[(6)]	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers Centenary Limited[(6)]	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers Exploration Holdings Limited[(6)]	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers Holdings Investments Limited[(6)]	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers India Holdings Limited[(6)]	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers Investments plc[(6)]	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers plc[(6)]	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	IIDGR Holdings Limited[(6)]	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	Minorco Overseas Holdings Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Minorco Peru Holdings Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Minpress Investments Limited[(6)]	100%	44 Esplanade, St Helier, JE4 9WG
Lesotho	Amcoal Collieries Recruiting Organisation (Lesotho) (Pty) Ltd	100%	Kingsway, Maseru
Liberia	Anglo American Corporation de Chile Holdings Limited[(6)]	100%	80 Broad Street, Monrovia
Liberia	Anglo American Kumba Exploration (Liberia) Ltd	85%	Kpellah Town, Off Congo Town Back Road, Congo Town, Paynesville City, Monrovia
Luxembourg	KIO Exploration Liberia Sarl	70%	11-13 Boulevard de la Foire, L-1528, Luxembourg
Luxembourg	Kumba International Trading Sarl	53%	11-13 Boulevard de la Foire, L-1528, Luxembourg
Luxembourg	Kumba Iron Ore Holdings Sarl	53%	11-13 Boulevard de la Foire, L-1528, Luxembourg
Macau	De Beers Diamond Jewellers (Macau) Company Limited	85%	Avenida da Praia Grande No. 409, China Law Building 16/F – B79, Macau
Madagascar	Societe Civille De Prospection De Nickel A Madagascar	32%	44 Main Street, Johannesburg, 2001
Malta	Element Six Technologies Holding Ltd[(6)]	85%	Leicester Court, Suite 2, Edfar Bernard Street, Gzira, GZR 1702
Mauritius	Anglo American International Limited[(6)]	100%	C/o AXIS Fiduciary Ltd, 2nd Floor, The AXIS, 26 Bank Street, Cybercity Ebene, 72201
Mauritius	Inglewood Holdings Limited[(6)]	100%	St Louis Business Centre, Cnr Desroches & St Louis Streets, Port Louis
Mexico	Anglo American Mexico S.A. de C.V.	100%	c/o Sanchez Mejorada, Velasco y Ribe, S.C., Paseo de la Reforma No. 450, Col. Lomas de Chapultepec, 11000, Ciudad de Mexico
Mexico	Servicios Anglo American Mexico S.A. de C.V.	100%	c/o Sanchez Mejorada, Velasco y Ribe, S.C., Paseo de la Reforma No. 450, Col. Lomas de Chapultepec, 11000, Ciudad de Mexico
Mozambique	Anglo American Corporation Mocambique Servicos Limitada	100%	PWC, LTDA. Avenida Vladimir Lenine, Nº 174, 4º Andar Edificio Millennium Park, Maputo
Mozambique	Anglo American Mocambique Limitada	90%	Pestana Rovuma Hotel Office Centre, 5th Floor/5º, Rue da Se No.114, Maputo
Namibia	Ambase Prospecting (Namibia) (Pty) Ltd	100%	24 Orban Street, Klein Windhoek, Windhoek, PO Box 30 Windhoek
Namibia	De Beers Marine Namibia (Pty) Ltd	43%	4th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	De Beers Namibia Holdings (Pty) Ltd	85%	6th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Debmarine Namdeb Foundation	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	DTC Valuations Namibia (Pty) Ltd	85%	4th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Exclusive Properties (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Longboat Trading (Pty) Ltd	100%	15 Albert Wessels Street, Northern Industrial, Windhoek
Namibia	Marmora Mines and Estates Limited	28%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namdeb Diamond Corporation (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namdeb Holdings (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namdeb Hospital Pharmacy (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namdeb Properties (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namibia Diamond Trading Company (Pty) Ltd	43%	9th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Oranjemund Private Hospital (Proprietary) Limited	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Oranjemund Town Management Company (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Netherlands	AA Holdings Argentina B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American (NA) 1 B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American (NA) 3 B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American Exploration B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American Exploration (India) B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American Exploration (Philippines) B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American India Holdings B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American International B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American Netherlands B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo Operations (Netherlands) B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American (TIH) B.V.[(6)]	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Element Six NV	85%	De Nieuwe Erven 2, 5431 NT, Cuijk

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GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of(3) equity owned	Registered address
Netherlands	Erabas B.V(6)	78%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Kumba International BV	70%	Stationsplein 8K, Maastricht, 6221 BT
Netherlands	Loma de Niquel Holdings B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Minorco Exploration (Indonesia) B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Papua New Guinea	Anglo American (Star Mountain) Limited	100%	C/- PricewaterhouseCoopers PNG, Pwc Haus, Level 6, Harbour City, Konedobu, PORT
Papua New Guinea	Anglo American Exploration (PNG) Limited	100%	C/- PricewaterhouseCoopers PNG, Pwc Haus, Level 6, Harbour City, Konedobu, PORT
Peru	Cobre del Norte S.A.	100%	Calle Esquilache 371, Piso 10, San Isidro, Lima 27
Peru	Anglo American Peru S.A.	100%	Calle Esquilache 371, Piso 10, San Isidro, Lima 27
Peru	Anglo American Quellaveco S.A.	82%	Esquilache 371, Piso 10, San Isidro, Lima 27
Peru	Anglo American Servicios Perú S.A.	100%	Esquilache 371 Piso 10 San Isidro, Lima 27
Peru	Asociación Michiquillay	100%	Esquilache 371 Piso 10 San Isidro, Lima 27
Peru	Asociación Quellaveco	100%	Esquilache 371 Piso 10 San Isidro, Lima 27
Philippines	Anglo American Exploration (Philippines) Inc.	100%	27th Floor, Tower 2, The Enterprise Centre, 6766 Ayala Avenue Corner, Paseo de Roxas, Makati City
Philippines	Minphil Exploration Co Inc	40%	27 Philex Building, Fairlane Brixton Street, Pasig, Metro Manila
Philippines	Northern Luzon Exploration & Mining Co Inc	40%	27 Philex Building, Fairlane Brixton Street, Pasig, Metro Manila
Singapore	Anglo American Exploration (Singapore) Pte. Ltd	100%	10 Collyer Quey, #38-00 Ocean Financial Centre, 049315
Singapore	Anglo American Mongolia Holdings Pte. Ltd	100%	10 Collyer Quey, #38-00 Ocean Financial Centre, 049315
Singapore	De Beers Auction Sales Singapore Pte. Ltd	85%	10 Collyer Quey, #03-04 Ocean Financial Centre, 049315
Singapore	Kumba Singapore Pte. Ltd.	53%	10 Collyer Quey, #38-00 Ocean Financial Centre, 049315
Singapore	MR Iron Ore Marketing Services Pte. Ltd.	50%	10 Collyer Quay, #38-00 Ocean Financial Centre, 049315
Singapore	Samancor Marketing Pte. Ltd.	40%	138 Market Street, #26-01, Capitagreen, 048946
South Africa	Anglo American South Africa Investments Proprietary Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	A E F Mining Services (Pty) Ltd	25%	Zommerlust Building, Rietbok Road, Kathu, 8446
South Africa	ACRO (Hanise) (Pty) Ltd	100%	44 Main Street, Gauteng, 1627
South Africa	African Pipe Industries North (Pty) Ltd	39%	55 Marshall Street, Johannesburg, 2001
South Africa	Almenta 127 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Amaprop Townships Limited	100%	61 Katherine Street, Sandton, 2196
South Africa	Ambase Investment Africa (Botswana) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ambase Investment Africa (DRC) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ambase Investment Africa (Namibia) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ambase Investment Africa (Tanzania) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ambase Investment Africa (Zambia) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Amcoal Collieries Recruiting Organisation (Pty) Limited	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Ampros (Pty) Ltd	100%	61 Katherine Street, Sandton, 2196
South Africa	Anglo American Corporation of South Africa (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American EMEA Shared Services (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Farms (Pty) Ltd	100%	Vergelegen Wine Farm, Lourensford Road, Somerset West, 7130
South Africa	Anglo American Farms Investment Holdings (Pty) Ltd	100%	Vergelegen Wine Farm, Lourensford Road, Somerset West, 7130
South Africa	Anglo American Group Employee Shareholder Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Inyosi Coal (Pty) Ltd	73%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Platinum Limited	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Anglo American Properties Limited	100%	61 Katherine Street, Sandton, 2196
South Africa	Anglo American Prospecting Services (Pty) Ltd	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Anglo American SA Finance Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Sebenza Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American SEFA Mining Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American South Africa Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele Community Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele Green Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele Small Business Support Services (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Coal Investment Africa (Botswana) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Corporate Enterprises (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Inyosi Coal Security Company Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Operations (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Platinum Management Services (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Anglo South Africa (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo South Africa Capital (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anseld Holdings Proprietary Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Asambeni Mining Solutions (Pty) Ltd	56%	44 Main Street, Johannesburg, 2001
South Africa	Atomatic Trading (Pty) Limited	58%	55 Marshall Street, Johannesburg, 2001
South Africa	Balgo Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Blinkwater Farms 244KR (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Blue Lounge Trading 129 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Blue Steam Investments (Pty) Ltd	37%	44 Main Street, Johannesburg, 2001
South Africa	Boikgantsho Platinum Mine (Pty) Ltd	38%	5 Jellicoe Avenue, Rosebank, Johannesburg, 2913
South Africa	Bokoni Platinum Holdings (Pty) Ltd	38%	82 Grayston Drive, Sandton, Johannesburg, 2196
South Africa	Bokoni Platinum Mines (Pty) Ltd	38%	4th Floor Atholl, Johannesburg, 2916
South Africa	Butsanani Energy Investment Holdings (Pty) Ltd	33%	44 Main Street, Johannesburg, 2001
South Africa	Chamfron Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Colliery Training College (Pty) Limited	56%	44 Main Street, Johannesburg, 2001
South Africa	Copper Moon Trading 567 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Cytobex (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Cytoblox (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Cytobuzz (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Damelin Emalahleni (Pty) Ltd	20%	Cnr O R Tambo & Beatrix Avenue, Witbank, 1035

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GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of[(3)] equity owned	Registered address
South Africa	DBCM Holdings (Pty) Ltd	63%	36 Stockdale Street, Kimberley, 8301
South Africa	De Beers Consolidated Mines (Pty) Ltd	63%[(9)]	36 Stockdale Street, Kimberley, 8301
South Africa	De Beers Group Services (Pty) Ltd	85%	Cornerstone, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Marine (Pty) Ltd	85%	Cornerstone, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Matlafalang Business Development (Pty) Ltd	63%	Cornerstone, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Sightholder Sales South Africa (Pty) Ltd	63%	Cornerstone, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Small Business Start Up Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Dido Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Dream Weaver Trading 140 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Element Six (Production) (Pty) Ltd	51%	Debid Road, Nuffield, Springs, 1559
South Africa	Element Six (Pty) Ltd	51%	1 Parry Road, Nuffield, Springs, 1559
South Africa	Element Six South Africa (Pty) Ltd	51%	Debid Road, Nuffield, Springs, 1559
South Africa	Element Six Technologies (Pty) Ltd	85%	Debid Road, Nuffield, Springs, 1559
South Africa	Elipsis Blue Trading 43 (Pty) Ltd	30%	Unit 6A, Phithaba Industrial Park, 97 Hefer Street, Rustenburg, 0299
South Africa	Enanticept (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Fermain Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Fundirite (Pty) Ltd	50%	44 Main Street, Johannesburg, 2001
South Africa	Ga-Phasha Platinum Mine (Pty) Limited	38%	44 Main Street, Johannesburg, 2001
South Africa	Godisa Supplier Development Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Golden Pond Trading 248 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	High Ground Investments Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	HL & H Timber Processors (Pty) Ltd	50%	Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600
South Africa	Hotazel Manganese Mines (Pty) Ltd	30%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Ingagane Colliery (Pty) Ltd	98%	44 Main Street, Johannesburg, 2001
South Africa	Ingwekazi Holdings (Proprietary) Limited	20%	44 Main Street, Johannesburg, 2001
South Africa	Invincible Trading 14 (Pty) Ltd	20%	16 Euclid Road, Industria East Ext 13, Germiston, 1400
South Africa	Joint Coal (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	KIO Investments Holdings (Pty) Ltd	70%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion,
South Africa	Kumba BSP Trust	53%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion,
South Africa	Kumba Iron Ore Limited	70%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion,
South Africa	Kwanda Platinum Mine (Pty) Ltd	38%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Lansan Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Lebowa Platinum Mines Limited	38%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Lexshell 49 General Trading (Pty) Ltd	35%	55 Marshall Street, Johannesburg, 2001
South Africa	Lexshell 688 Investments (Pty) Ltd	66%	55 Marshall Street, Johannesburg, 2001
South Africa	Longboat (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Longmeadow Home Farm (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Mafube Coal Mining (Pty) Ltd	50%	55 Marshall Street, Johannesburg, 2001
South Africa	Main Place Holdings Limited	39%	Suite 801, 76 Regent Road, Sea Point, Western Cape 8005
South Africa	Main Street 1252 (Pty) Ltd (RF)	63%	Cornerstone, Corner of Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	Manganore Iron Mining Limited	46%	6 Hollard Street, Johannesburg, 2001
South Africa	Manngwe Mining (Pty) Ltd	20%	Suite 105, Lorgadia Building, Embankment Road, Centurion, 0157
South Africa	Marikana Ferrochrome Limited	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Marikana Minerals (Pty) Ltd	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Masa Chrome Company (Pty) Ltd	39%	55 Marshall Street, Johannesburg, 2001
South Africa	Matthey Rustenburg Refiners (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Meruka Mining (Pty) Ltd	30%	16 North Road, Dunkeld Court, Dunkeld West, 2196
South Africa	Micawber 146 (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Middelplaats Manganese (Pty) Ltd	30%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Mindset Coal Consultancy Services CC	36%	298 Stokkiesdraai Street, Erasmusrand, Gauteng, 0181
South Africa	Modikwa Mining Personnel Services (Pty) Ltd	39%	55 Marshall Street, Johannesburg, 2001
South Africa	Modikwa Platinum Mine (Pty) Ltd	39%	16 North Road, Dunkeld Court, Dunkeld West, 2196
South Africa	Mogalakwena Platinum Mines	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Ndowana Exploration (Pty) Ltd	42%	36 Stockdale Street, Kimberley, 8301
South Africa	Newshelf 1316 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Newshelf 480 (Pty) Ltd	55%	44 Main Street, Johannesburg, 2001
South Africa	Norsand Holdings (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Peglerae Hospital (Pty) Ltd	31%	44 Main Street, Johannesburg, 2001
South Africa	Peruke (Pty) Ltd	51%	44 Main Street, Johannesburg, 2001
South Africa	PGM Investment Company (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Phola Coal Processing Plant (Pty) Ltd	37%	44 Main Street, Johannesburg, 2001
South Africa	Platmed (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Platmed Properties (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Polokwane Iron Ore (Pty) Ltd	27%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion,
South Africa	Ponahalo Investments (Pty) Ltd	0%[(10)]	De Beers Consolidated Mines Corner, Corner Diamond and Crownwood Road, Theta – Booysens Reserve, Johannesburg, 2000
South Africa	Precious Metals Refiners Proprietary Limited	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Pro Enviro (Pty) Ltd	20%	Greenside Colliery, PTN off 331, Blackhills, 1032
South Africa	R A Gilbert (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Resident Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Reunko Steel Suppliers (Pty) Ltd	20%	10372 Mfeka Street, Tokoza, 1421
South Africa	Richards Bay Coal Terminal (Pty) Ltd	23%	South Dunes, Richards Bay Harbour, Richards Bay, 3900, KwaZulu Natal
South Africa	Rietpoort Mining (Proprietary) Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Rietvlei Mining Company (Pty) Ltd	20%	Vunani House, Athol Ridge Office Park, 151 Katherine Street, Sandton, 2146
South Africa	Roodepoortjie Resources (Pty) Ltd	49%	16 North Road, Dunkeld Court, Dunkeld West, 2196
South Africa	Rustenburg Base Metals Refiners Proprietary Limited	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Rustenburg Platinum Mines Limited	78%	55 Marshall Street, Johannesburg, 2001

See page 172 for footnotes.

GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of[(3)] equity owned	Registered address
South Africa	Samancor Holdings (Pty) Ltd	40%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Samancor Manganese (Pty) Ltd	40%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Shanike Investments No.171 (Pty) Ltd	20%	South Downs, Richards Bay Harbour, Richards Bay, 3900
South Africa	Sheba's Ridge Platinum (Pty) Ltd	27%	55 Marshall Street, Johannesburg, 2001
South Africa	Sibelo Resource Development (Pty) Ltd	53%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion,
South Africa	Silver Lake Trading 619 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	SIOC International Finance (Pty) Ltd	53%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion,
South Africa	Sishen Iron Ore Company (Pty) Ltd	53%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion,
South Africa	Skin Doctor Technologies (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Spectrem Air (Pty) Ltd	21%	44 Main Street, Johannesburg, 2001
South Africa	Springfield Collieries Limited	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Steppe Eagle (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Tenon Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Terra Nominees (Pty) Ltd	40%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	The Village of Cullinan (Pty) Ltd	63%	36 Stockdale Street, Kimberley, 8301
South Africa	Vergelegen Wine Estate (Pty) Ltd	100%	Vergelegen Wine Farm, Lourensford Road, Somerset West, 7130
South Africa	Vergelegen Wines (Pty) Ltd	100%	Vergelegen Wine Farm, Lourensford Road, Somerset West, 7130
South Africa	Vika Investments Holdings (Pty) Ltd	49%	44 Main Street, Johannesburg, 2001
South Africa	Whiskey Creek Management Services (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
Sweden	Element Six AB	51%	Box 505, S-915 23, Robertsfors
Switzerland	De Beers Centenary AG[(6)]	85%	c/o Telemarketing, Plus AG, Sonnenplatz 6, 6020, Emmenbrücke
Switzerland	Element Six SA	51%	rue du Tir-au-Canon 2, Carouge, Geneva
Switzerland	PGI SA	78%	Avenue Mon-Repos 24, Case postale 656, CH-1001 Lausanne
Switzerland	Samancor AG	40%	Industriestrasse 53, 6312, Steinhausen, Zug
Switzerland	Synova S.A.	28%	2, Chemin de la Dent-D'oche, 1024, Ecublens
Tanzania	Ambase Prospecting (Tanzania) (Pty) Ltd	100%	Pemba House, 269 Toure Drive Oyster Bay, Dar Es Salaam
UAE	De Beers DMCC	85%	Office 4D, Almas Tower, Jumeirah Lakes Towers, Dubai
United Kingdom	Anglo American (London)	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American (London) 2	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American (TIIL) Investments Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American 2005 Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Australia Investments Limited[(11)]	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Capital Australia Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Capital International Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Capital plc[(11)]	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American CMC Holdings Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Corporate Secretary Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Diamond Holdings Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Farms (UK) Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Ferrous 2	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Ferrous Investments Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Finance (UK) Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Global Finance Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Group Foundation	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Holdings Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American International Holdings Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Investments (NA) Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Investments (UK) Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Marketing Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Medical Plan Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Nickel Marketing Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American PNG Holdings Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Prefco Limited[(11)]	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American REACH Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Representative Offices Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Services (UK) Ltd[(11)]	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Services Overseas Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo Base Metals Marketing Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo Coal Holdings Limited[(11)]	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo Coal Overseas Services Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo Ferrous Metals Marketing Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo Platinum Marketing Limited	78%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo Platinum Ventures Holdings Limited	78%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo UK Pension Trustee Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anmercosa Finance Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anmercosa Pension Trustees Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anmercosa Sales Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	AP Ventures LLP	78%	C/O Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8HQ
United Kingdom	Aurumar Alaska Holdings Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Birchall Gardens LLP	50%	Bardon Hall, Copt Oak Road, Markfield, LE67 9PJ
United Kingdom	Charterhouse CAP Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Curtis Fitch Limited	21%	6th Floor, Eagle Tower, Montpellier Drive, Cheltenham, Gloucestershire, GL50 1TA
United Kingdom	De Beers Diamond Jewellers Limited	85%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Diamond Jewellers Trade Mark Limited	85%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Diamond Jewellers UK Limited	85%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Intangibles Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	De Beers Trademarks Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	De Beers UK Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Ebbsfleet Property Limited	50%	Bardon Hall, Copt Oak Road, Markfield, LE67 9PJ
United Kingdom	Element Six Abrasives Holdings Limited	51%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Element Six Holdings Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN

See page 172 for footnotes.

GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of[(3)] equity owned	Registered address
United Kingdom	Element Six Technologies Limited	85%	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six (UK) Limited	51%	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six (Production) Limited	51%	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six Limited	85%	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Ferro Nickel Marketing Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Firecrest Investments Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Forevermark Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	IIDGR (UK) Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Mallord Properties Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Neville Street Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Northfleet Property LLP	50%	Bardon Hall, Copt Oak Road, Markfield, LE67 9PJ
United Kingdom	Platinum Guild Limited (United Kingdom) Limited	78%	New Bridge Street House, 30-34 New Bridge Street, London, SE1 9QR
United Kingdom	Reunion Group Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Reunion Mining Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Rhoanglo Trustees Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Riverbank Investments Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Security Nominees Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Swanscombe Development LLP	50%	Bardon Hall, Copt Oak Road, Markfield, LE67 9PJ
United Kingdom	The Diamond Trading Company Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	DB Newco Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United States	Element Six US Corporation	51%	24900 Pitkin Road, Suite 250, Spring TX 77386
United States	Anglo American Exploration (USA), Inc.	100%	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801
United States	Anglo American US (Pebble) LLC	100%	CSC, 251 Little Falls Drive, Wilmington DE 19808
United States	Anglo American US (Utah) Inc	100%	CSC, 251 Little Falls Drive, Wilmington DE 19808
United States	Anglo American US Holdings Inc.	100%	CSC, 251 Little Falls Drive, Wilmington DE 19808
United States	Big Hill, LLC	55%	CSC, 251 Little Falls Drive, Wilmington DE 19808
United States	Coal Marketing Company (USA) Inc.	33%	1180 Peachtree Street, N.E., Suite 2420, Atlanta, GA, 30309
United States	De Beers Diamond Jewellers US, Inc.	85%	598 Madison Avenue, 4th Floor, New York, NY 10022
United States	Element Six Technologies U.S. Corporation	85%	Incorporating Services Limited, 3500 South Dupont Highway, Dover, County of Kent DE 19901
United States	Element Six Technologies (Oregon) Corp.	85%	3500 South DuPont Highway, Dover, Kent County DE 19901
United States	Forevermark US Inc.	85%	300 First Stamford Place, Stamford, CT 06902
United States	International Institute of Diamond Valuation Inc.	85%	Corporation Trust Center 1209 Orange Street, Wilmington DE 19801
United States	Platinum Guild International (U.S.A.) Jewelry Inc.	78%	125 Park Avenue, 25th Floor, New York, New York 10017
Venezuela	Anglo American Venezuela S.A.	100%	Torre Humboldt, Floor 9, office 09-07, Rio Caura Street, Prados del Este. Caracas 1080
Venezuela	Minera Loma de Niquel C.A.	98%	Torre Humboldt, Floor 9, office 09-07, Rio Caura Street, Prados del Este. Caracas 1080
Zambia	Anglo Exploration (Zambia) (Pty) Ltd	100%	11 Katemo Road, Rhodes Park, Lusaka, Zambia
Zimbabwe	Addon Investments (Private) Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Amzim Holdings Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Anglo American Corporation Zimbabwe Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Broadlands Park Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Southridge Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Unki Mines (Private) Limited	78%	28 Broadlands Road, Emerald Hill, Harare

(1) All the companies with an incorporation in the United Kingdom are registered in England and Wales.
(2) The country of tax residence is disclosed where different from the country of incorporation.
(3) All percentages have been rounded.
(4) Tax resident in Colombia.
(5) The 50% interest in Debswana Diamond Company (Proprietary) Limited is held indirectly through De Beers and is consolidated on a 19.2% proportionate basis, reflecting economic interest. The Group's effective interest in Debswana Diamond Company (Proprietary) Limited is 16.3%.
(6) Tax resident in the United Kingdom.
(7) 2% direct holding by Anglo American plc.
(8) 5% direct holding by Anglo American plc.
(9) A 74% interest in De Beers Consolidated Mines Proprietary Limited (DBCM) is held indirectly through De Beers. The 74% interest represents De Beers' legal ownership share in DBCM. For accounting purposes De Beers consolidates 100% of DBCM as it is deemed to control the BEE entity, Ponahalo, which holds the remaining 26%. The Group's effective interest in DBCM is 85%.
(10) Ponahalo Investments (Pty) Ltd is deemed to be controlled due to the financing structure in place and is consolidated as a majority owned subsidiary.
(11) 100% direct holding by Anglo American plc.

OTHER ITEMS

This section includes disclosures about related party transactions, auditor's remuneration and accounting policies.

36. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries, joint operations, associates and joint ventures (see notes 34 and 35). Members of the Board and the Group Management Committee are considered to be related parties.

The Company and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with joint operations, associates, joint ventures and others in which the Group has a material interest. These transactions are under terms that are no less favourable to the Group than those arranged with third parties.

	Associates		Joint ventures		Joint operations	
US$ million	2017	2016	2017	2016	2017	2016
Transactions with related parties						
Sale of goods and services	**17**	19	**–**	1	**197**	171
Purchase of goods and services	**(430)**	(399)	**(163)**	(137)	**(3,108)**	(3,390)
Balances with related parties						
Trade and other receivables from related parties	**3**	5	**1**	1	**23**	17
Trade and other payables to related parties	**(211)**	(126)	**(29)**	(30)	**(93)**	(79)
Loans receivable from related parties	**–**	–	**230**	401	**–**	–

Balances and transactions with joint operations or joint operation partners represent the portion that the Group does not have the right to offset against the corresponding amount recorded by the respective joint operations. These amounts primarily relate to purchases by De Beers and Platinum from their joint operations in excess of the Group's attributable share of their production.

Loans receivable from related parties are included in Financial asset investments on the Consolidated balance sheet.

Remuneration and benefits received by directors are disclosed in the Remuneration report. Remuneration and benefits of key management personnel, including directors, are disclosed in note 26. Information relating to pension fund arrangements is disclosed in note 27.

37. AUDITOR'S REMUNERATION

	2017				2016			
	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)	Paid/payable to Deloitte			Paid/payable to auditor (if not Deloitte)
US$ million	United Kingdom	Overseas	Total	Overseas	United Kingdom	Overseas	Total	Overseas
Paid to the Company's auditor for audit of the Anglo American plc Annual Report	**1.4**	**3.1**	**4.5**	**–**	1.5	2.6	4.1	–
Paid to the Company's auditor for other services to the Group								
Audit of the Company's subsidiaries	**0.9**	**4.1**	**5.0**	**0.3**	0.9	3.9	4.8	0.2
Total audit fees	**2.3**	**7.2**	**9.5**	**0.3**	2.4	6.5	8.9	0.2
Audit related assurance services	**0.4**	**0.9**	**1.3**	**–**	0.5	1.3	1.8	0.1
Taxation compliance services	**–**	**–**	**–**	**–**	–	0.2	0.2	–
Taxation advisory services	**–**	**–**	**–**	**–**	0.3	0.5	0.8	–
Other assurance services	**–**	**0.3**	**0.3**	**–**	0.1	0.6	0.7	–
Other non-audit services	**0.8**	**0.5**	**1.3**	**–**	0.4	0.6	1.0	–
Total non-audit fees	**1.2**	**1.7**	**2.9**	**–**	1.3	3.2	4.5	0.1

Audit related assurance services include $1.3 million (2016: $1.4 million) for the interim review.

Financial statements

OTHER ITEMS

38. ACCOUNTING POLICIES

A. BASIS OF PREPARATION

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and with the requirements of the Disclosure and Transparency rules of the Financial Conduct Authority in the United Kingdom as applicable to periodic financial reporting. The financial statements have been prepared under the historical cost convention as modified by the revaluation of pension assets and liabilities and certain financial instruments. A summary of the principal Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

As permitted by UK company law, the Group's results are presented in US dollars, the currency in which its business is primarily conducted.

Changes in accounting policies and disclosures

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2016, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- Annual Improvements to IFRSs 2014-2016 cycle: IFRS 12 *Disclosure of Interests in Other Entities*.
- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*.
- Amendments to IAS 12 *Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses*.

The adoption of these new accounting pronouncements has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group.

The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the financial statements continues to be adopted. Further details are contained in the Directors' report on page 203.

New IFRS accounting standards, amendments and interpretations not yet adopted

The following are the major new IFRS accounting standards in issue but not yet effective:

IFRS 15 *Revenue from Contracts with Customers*

The Group's revenue is primarily derived from commodity sales, for which the point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). As the transfer of risks and rewards generally coincides with the transfer of control at a point in time under the Incoterms, the timing and amount of revenue recognised by the Group for the sale of commodities is not materially affected.

For the Incoterms Cost, Insurance and Freight (CIF) and Cost and Freight (CFR) the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. Consequently, the freight service on export commodity contracts with CIF/CFR Incoterms represents a separate performance obligation as defined under the new standard, and a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs.

The impact of applying this change during the year ended 31 December 2017 would have been to reduce revenue and operating costs respectively by $29 million with no impact on profit. Current assets and current liabilities as at 31 December 2017 would each have been higher by $39 million.

IFRS 9 *Financial Instruments*

The impacts of adopting IFRS 9 on the Group results for the year ended 31 December 2017 would have been as follows:

- *Impairment:* The impact of the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost would have been to reduce the Group's opening retained earnings at 1 January 2017 by $18 million, to decrease the Group's operating costs by $17 million and increase the Group's profit before tax and underlying earnings by $17 million for the year ended 31 December 2017.
- *Classification and measurement:* The measurement and accounting treatment of the Group's financial assets is materially unchanged on application of the new standard with the exception of equity securities previously categorised as available for sale. These will be held at fair value through other comprehensive income, meaning the recycling of gains and losses on disposal and impairment losses is no longer permitted for this category of asset. There would have been no impact to the net assets of the Group at 1 January 2017 or 31 December 2017 or to the Group's results for the year from this change.
- *Hedge accounting:* The Group has elected to adopt the IFRS 9 hedge accounting requirements from 1 January 2018. The adoption of the new standard would have had no effect on the amounts recognised in relation to hedging arrangements for the year ended 31 December 2017.

IFRS 15 and IFRS 9 became effective for the Group from 1 January 2018. As the effects of applying these standards are considered immaterial to the Group, the Group has elected not to restate prior periods on adoption of the new standards in 2018.

IFRS 16 *Leases*

IFRS 16 was published in January 2016 and will be effective for the Group from 1 January 2019, replacing IAS 17 *Leases*.

The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in the income statement in the form of depreciation of the right of use asset over the lease term, and finance charges representing the unwind of the discount on the lease liability.

Consequently, on adoption of IFRS 16 it is expected that there will be a material increase in lease liabilities representing the present value of future payments under arrangements currently classified as operating leases, along with a corresponding increase in property, plant and equipment right of use assets. Information on the Group's operating lease commitments is disclosed in note 30 Commitments.

During 2017 the Group has continued with its IFRS 16 implementation project, focusing on a review of contracts and aggregation of data to support the evaluation of the accounting impacts of applying the new standard. In addition, work has begun on implementing the necessary changes to internal systems and processes.

Other issued standards and amendments that are not yet effective are not expected to have a significant impact on the financial statements.

OTHER ITEMS

38. ACCOUNTING POLICIES continued

B. BASIS OF CONSOLIDATION

Basis of consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the results of subsidiaries, joint arrangements and associates to bring their accounting policies into line with those used by the Group. Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

For non-wholly owned subsidiaries, non-controlling interests are presented in equity separately from the equity attributable to shareholders of the Company. Profit or loss and other comprehensive income are attributed to the shareholders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest in subsidiaries that do not result in a change in control are accounted for in equity. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recorded directly in equity and attributed to the shareholders of the Company.

Foreign currency transactions and translation

Foreign currency transactions by Group companies are recognised in the functional currencies of the companies at the exchange rate ruling on the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the income statement for the period and are classified in the income statement according to the nature of the monetary item giving rise to them.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period where these approximate the rates at the dates of the transactions. Any exchange differences arising are classified within the statement of comprehensive income and transferred to the Group's cumulative translation adjustment reserve. Exchange differences on foreign currency balances with foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future, and therefore form part of the Group's net investment in these foreign operations, are offset in the cumulative translation adjustment reserve.

Cumulative translation differences are recycled from equity and recognised as income or expense on disposal of the operation to which they relate.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets of the foreign entity and translated at the closing rate.

Tenon

Tenon Investment Holdings Proprietary Limited (Tenon), a wholly owned subsidiary of Anglo American South Africa Limited (AASA), has entered into agreements with Epoch Investment Holdings Proprietary Limited (Epoch), Epoch Two Investment Holdings Proprietary Limited (Epoch Two) and Tarl Investment Holdings Proprietary Limited (Tarl) (collectively the Investment Companies), each owned by independent charitable trusts whose trustees are independent of the Group. Under the terms of these agreements, the Investment Companies have purchased Anglo American plc shares on the market and have granted to Tenon the right to nominate a third party (which may include Anglo American plc but not any of its subsidiaries) to take transfer of the Anglo American plc shares each has purchased on the market. Tenon paid the Investment Companies 80% of the cost of the Anglo American plc shares including associated costs for this right to nominate, which together with subscriptions by Tenon for non-voting participating redeemable preference shares in the Investment Companies, provided all the funding required to acquire the Anglo American plc shares through the market. These payments by Tenon were sourced from the cash resources of AASA. Tenon is able to exercise its right of nomination at any time up to 31 December 2025 against payment of an average amount of $4.41 per share to Epoch, $6.86 per share to Epoch Two and $5.69 per share to Tarl which will be equal to 20% of the total costs respectively incurred by Epoch, Epoch Two and Tarl in purchasing shares nominated for transfer to the third party. These funds will then become available for redemption of the preference shares issued by the Investment Companies. The amount payable by the third party on receipt of the Anglo American plc shares will accrue to Tenon and, as these are own shares of the Company, any resulting gain or loss recorded by Tenon will not be recognised in the Consolidated income statement of Anglo American plc.

Under the agreements, the Investment Companies will receive dividends on the shares they hold and have agreed to waive the right to vote on those shares. The preference shares issued to the charitable trusts are entitled to a participating right of up to 10% of the profit after tax of Epoch and 5% of the profit after tax of Epoch Two and Tarl. The preference shares issued to Tenon will carry a fixed coupon of 3% plus a participating right of up to 80% of the profit after tax of Epoch and 85% of the profit after tax of Epoch Two and Tarl. Any remaining distributable earnings in the Investment Companies, after the above dividends, are then available for distribution as ordinary dividends to the charitable trusts.

The structure effectively provides Tenon with a beneficial interest in the price risk on these shares together with participation in future dividend receipts. The Investment Companies will retain legal title to the shares until Tenon exercises its right to nominate a transferee.

At 31 December 2017 the Investment Companies together held 112,300,129 (2016: 112,300,129) Anglo American plc shares, which represented 8.0% (2016: 8.0%) of the ordinary shares in issue (excluding treasury shares) with a market value of $2,349 million (2016: $1,603 million). The Investment Companies are not permitted to hold more than an aggregate of 10% of the issued share capital of Anglo American plc at any one time.

The Investment Companies are considered to be structured entities. Although the Group has no voting rights in the Investment Companies and cannot appoint or remove trustees of the charitable trusts, the Group considers that the agreement outlined above, including Tenon's right to nominate the transferee of the Anglo American plc shares held by the Investment Companies, result in the Group having control over the Investment Companies as defined under IFRS 10. Accordingly, the Investment Companies are required to be consolidated by the Group.

OTHER ITEMS

38. ACCOUNTING POLICIES continued

C. FINANCIAL PERFORMANCE

Revenue recognition

Revenue is derived principally from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have passed. This is usually when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

Sales of metal concentrate are stated at their invoiced amount which is net of treatment and refining charges. Sales of certain commodities are provisionally priced such that the price is not settled until a predetermined future date and is based on the market price at that time. Revenue on these sales is initially recognised (when the above criteria are met) at the current market price. Provisionally priced sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark-to-market adjustment is recognised in revenue, see note 1 for more information on provisional price adjustments.

Revenues from the sale of material by-products are included within revenue. Where a by-product is not regarded as significant, revenue may be credited against the cost of sales.

Revenue from services is recognised as services are rendered and accepted by the customer. Amounts billed to customers in respect of shipping and handling activities are classified as revenue where the Group is responsible for freight. In situations where the Group is acting as an agent, amounts billed to customers are offset against the relevant costs.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Exploration and evaluation expenditure

Exploration and evaluation expenditure is expensed in the year in which it is incurred.

Exploration expenditure is the cost of exploring for Mineral Resources other than that occurring at existing operations and projects and comprises geological and geophysical studies, exploratory drilling and sampling and Mineral Resource development.

Evaluation expenditure includes the cost of conceptual and pre-feasibility studies and evaluation of Mineral Resources at existing operations.

When a decision is taken that a mining project is technically feasible and commercially viable, usually after a pre-feasibility study has been completed, subsequent directly attributable expenditure, including feasibility study costs, are considered development expenditure and are capitalised within property, plant and equipment.

Exploration properties acquired are recognised on the balance sheet when management considers that their value is recoverable. These properties are measured at cost less any accumulated impairment losses.

Leases

In addition to lease contracts, other significant contracts are assessed to determine whether in substance they are, or contain, a lease. This includes assessment of whether the arrangement is dependent on use of a specific asset and the right to use that asset is conveyed through the contract.

Rental costs under operating leases are recognised in the income statement in equal annual amounts over the lease term.

Borrowing costs

Interest on borrowings directly relating to the financing of qualifying assets in the course of construction is added to the capitalised cost of those projects under 'Capital works in progress', until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

D. CAPITAL BASE

Business combinations and goodwill arising thereon

The identifiable assets, liabilities and contingent liabilities of a subsidiary, a joint arrangement or an associate, which can be measured reliably, are recorded at their provisional fair values at the date of acquisition. The estimation of the fair value of identifiable assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results. Goodwill is the fair value of the consideration transferred (including contingent consideration and previously held non-controlling interests) less the fair value of the Group's share of identifiable net assets on acquisition.

Where a business combination is achieved in stages, the Group's previously held interests in the acquiree are remeasured to fair value at the acquisition date and the resulting gain or loss is recognised in the income statement.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the income statement, where such treatment would be appropriate if that interest were disposed of.

Transaction costs incurred in connection with the business combination are expensed. Provisional fair values are finalised within 12 months of the acquisition date.

Goodwill in respect of subsidiaries and joint operations is included within intangible assets. Goodwill relating to associates and joint ventures is included within the carrying value of the investment.

Where the fair value of the identifiable net assets acquired exceeds the cost of the acquisition, the surplus, which represents the discount on the acquisition, is recognised directly in the income statement in the period of acquisition.

For non-wholly owned subsidiaries, non-controlling interests are initially recorded at the non-controlling interests' proportion of the fair values of net assets recognised at acquisition.

Impairment of goodwill, intangible assets and property, plant and equipment

Goodwill arising on business combinations is allocated to the group of cash generating units (CGUs) that is expected to benefit from synergies of the combination, and represents the lowest level at which goodwill is monitored by the Group's Board of directors for internal management purposes. The recoverable amount of the CGU, or group of CGUs, to which goodwill has been allocated is tested for impairment annually, or when events or changes in circumstances indicate that it may be impaired.

Any impairment loss is recognised immediately in the income statement. Impairment of goodwill is not subsequently reversed.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

OTHER ITEMS

38. ACCOUNTING POLICIES continued

Recoverable amount is the higher of fair value less costs of disposal and value in use (VIU) assessed using discounted cash flow models, as explained in note 7. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or CGU. A reversal of an impairment loss is recognised in the income statement.

In addition, in making assessments for impairment, management necessarily applies its judgement in allocating assets, including goodwill, that do not generate independent cash flows to appropriate CGUs.

Subsequent changes to the CGU allocation, to the timing of cash flows or to the assumptions used to determine the cash flows could impact the carrying value of the respective assets.

Non-mining licences and other intangible assets

Non-mining licences and other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Intangible assets are amortised over their estimated useful lives, usually between 3 and 20 years, except goodwill and those intangible assets that are considered to have indefinite lives. For intangible assets with a finite life, the amortisation period is determined as the period over which the Group expects to obtain benefits from the asset, taking account of all relevant facts and circumstances including contractual lives and expectations about the renewal of contractual arrangements without significant incremental costs. An intangible asset is deemed to have an indefinite life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Group. Amortisation methods, residual values and estimated useful lives are reviewed at least annually.

Deferred stripping

The removal of rock or soil overlying a mineral deposit, overburden, and other waste materials is often necessary during the initial development of an open pit mine site, in order to access the orebody. The process of removing overburden and other mine waste materials is referred to as stripping. The directly attributable cost of this activity is capitalised in full within 'Mining properties and leases', until the point at which the mine is considered to be capable of operating in the manner intended by management. This is classified as expansionary capital expenditure, within investing cash flows.

The removal of waste material after the point at which depreciation commences is referred to as production stripping. When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the income statement as operating costs in accordance with the principles of IAS 2 *Inventories*.

Where production stripping activity both produces inventory and improves access to ore in future periods the associated costs of waste removal are allocated between the two elements. The portion that benefits future ore extraction is capitalised within 'Mining properties and leases'. This is classified as stripping and development capital expenditure, within investing cash flows. If the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. This determination is dependent on an individual mine's design and Life of Mine Plan and therefore changes to the design or Life of Mine Plan will result in changes to these estimates. Identification of the components of a mine's orebody is made by reference to the Life of Mine Plan. The assessment depends on a range of factors including each mine's specific operational features and materiality.

In certain instances significant levels of waste removal may occur during the production phase with little or no associated production. This may occur at both open pit and underground mines, for example longwall development.

The cost of this waste removal is capitalised in full to 'Mining properties and leases'.

All amounts capitalised in respect of waste removal are depreciated using the unit of production method for the component of the orebody to which they relate, consistent with depreciation of property, plant and equipment.

The effects of changes to the Life of Mine Plan on the expected cost of waste removal or remaining Ore Reserves for a component are accounted for prospectively as a change in estimate.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost is the fair value of consideration required to acquire and develop the asset and includes the purchase price, acquisition of mineral rights, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation and, for assets that take a substantial period of time to get ready for their intended use, borrowing costs.

Gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount. The gain or loss is recognised in the income statement.

Depreciation of property, plant and equipment

Mining properties are depreciated to their residual values using the unit of production method based on Proved and Probable Ore Reserves and, in certain limited circumstances, other Mineral Resources included in the Life of Mine Plan. These other Mineral Resources are included in depreciation calculations where, taking into account historical rates of conversion to Ore Reserves, there is a high degree of confidence that they will be extracted in an economic manner. This is the case principally for diamond operations, where depreciation calculations are based on Diamond Reserves and Diamond Resources included in the Life of Mine Plan. This reflects the unique nature of diamond deposits where, due to the difficulty in estimating grade, Life of Mine Plans frequently include significant amounts of Indicated or Inferred Resources.

Buildings and items of plant and equipment for which the consumption of economic benefit is linked primarily to utilisation or to throughput rather than production, are depreciated to their residual values at varying rates on a straight line basis over their estimated useful lives, or the Reserve Life, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings. Under limited circumstances, items of plant and equipment may be depreciated over a period that exceeds the Reserve Life by taking into account additional Mineral Resources other than Proved and Probable Reserves included in the Life of Mine Plan, after making allowance for expected production losses based on historical rates of Mineral Resource to Ore Reserve conversion.

'Capital works in progress' are measured at cost less any recognised impairment. Depreciation commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset class.

Land is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

OTHER ITEMS

38. ACCOUNTING POLICIES continued

Financial assets

Investments, other than investments in subsidiaries, joint arrangements and associates, are financial asset investments and are initially recognised at fair value. At subsequent reporting dates, financial assets classified as held-to-maturity or as loans and receivables are measured at amortised cost, less any impairment losses. Other investments are classified as either at fair value through profit or loss (which includes investments held for trading) or available for sale financial assets. Both categories are subsequently measured at fair value. Where investments are held for trading purposes, unrealised gains and losses for the period are included in the income statement within other gains and losses. For available for sale investments, unrealised gains and losses are recognised in equity until the investment is disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity is recycled to the income statement.

Impairment of financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in the income statement. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment losses relating to available for sale investments are recognised when a decline in fair value is considered significant or prolonged. These impairment losses are recognised by transferring the cumulative loss that has been recognised in the statement of comprehensive income to the income statement. The loss recognised in the income statement is the difference between the acquisition cost and the current fair value.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

Environmental restoration and decommissioning obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of a mining asset. Costs for restoration of site damage, rehabilitation and environmental costs are estimated using either the work of external consultants or internal experts. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises.

These costs are recognised in the income statement over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the income statement as extraction progresses.

The amount recognised as a provision represents management's best estimate of the consideration required to complete the restoration and rehabilitation activity, the application of the relevant regulatory framework and timing of expenditure. These estimates are inherently uncertain and could materially change over time. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out above.

For some South African operations annual contributions are made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine. The Group exercises full control of these trusts and therefore the trusts are consolidated. The trusts' assets are disclosed separately on the balance sheet as non-current assets.

The trusts' assets are measured based on the nature of the underlying assets in accordance with accounting policies for similar assets.

E. WORKING CAPITAL

Inventories

Inventory and work in progress are measured at the lower of cost and net realisable value, except for inventory held by commodity broker-traders which is measured at fair value less costs to sell. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following basis:

- Raw materials and consumables are measured at cost on a first in, first out (FIFO) basis or a weighted average cost basis.
- Work in progress and finished products are measured at raw material cost, labour cost and a proportion of production overhead expenses.
- Metal and coal stocks are included within finished products and are measured at average cost.

At precious metals operations that produce 'joint products', cost is allocated amongst products according to the ratio of contribution of these metals to gross sales revenues.

F. NET DEBT AND FINANCIAL RISK MANAGEMENT

Cash and debt

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet. Cash and cash equivalents in the cash flow statement are shown net of overdrafts. Cash and cash equivalents are measured at amortised cost.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified and accounted for as debt or equity according to the substance of the contractual arrangements entered into.

Borrowings

Interest bearing borrowings and overdrafts are initially recognised at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are recognised in the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

OTHER ITEMS

38. ACCOUNTING POLICIES continued

Derivative financial instruments and hedge accounting

In order to hedge its exposure to foreign exchange, interest rate and commodity price risk, the Group enters into forward, option and swap contracts. The Group does not use derivative financial instruments for speculative purposes. Commodity based (own use) contracts that meet the scope exemption in IAS 39 *Financial Instruments: Recognition and Measurement* are recognised in earnings when they are settled by physical delivery.

All derivatives are held at fair value in the balance sheet within 'Derivative financial assets' or 'Derivative financial liabilities' except if they are linked to settlement and delivery of an unquoted equity instrument and the fair value cannot be measured reliably, in which case they are carried at cost. Derivatives are classified as current or non-current depending on the contractual maturity of the derivative. A derivative cannot be measured reliably where the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reasonably assessed.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows (cash flow hedges) are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged. The corresponding entry and gains or losses arising from remeasuring the associated derivative are recognised in the income statement.

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity (within the cumulative translation adjustment reserve). The ineffective portion is recognised immediately in the income statement. Gains or losses accumulated in the cumulative translation adjustment reserve are recycled to the income statement on disposal of the foreign operations to which they relate.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, revoked, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is recycled to the income statement for the period.

Changes in the fair value of any derivative instruments that are not designated in a hedge relationship are recognised immediately in the income statement.

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the income statement.

G. TAXATION

Tax

The tax expense includes the current tax and deferred tax charge recognised in the income statement.

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis in that taxation authority.

H. EMPLOYEES

Retirement benefits

The Group's accounting policy involves the use of 'best estimate' assumptions in calculating the schemes' valuations in accordance with the accounting standard. This valuation methodology differs from that applied in calculating the funding valuations, which require the use of 'prudent' assumptions, such as lower discount rates, higher assumed rates of future inflation expectations and greater improvements in life expectancy, leading to a higher value placed on the liabilities. The funding valuations are carried out every three years, using the projected credit method, by independent qualified actuaries and are used to determine the money that must be put into the funded schemes. The Group operates both defined benefit and defined contribution pension plans for its employees as well as post employment medical plans. For defined contribution plans the amount recognised in the income statement is the contributions paid or payable during the year.

For defined benefit pension and post employment medical plans, full actuarial valuations are carried out at least every three years using the projected unit credit method and updates are performed for each financial year end. The average discount rate for the plans' liabilities is based on AA rated corporate bonds of a suitable duration and currency or, where there is no deep market for such bonds, is based on government bonds. Pension plan assets are measured using year end market values.

Remeasurements comprising actuarial gains and losses, movements in asset surplus restrictions and the return on scheme assets (excluding interest income) are recognised immediately in the statement of comprehensive income and are not recycled to the income statement. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit. The net interest income or cost on the net defined benefit asset or liability is included in investment income or interest expense respectively.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise amortised on a straight line basis over the average period until the benefits vest.

The retirement benefit obligation recognised on the balance sheet represents the present value of the deficit or surplus of the defined benefit plans. Any recognised surplus is limited to the present value of available refunds or reductions in future contributions to the plan.

OTHER ITEMS

38. ACCOUNTING POLICIES continued

Share-based payments

The Group makes equity settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. For those share schemes with market related vesting conditions, the fair value is determined using the Monte Carlo model at the grant date. The fair value of share options issued with non-market vesting conditions has been calculated using the Black Scholes model.

For all other share awards, the fair value is determined by reference to the market value of the shares at the grant date. For all share schemes with non-market vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

I. GROUP STRUCTURE

Associates and joint arrangements

Associates are investments over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but without the ability to exercise control or joint control. Typically the Group owns between 20% and 50% of the voting equity of its associates.

Joint arrangements are arrangements in which the Group shares joint control with one or more parties. Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the activities that significantly affect the arrangement's returns require the unanimous consent of the parties sharing control.

Judgement is required in determining this classification through an evaluation of the facts and circumstances arising from each individual arrangement. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. In joint operations, the parties have rights to the assets and obligations for the liabilities relating to the arrangement, whereas in joint ventures, the parties have rights to the net assets of the arrangement.

Joint arrangements that are not structured through a separate vehicle are always joint operations. Joint arrangements that are structured through a separate vehicle may be either joint operations or joint ventures depending on the substance of the arrangement. In these cases, consideration is given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties, and the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates that the parties to the arrangements have rights to the assets and obligations for the liabilities.

Certain joint arrangements that are structured through separate vehicles including Collahuasi, Debswana and Namdeb are accounted for as joint operations. These arrangements are primarily designed for the provision of output to the parties sharing joint control, indicating that the parties have rights to substantially all the economic benefits of the assets. The liabilities of the arrangements are in substance satisfied by cash flows received from the parties; this dependence indicates that the parties effectively have obligations for the liabilities. It is primarily these facts and circumstances that give rise to the classification as joint operations.

The Group accounts for joint operations by recognising the assets, liabilities, revenue and expenses for which it has rights or obligations, including its share of such items held or incurred jointly.

Investments in associates and joint ventures are accounted for using the equity method of accounting except when classified as held for sale. The Group's share of associates' and joint ventures' net income is based on their most recent audited financial statements or unaudited interim statements drawn up to the Group's balance sheet date.

The total carrying values of investments in associates and joint ventures represent the cost of each investment including the carrying value of goodwill, the share of post acquisition retained earnings, any other movements in reserves and any long-term debt interests which in substance form part of the Group's net investment. The carrying values of associates and joint ventures are reviewed on a regular basis and if there is objective evidence that an impairment in value has occurred as a result of one or more events during the period, the investment is impaired.

The Group's share of an associate's or joint venture's losses in excess of its interest in that associate or joint venture is not recognised unless the Group has an obligation to fund such losses. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when a sale is highly probable within one year from the date of classification, management is committed to the sale and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment loss is recognised in the income statement.

On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

Black Economic Empowerment (BEE) transactions

Where the Group disposes of a portion of a South African based subsidiary or operation to a BEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 Accounting for Black Economic Empowerment (BEE) Transactions).

The discount provided or value given is calculated in accordance with IFRS 2 and the cost, representing the fair value of the BEE credentials obtained by the subsidiary, is recorded in the income statement.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

Balance sheet of the Company, Anglo American plc, as at 31 December 2017

US$ million	Note	2017	2016
Fixed assets			
Investment in subsidiaries	1	**29,916**	29,344
Current assets			
Amounts due from Group undertakings		**727**	576
Cash at bank and in hand		**1**	8
		728	584
Creditors due within one year			
Amounts owed to Group undertakings		**(275)**	(200)
		(275)	(200)
Net current assets		**453**	384
Total assets less current liabilities		**30,369**	29,728
Net assets		**30,369**	29,728
Capital and reserves			
Called-up share capital	2	**772**	772
Share premium account	2	**4,358**	4,358
Capital redemption reserve	2	**115**	115
Other reserves	2	**1,955**	1,955
Profit and loss account	2	**23,169**	22,528
Total shareholders' funds (equity)		**30,369**	29,728

The profit after tax for the year of the Company amounted to $1,104 million (2016: loss of $343 million).

The financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 21 February 2018 and signed on its behalf by:

Mark Cutifani
Chief Executive

Stephen Pearce
Finance Director

Financial statements

1. INVESTMENT IN SUBSIDIARIES

US$ million	2017	2016
Cost		
At 1 January	29,808	15,142
Capital contributions[(1)]	125	146
Additions	–	14,520
At 31 December	29,933	29,808
Provisions for impairment		
At 1 January	(464)	(17)
Credit/(charge) for the year[(2)]	447	(447)
At 31 December	(17)	(464)
Net book value	29,916	29,344

(1) This amount is net of $17 million (2016: $13 million) of intra-group recharges.
(2) This relates to an impairment reversal of $447 million (2016: charge of $447 million) that was recorded in 2016 with respect to an equity holding in one of the Company's subsidiaries.

Further information about subsidiaries is provided in note 35 to the Consolidated financial statements.

2. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

US$ million	Called-up share capital	Share premium account	Capital redemption reserve	Other reserves[(1)]	Profit and loss account[(2)]	Total
At 1 January 2016	772	4,358	115	1,955	22,776	29,976
Loss for the financial year	–	–	–	–	(343)	(343)
Net purchase of treasury shares under employee share schemes	–	–	–	–	(64)	(64)
Capital contribution to Group undertakings	–	–	–	–	159	159
At 31 December 2016	772	4,358	115	1,955	22,528	29,728
Profit for the financial year	–	–	–	–	1,104	1,104
Dividends payable to Company shareholders[(3)]	–	–	–	–	(410)	(410)
Net purchase of treasury shares under employee share schemes	–	–	–	–	(195)	(195)
Capital contribution to Group undertakings	–	–	–	–	142	142
At 31 December 2017	772	4,358	115	1,955	23,169	30,369

(1) At 31 December 2017 other reserves of $1,955 million (2016: $1,955 million) were not distributable under the Companies Act 2006.
(2) At 31 December 2017 $2,685 million (2016: $2,685 million) of the Company profit and loss account of $23,169 million (2016: $22,528 million) was not distributable under the Companies Act 2006.
(3) Dividends payable relate only to shareholders on the United Kingdom principal register excluding dividends waived by Wealth Nominees Limited as nominees for Estera Trust (Jersey) Limited, the trustee for the Anglo American employee share scheme. Dividends paid to shareholders on the Johannesburg branch register are distributed by a South African subsidiary in accordance with the terms of the Dividend Access Share Provisions of Anglo American plc's Articles of Association. The directors are proposing a final dividend in respect of the year ended 31 December 2017 of 54 US cents per share (see note 6 of the Consolidated financial statements).

The audit fee in respect of the Company was $6,807 (2016: $6,323). Fees payable to Deloitte for non-audit services to the Company are not required to be disclosed because they are included within the consolidated disclosure in note 37.

3. ACCOUNTING POLICIES: ANGLO AMERICAN PLC (THE COMPANY)

The Company balance sheet and related notes have been prepared under the historical cost convention and in accordance with Financial Reporting Standards 100 *Application of Financial Reporting Requirements* (FRS 100) and Financial Reporting Standards 101 *Reduced Disclosure Framework* (FRS 101).

A summary of the principal accounting policies is set out below.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these financial statements.

Significant accounting policies

Investments

Investments represent equity holdings in subsidiaries and are measured at cost less accumulated impairment.

Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are derecognised when they are discharged or when the contractual terms expire.

Dividends

Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Share-based payments

The Company has applied the requirements of IFRS 2 *Share-based payment*.

The Company makes equity settled share-based payments to the directors, which are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. For those share schemes with market related vesting conditions, the fair value is determined using the Monte Carlo model at the grant date. The fair value of share options issued with non-market vesting conditions has been calculated using the Black Scholes model. For all other share awards, the fair value is determined by reference to the market value of the shares at the grant date. For all share schemes with non-market vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

The Company also makes equity settled share-based payments to certain employees of certain subsidiary undertakings. Equity settled share-based payments that are made to employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest.

Any payments received from subsidiaries are applied to reduce the related increases in Investments in subsidiaries.

SUMMARY BY OPERATION

This section includes certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 194.

Marketing activities are allocated to the underlying operation to which they relate.

	Group revenue[1]		Underlying EBITDA		Underlying earnings		Capital expenditure	
US$ million	2017	2016	2017	2016	2017	2016	2017	2016
De Beers	**5,841**	6,068	**1,435**	1,406	**528**	667	**273**	526
Mining								
Debswana (Botswana)	**n/a**	n/a	**484**	571	**n/a**	n/a	**86**	90
Namdeb Holdings (Namibia)	**n/a**	n/a	**176**	184	**n/a**	n/a	**33**	65
South Africa	**n/a**	n/a	**267**	268	**n/a**	n/a	**114**	156
Canada	**n/a**	n/a	**205**	79	**n/a**	n/a	**(5)**	184
Trading	**n/a**	n/a	**449**	378	**n/a**	n/a	**1**	3
Other[2]	**n/a**	n/a	**(110)**	(35)	**n/a**	n/a	**44**	28
Projects and corporate	**–**	–	**(36)**	(39)	**n/a**	n/a	**–**	–
Copper	**4,233**	3,066	**1,508**	903	**370**	354	**665**	563
Los Bronces	**1,839**	1,386	**737**	326	**n/a**	n/a	**245**	241
Collahuasi	**1,314**	1,068	**806**	569	**356**	221	**243**	144
Other operations	**1,080**	612	**76**	83	**n/a**	n/a	**177**	178
Projects and corporate	**–**	–	**(111)**	(75)	**(72)**	(75)	**–**	–
Platinum	**5,078**	4,394	**866**	532	**217**	65	**355**	314
Mogalakwena	**1,211**	968	**578**	393	**n/a**	n/a	**151**	157
Amandelbult	**858**	727	**88**	97	**n/a**	n/a	**34**	25
Purchase of concentrate[3]	**1,884**	1,033	**173**	96	**n/a**	n/a	**–**	–
Other operations	**1,125**	1,666	**83**	(14)	**n/a**	n/a	**170**	129
Projects and corporate	**–**	–	**(56)**	(40)	**n/a**	n/a	**–**	3
Iron Ore and Manganese	**5,831**	3,426	**2,357**	1,536	**1,026**	566	**252**	269
Kumba Iron Ore	**3,486**	2,801	**1,474**	1,347	**467**[4]	475[4]	**229**	160
Iron Ore Brazil (Minas-Rio)	**1,405**	–	**435**	(6)	**413**	4	**23**	109
Samancor (Manganese)	**940**	625	**529**	258	**223**	146	**–**	–
Projects and corporate	**–**	–	**(81)**	(63)	**(77)**[4]	(59)[4]	**–**	–
Coal	**7,211**	5,263	**2,868**	1,646	**1,763**	913	**568**	613
Metallurgical Coal	**3,675**	2,547	**1,977**	996	**1,348**	625	**416**	523
South Africa	**2,746**	2,109	**588**	473	**311**	258	**152**	90
Cerrejón	**790**	607	**385**	235	**181**	85	**–**	–
Projects and corporate	**–**	–	**(82)**	(58)	**(77)**	(55)	**–**	–
Nickel	**451**	426	**81**	57	**(4)**	(57)	**28**	62
Corporate and other[5]	**5**	499	**(292)**	(5)	**(628)**	(298)	**9**	40
Niobium and Phosphates	**–**	495	**–**	118	**–**	78	**–**	26
Exploration	**–**	–	**(103)**	(107)	**(91)**	(99)	**–**	–
Corporate activities and unallocated costs	**5**	4	**(189)**	(16)	**(537)**	(277)	**9**	14
	28,650	23,142	**8,823**	6,075	**3,272**	2,210	**2,150**	2,387

[1] Group revenue for copper is shown after deduction of treatment and refining charges (TC/RCs).
[2] Other includes Element Six, downstream activities and the purchase price allocation adjustment.
[3] Purchase of concentrate from joint ventures, associates and third parties for processing into refined metals.
[4] Of the projects and corporate expense, which includes a corporate cost allocation, $49 million (2016: $37 million) relates to Kumba Iron Ore. The total contribution from Kumba Iron Ore to the Group's underlying earnings is $418 million (2016: $438 million).
[5] Comparative information for Corporate and other has been restated to include Niobium and Phosphates, which was sold in 2016.

KEY FINANCIAL DATA

This section includes certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 194.

US$ million (unless otherwise stated)	2017	2016	2015	2014	2013	2012 restated[1]	2011	2010	2009	2008
Income statement measures										
Group revenue	**28,650**	23,142	23,003	30,988	33,063	32,785	36,548	32,929	24,637	32,964
Underlying EBIT	**6,247**	3,766	2,223	4,933	6,620	6,253	11,095	9,763	4,957	10,085
Underlying EBITDA	**8,823**	6,075	4,854	7,832	9,520	8,860	13,348	11,983	6,930	11,847
Revenue	**26,243**	21,378	20,455	27,073	29,342	28,680	30,580	27,960	20,858	26,311
Net finance costs (before special items and remeasurements)	**(473)**	(209)	(458)	(256)	(276)	(299)	(20)	(244)	(273)	(452)
Profit/(loss) before tax	**5,505**	2,624	(5,454)	(259)	1,700	(171)	10,782	10,928	4,029	8,571
Profit/(loss) for the financial year	**4,059**	1,926	(5,842)	(1,524)	426	(564)	7,922	8,119	2,912	6,120
Non-controlling interests	**(893)**	(332)	218	(989)	(1,387)	(906)	(1,753)	(1,575)	(487)	(905)
Profit/(loss) attributable to equity shareholders of the Company	**3,166**	1,594	(5,624)	(2,513)	(961)	(1,470)	6,169	6,544	2,425	5,215
Underlying earnings	**3,272**	2,210	827	2,217	2,673	2,860	6,120	4,976	2,569	5,237
Balance sheet measures										
Capital employed	**32,813**	31,904	32,842	43,782	46,551	49,757	41,667	42,135	36,623	29,808
Net assets	**28,882**	24,325	21,342	32,177	37,364	43,738	43,189	37,971	28,069	21,756
Non-controlling interests	**(5,910)**	(5,309)	(4,773)	(5,760)	(5,693)	(6,127)	(4,097)	(3,732)	(1,948)	(1,535)
Equity attributable to equity shareholders of the Company	**22,972**	19,016	16,569	26,417	31,671	37,611	39,092	34,239	26,121	20,221
Cash flow measures										
Cash flows from operations	**8,375**	5,838	4,240	6,949	7,729	7,370	11,498	9,924	4,904	9,579
Capital expenditure	**(2,150)**	(2,387)	(4,177)	(6,018)	(6,075)	(5,947)	(5,672)	(4,902)	(4,707)	(5,282)
Net debt	**(4,501)**	(8,487)	(12,901)	(12,871)	(10,652)	(8,510)	(1,374)	(7,384)	(11,280)	(11,340)
Metrics and ratios										
Underlying earnings per share (US$)	**2.57**	1.72	0.64	1.73	2.09	2.28	5.06	4.13	2.14	4.36
Earnings per share (US$)	**2.48**	1.24	(4.36)	(1.96)	(0.75)	(1.17)	5.10	5.43	2.02	4.34
Ordinary dividend per share (US cents)	**102**	–	32	85	85	85	74	65	–	44
Ordinary dividend cover (based on underlying earnings per share)	**2.5**	–	2.0	2.0	2.5	2.7	6.8	6.4	–	9.9
Underlying EBIT margin	**21.8%**	16.3%	9.7%	15.9%	20.0%	19.1%	30.4%	29.6%	20.1%	30.6%
Underlying EBIT interest cover[2]	**16.5**	16.7	10.1	30.1	35.8	36.8	n/a	34.2	19.6	24.1
Underlying effective tax rate	**29.7%**	24.6%	31.0%	29.8%	32.0%	29.0%	28.3%	31.9%	33.1%	33.4%
Gearing (net debt to total capital)[3]	**13%**	26%	38%	29%	22%	16%	3%	16%	29%	34%

[1] Certain balances relating to 2012 were restated to reflect the adoption of new accounting pronouncements. See note 2 of the 2013 Consolidated financial statements for details.

[2] Underlying EBIT interest cover is underlying EBIT divided by net finance costs, excluding net foreign exchange gains and losses, unwinding of discount relating to provisions and other liabilities, financing special items and remeasurements, and including the Group's attributable share of associates' and joint ventures' net finance costs, which in 2011 resulted in a net finance income and therefore the ratio is not applicable.

[3] Net debt to total capital is calculated as net debt divided by total capital (being 'Net assets' as shown in the Consolidated balance sheet excluding net debt).

EXCHANGE RATES AND COMMODITY PRICES

US$ exchange rates	2017	2016
Year end spot rates		
South African rand	12.31	13.73
Brazilian real	3.31	3.25
Sterling	0.74	0.81
Australian dollar	1.28	1.38
Euro	0.83	0.95
Chilean peso	615	667
Botswana pula	9.85	10.69
Average rates for the year		
South African rand	13.31	14.70
Brazilian real	3.19	3.48
Sterling	0.78	0.74
Australian dollar	1.30	1.34
Euro	0.89	0.90
Chilean peso	649	676
Botswana pula	10.34	10.89

Commodity prices		2017	2016
Year end spot prices			
Copper(1)	US cents/lb	325	250
Platinum(2)	US$/oz	925	898
Palladium(2)	US$/oz	1,057	670
Rhodium(3)	US$/oz	1,700	758
Iron ore (62% Fe CFR)(4)	US$/tonne	74	80
Iron ore (66% Fe Concentrate CFR)(5)	US$/tonne	96	101
Hard coking coal (FOB Australia)(4)	US$/tonne	262	230
PCI (FOB Australia)(4)	US$/tonne	147	112
Thermal coal (FOB South Africa)(6)	US$/tonne	95	86
Thermal coal (FOB Australia)(7)	US$/tonne	104	94
Thermal coal (FOB Colombia)(6)	US$/tonne	86	94
Nickel(1)	US cents/lb	556	454
Average market prices for the year			
Copper(1)	US cents/lb	280	221
Platinum(2)	US$/oz	950	989
Palladium(2)	US$/oz	871	615
Rhodium(3)	US$/oz	1,097	681
Iron ore (62% Fe CFR)(4)	US$/tonne	71	58
Iron ore (66% Fe Concentrate CFR)(5)	US$/tonne	87	69
Hard coking coal (FOB Australia)(8)	US$/tonne	188	143
PCI (FOB Australia)(8)	US$/tonne	119	97
Thermal coal (FOB South Africa)(6)	US$/tonne	84	64
Thermal coal (FOB Australia)(7)	US$/tonne	89	66
Thermal coal (FOB Colombia)(6)	US$/tonne	78	58
Nickel(1)	US cents/lb	472	436

(1) Source: London Metal Exchange (LME).
(2) Source: London Platinum and Palladium Market (LPPM).
(3) Source: Comdaq.
(4) Source: Platts.
(5) Source: Metal Bulletin.
(6) Source: Argus/McCloskey.
(7) Source: globalCOAL.
(8) Represents average spot prices. Prior year prices were previously based on the quarterly average benchmark and have been restated accordingly.

INTRODUCTION

The Ore Reserve and Mineral Resource estimates presented in this Annual Report are prepared in accordance with the Anglo American plc (AA plc) Reporting of Exploration Results, Mineral Resources and Ore Reserves standard. This standard requires that the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition (the JORC Code) be used as a minimum standard. Some Anglo American plc subsidiaries have a primary listing in South Africa where public reporting is carried out in accordance with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code). The SAMREC Code is similar to the JORC Code and the Ore Reserve and Mineral Resource terminology appearing in this section follows the definitions in both the JORC (2012) and SAMREC (2016 Edition) Codes. Ore Reserves in the context of this Annual Report have the same meaning as 'Mineral Reserves' as defined by the SAMREC Code and the CIM (Canadian Institute of Mining and Metallurgy) Definition Standards on Mineral Resources and Mineral Reserves.

The information on Ore Reserves and Mineral Resources was prepared by or under the supervision of Competent Persons as defined in the JORC or SAMREC Codes. All Competent Persons have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. All the Competent Persons consent to the inclusion in this report of the information in the form and context in which it appears. The names of the Competent Persons (CPs) along with their Recognised Professional Organisation (RPO) affiliation and years of relevant experience are listed in the Ore Reserve and Mineral Resource Report 2017.

Anglo American Group companies are subject to a comprehensive programme of reviews aimed at providing assurance in respect of Ore Reserve and Mineral Resource estimates. The reviews are conducted by suitably qualified Competent Persons from within the Anglo American Group, or by independent consultants. The frequency and depth of the reviews is a function of the perceived risks and/or uncertainties associated with a particular Ore Reserve and Mineral Resource. The overall value of the entity and time that has lapsed since an independent third-party review is also considered. Those operations/projects that were subjected to independent third-party reviews during the year are indicated in footnotes to the tables.

The JORC and SAMREC Codes require due consideration of reasonable prospects for eventual economic extraction for Mineral Resource definition. These include long-range commodity price forecasts which are prepared by in-house specialists largely using estimates of future supply and demand and long term economic outlooks. The calculation of Mineral Resource and Ore Reserve estimates are based on long-term prices determined at the beginning of the second quarter each year. Ore Reserves are dynamic and are more likely to be affected by fluctuations in the prices of commodities, uncertainties in production costs, processing costs and other mining, infrastructure, legal, environmental, social and governmental factors which may impact the financial condition and prospects of the Group. Mineral Resource estimates also change and tend to be influenced mostly by new information pertaining to the understanding of the deposit and secondly by the conversion to Ore Reserves. Unless otherwise stated, Mineral Resources are additional to (exclusive of) those resources converted to Ore Reserves and are reported on a dry tonnes basis.

The appropriate Mineral Resource classification is determined by the appointed Competent (or Qualified) Persons. The choice of appropriate category of Mineral Resource depends upon the quantity, distribution and quality of geoscientific information available and the level of confidence in these data.

The detailed Ore Reserve and Mineral Resource estimates, Reserve and Resource Reconciliation Overview, Definitions and Glossary are contained in the separate Ore Reserves and Mineral Resources Report 2017 which is available in the Annual Reporting Centre on the Anglo American website.

To accommodate the various factors that are important in the development of a classified Mineral Resource estimate, a scorecard approach is generally used. Mineral Resource classification defines the confidence associated with different parts of the Mineral Resource. The confidence that is assigned refers collectively to the reliability of the Grade and Tonnage estimates. This reliability includes consideration for the fidelity of the base data, the geological continuity predicated by the level of understanding of the geology, the likely precision of the estimated grades and understanding of grade variability, as well as various other factors (in particular density) that may influence the confidence that can be placed on the Mineral Resource. Most business units have developed commodity-specific scorecard-based approaches to the classification of their Mineral Resources.

The estimates of Ore Reserves and Mineral Resources are stated as at 31 December 2017. The figures in the tables have been rounded, and if used to derive totals and averages, minor differences with stated results could occur.

The Ore Reserves and Mineral Resources Report 2017 should be considered the only valid source of Ore Reserve and Mineral Resource information for the Anglo American group exclusive of Kumba Iron Ore and Anglo American Platinum Limited which publish their own independent annual reports.

It is accepted that mine design and planning may include some Inferred Mineral Resources. Inferred Mineral Resources in the Life of Mine Plan (LOM Plan) are described as 'Inferred (in LOM Plan)' separately from the remaining Inferred Mineral Resources described as 'Inferred (ex. LOM Plan)', as required. These resources are declared without application of any Modifying Factors. Reserve Life reflects the scheduled extraction period in years for the total Ore Reserves in the approved Life of Mine Plan.

The Ownership (Attributable) Percentage that Anglo American holds in each operation and project is presented beside the name of each entity. Operations and projects which fall below the internal threshold for reporting (25% attributable interest) are excluded from the Ore Reserves and Mineral Resources estimates. Operations or projects which were disposed of during 2017 and hence not reported are: Pandora (Platinum) and Dartbrook (Coal).

In South Africa, the Minerals and Petroleum Resources Development Act, Number 28 of 2002 (MPRDA) was implemented on 1 May 2004 (subsequently amended by the Minerals and Petroleum Resources Development Amendment Act 49 of 2008) effectively transferred custodianship of the previously privately held mineral rights to the State.

A Prospecting Right is a right issued in terms of the MPRDA that is valid for up to five years, with the possibility of a further extension of three years.

A Mining Right is a right issued in terms of the MPRDA and is valid for up to 30 years, with the possibility of a further extension of 30 years. The Minister of Mineral Resources will grant a renewal of the Mining Right if the terms and conditions of the Mining Right have been complied with and the applicant is not in contravention of any relevant provisions of the MPRDA.

In preparing the Ore Reserve and Mineral Resource statement for South African assets, Anglo American plc has adopted the following reporting principles in respect of Prospecting Rights and Mining Rights:

- Where applications for Mining Rights and Prospecting Rights have been submitted and these are still being processed by the relevant regulatory authorities, the relevant Ore Reserves and Mineral Resources have been included in the statement.
- Where applications for Mining Rights and Prospecting Rights have been initially refused by the regulatory authorities, but are the subject of ongoing legal process and discussions with the relevant authorities and where Anglo American plc has reasonable expectations that the Prospecting Rights will be granted in due course, the relevant Mineral Resources have been included in the statement (any associated comments appear in the footnotes).

ESTIMATED ORE RESERVES[1]

as at 31 December 2017

Detailed Proved and Probable estimates appear on the referenced pages in the Ore Reserves and Mineral Resources Report 2017.

					Proved + Probable		
DIAMOND[3] OPERATIONS – DBCi (See page 10 in R&R Report for details)		Ownership %	Mining Method	LOM[2] (years)	Saleable Carats (Mct)	Treated Tonnes (Mt)	Recovered Grade (cpht)
Gahcho Kué	Kimberlite	43.4	OP	11	48.4	30.9	156.9
Victor	Kimberlite	85.0	OP	2	0.0	0.1	18.7
DIAMOND[3] OPERATIONS – DBCM (See page 12 in R&R Report for details)		Ownership %	Mining Method	LOM[2] (years)	Saleable Carats (Mct)	Treated Tonnes (Mt)	Recovered Grade (cpht)
Venetia (OP)	Kimberlite	62.9	OP	29	18.4	14.7	125.5
Venetia (UG)	Kimberlite		UG		79.4	98.9	80.3
Voorspoed	Kimberlite	62.9	OP	3	–	–	–
DIAMOND[3] OPERATIONS – Debswana (See pages 14 & 15 in R&R Report for details)		Ownership %	Mining Method	LOM[2] (years)	Saleable Carats (Mct)	Treated Tonnes (Mt)	Recovered Grade (cpht)
Damtshaa	Kimberlite	42.5	OP	17	4.9	25.6	19.2
Jwaneng	Kimberlite	42.5	OP	17	174.8	138.2	126.5
Letlhakane	TMR	42.5	n/a	26	8.4	34.6	24.3
Orapa	Kimberlite	42.5	OP	13	140.8	144.5	97.5
DIAMOND[3] OPERATIONS – Namdeb (See page 16 in R&R Report for details)		Ownership %	Mining Method	LOM[2] (years)	Saleable Carats (kct)	Treated Tonnes (kt)	Recovered Grade (cpht)
Elizabeth Bay	Aeolian and Marine	42.5	OC	2	78	754	10.28
Mining Area 1	Beaches	42.5	OC	5	36	673	5.37
Orange River	Fluvial Placers	42.5	OC	4	132	13,796	0.96
					Saleable Carats (kct)	Area k (m^2)	Recovered Grade (cpm^2)
Atlantic 1	Marine Placers	42.5	MM	20	6,094	89,883	0.07
Midwater	Marine	42.5	MM	3	129	435	0.30
COPPER OPERATIONS (See page 18 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)	Contained Copper (kt)	ROM Tonnes (Mt)	Grade (%TCu)
Collahuasi	Sulphide (direct feed)	44.0	OP	69	27,085	2,721.5	1.00
	Low Grade Sulphide (*in situ* + stockpile)				2,818	498.1	0.57
El Soldado	Sulphide	50.1	OP	10	614	77.4	0.79
Los Bronces	Sulphide – Flotation	50.1	OP	23	6,443	1,054.9	0.61
	Sulphide – Dump Leach				1,361	460.2	0.30
PLATINUM[4] OPERATIONS (See page 21 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)	Contained Metal (4E Moz)	ROM Tonnes (Mt)	Grade (4E g/t)
Merensky Reef		33.8	UG	n/a	13.4	90.2	4.61
UG2 Reef		57.8	UG	n/a	38.6	294.3	4.07
Platreef	*In situ* + stockpile	78.0	OP	n/a	126.6	1,399.1	2.81
Main Sulphide Zone		78.0	UG	n/a	5.2	47.4	3.44
KUMBA IRON ORE OPERATIONS (See page 29 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		Saleable Product (Mt)	Grade (%Fe)
Kolomela	Hematite	53.2	OP	14		168	64.3
Sishen	Hematite	53.2	OP	13		370	64.6
IRON ORE BRAZIL OPERATIONS (See page 30 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		Saleable Product[5] (Mt)	Grade[5] (%Fe)
Serra do Sapo	Friable Itabirite and Hematite	100	OP	51		715	67.5
	Itabirite		OP			738	67.5
SAMANCOR MANGANESE OPERATIONS (See page 31 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		ROM Tonnes (Mt)	Grade (%Mn)
GEMCO[6]	ROM + Sand Tailings	40.0	OP	7		67.9	44.3
Mamatwan		29.6	OP	16		55.0	36.8
Wessels		29.6	UG	61		83.1	42.4

Operations = Mines in steady-state or projects in ramp-up phase. TMR = Tailings Mineral Resource.
Mining method: OP = Open Pit, UG = Underground, MM = Marine Mining.
Mct = Million carats. Mt = Million tonnes. kct = thousand carats. kt = thousand tonnes. k (m^2) = thousand square metres.
Diamond Recovered Grade is quoted as carats per hundred metric tonnes (cpht) or as carats per square metre (cpm^2)
Estimates of 0.0 represent numbers less than 0.05.
TCu = Total Copper. 4E is the sum of Platinum, Palladium, Rhodium and Gold.
Moz = Million troy ounces. g/t = grams per tonne.
ROM = Run of Mine.

Estimated Ore Reserves continued

					Proved + Probable		
COAL OPERATIONS – Australia (See page 32 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		Saleable Tonnes[7] (Mt)	Saleable Quality
Capcoal (OC)*	Metallurgical – Coking	78.6	OC	15		28.0	5.5 CSN
	Metallurgical – Other					44.3	6,840 kcal/kg
	Thermal – Export					7.3	6,210 kcal/kg
Capcoal (UG)*	Metallurgical – Coking	70.0	UG	1		4.1	8.5 CSN
Dawson	Metallurgical – Coking	51.0	OC	14		61.1	7.0 CSN
	Thermal – Export					56.3	6,510 kcal/kg
Grosvenor	Metallurgical – Coking	100	UG	30		108.2	8.5 CSN
Moranbah North	Metallurgical – Coking	88.0	UG	11		81.6	8.0 CSN
COAL OPERATIONS – Canada (See page 32 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		Saleable Tonnes[7] (Mt)	Saleable Quality
Trend	Metallurgical – Coking	100	OC	7		8.3	7.0 CSN
Roman Mountain	Metallurgical – Coking	100	OC	15		25.8	7.0 CSN
COAL OPERATIONS – Colombia (See page 32 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		Saleable Tonnes[7] (Mt)	Saleable Quality
Cerrejón	Thermal – Export	33.3	OC	16		459.1	6,140 kcal/kg
COAL OPERATIONS – South Africa (See page 33 & 37 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		Saleable Tonnes[7] (Mt)	Saleable Quality
Goedehoop	Thermal – Export	100	UG	8		25.0	5,930 kcal/kg
Goedehoop – MRD	Thermal – Export		n/a	3		1.3	5,070 kcal/kg
Greenside	Thermal – Export	100	UG	10		29.6	5,880 kcal/kg
Greenside – MRD	Thermal – Export		n/a	2		0.4	5,590 kcal/kg
Isibonelo	Synfuel	100	OC	9		44.4	4,640 kcal/kg
Kleinkopje	Thermal – Export	100	OC	8		20.6	6,270 kcal/kg
Kriel	Thermal – Domestic	73.0	UG&OC	6		22.4	4,840 kcal/kg
Landau	Thermal – Export	100	OC	8		21.9	5,870 kcal/kg
	Thermal – Domestic					3.4	4,430 kcal/kg
Mafube	Thermal – Export	50.0	OC	13		27.9	6,040 kcal/kg
	Thermal – Domestic					14.4	5,010 kcal/kg
New Denmark	Thermal – Domestic	100	UG	19		95.7	5,080 kcal/kg
New Vaal	Thermal – Domestic	100	OC	12		192.6	3,520 kcal/kg
Zibulo	Thermal – Export	73.0	UG&OC	16		55.0	5,980 kcal/kg
	Thermal – Domestic					9.4	4,950 kcal/kg
NICKEL OPERATIONS (See page 39 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)	Contained Nickel (kt)	ROM Tonnes (Mt)	Grade (%Ni)
Barro Alto	Saprolite	100	OP	22	586	41.9	1.40
Niquelândia	Saprolite	100	OP	17	98	7.8	1.26

Operations = Mines in steady-state or projects in ramp-up phase. MRD = Mineral Residue Deposit.
Mining method: OP = Open Pit, UG = Underground, OC = Open Cast/Cut.
* Capcoal comprises opencast operations at Lake Lindsay and Oak Park, with an underground longwall operation at Grasstree.

(1) Estimated Ore Reserves are the sum of Proved and Probable Ore Reserves (on an exclusive basis, i.e. Mineral Resources are reported as additional to Ore Reserves unless otherwise stated). Please refer to the detailed Ore Reserve estimates tables in the AA plc R&R Report for the individual Proved and Probable Reserve estimates. The Ore Reserve estimates are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012) as a minimum standard. Ore Reserve estimates for operations in South Africa are reported in accordance with The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code, 2016 Edition). The figures reported represent 100% of the Ore Reserves. Anglo American plc ownership is stated separately. Rounding of figures may cause computational discrepancies.

(2) Reserve Life = The scheduled extraction period in years for the total Ore Reserves in the approved Life of Mine Plan.
LOM = Life of Mine (years) is based on scheduled Probable Reserves including some Inferred Resources considered for Life of Mine planning.

(3) DBCi = De Beers Canada, DBCM = De Beers Consolidated Mines, Debswana = Debswana Diamond Company, Namdeb = Namdeb Holdings.
Reported Diamond Reserves are based on a Bottom Cut-off (BCO) which refers to the bottom screen size aperture and varies between 1.00mm and 3.00mm (nominal square mesh). Specific BCO's applied to derive estimates are included in the detailed Diamond Reserve tables in the AA plc R&R Report.
No Diamond Reserves reported for Voorspoed Kimberlite as mining is now scheduled exclusively from Inferred Resources.
Snap Lake was placed on extended care and maintenance at the end of 2015 and was allowed to flood in Q1 2017. It is now considered a project.

(4) Details of the individual Anglo American Platinum Limited managed and Joint Venture managed operations appear in the AA plc R&R Report.
Ownership percentages for reef totals are weighted by Contained Metal (4E Moz).

(5) Iron Ore Brazil Saleable Product tonnes are reported on a wet basis (average moisture content is 9.2 wt% of the wet mass) with quality stated on a dry basis.

(6) GEMCO Manganese grades are reported as per washed ore samples and should be read together with their respective yields, see page 31 in the AA plc R&R Report.

(7) Total Saleable Tonnes represents the product tonnes quoted as metric tonnes on a Product moisture basis. The coal quality for Coal Reserves is quoted as either kilocalories per kilogram (kcal/kg) or Crucible Swell Number (CSN). Kilocalories per kilogram represent Calorific Value (CV) on a Gross As Received (GAR) basis. CV is rounded to the nearest 10 kcal/kg and CSN to the nearest 0.5 index.
Metallurgical – Coking: High-, medium- or low-volatile semi-soft, soft or hard coking coal primarily for blending and use in the steel industry.
Metallurgical – Other: Semi-soft, soft, hard, semi-hard or anthracite coal, other than Coking Coal, such as pulverized coal injection (PCI) or other general metallurgical coal for the export or domestic market with a wider range of properties than Coking Coal.
Thermal – Export: Low- to high-volatile thermal coal primarily for export in the use of power generation; quality measured by calorific value (CV).
Thermal – Domestic: Low- to high-volatile thermal coal primarily for domestic consumption for power generation.
Synfuel: Coal specifically for the domestic production of synthetic fuel and chemicals.
Peace River Coal (Trend and Roman Mountain operations) was placed on extended care and maintenance at the end of 2014.

ESTIMATED MINERAL RESOURCES[1]

as at 31 December 2017

Detailed Measured, Indicated and Inferred estimates appear on the referenced pages in the Ore Reserves and Mineral Resources Report 2017.

				Measured + Indicated			Total Inferred[2]		
DIAMOND[3] OPERATIONS – DBCi (See page 10 in R&R Report for details)		Ownership %	Mining Method	Carats (Mct)	Tonnes (Mt)	Grade (cpht)	Carats (Mct)	Tonnes (Mt)	Grade (cpht)
Gahcho Kué	Kimberlite	43.4	OP	2.6	1.8	142.2	18.0	12.8	140.4
Victor	Kimberlite	85.0	OP	0.1	0.5	24.1	0.3	0.8	34.5
DIAMOND[3] OPERATIONS – DBCM (See page 12 in R&R Report for details)		Ownership %	Mining Method	Carats (Mct)	Tonnes (Mt)	Grade (cpht)	Carats (Mct)	Tonnes (Mt)	Grade (cpht)
Venetia (OP)	Kimberlite	62.9	OP	–	–	–	3.1	18.0	17.1
Venetia (UG)	Kimberlite		UG	–	–	–	59.6	69.9	85.3
Voorspoed	Kimberlite	62.9	OP	0.5	1.9	26.9	3.8	20.1	19.1
DIAMOND[3] OPERATIONS – Debswana (See pages 14 & 15 in R&R Report for details)		Ownership %	Mining Method	Carats (Mct)	Tonnes (Mt)	Grade (cpht)	Carats (Mct)	Tonnes (Mt)	Grade (cpht)
Damtshaa	Kimberlite	42.5	OP	0.9	3.7	22.9	5.0	20.7	24.3
Jwaneng	Kimberlite	42.5	OP	62.3	74.1	84.1	60.0	70.8	84.7
	TMR & ORT		n/a	–	–	–	24.3	33.4	72.7
Letlhakane	TMR & ORT	42.5	n/a	1.4	0.0	5,322.2	14.1	54.6	25.8
Orapa	Kimberlite	42.5	OP	297.0	292.0	101.7	66.2	77.5	85.3
DIAMOND[3] OPERATIONS – Namdeb (See pages 16 & 17 in R&R Report for details)		Ownership %	Mining Method	Carats (kct)	Tonnes (kt)	Grade (cpht)	Carats (kct)	Tonnes (kt)	Grade (cpht)
Douglas Bay	Aeolian and Deflation	42.5	OC	160	2,269	7.05	1	127	0.79
Elizabeth Bay	Aeolian, Marine and Deflation	42.5	OC	131	2,300	5.69	2,484	33,873	7.33
Mining Area 1	Beaches	42.5	OC	346	37,898	0.91	3,003	192,228	1.56
Orange River	Fluvial Placers	42.5	OC	194	45,158	0.43	160	51,450	0.31
				Carats (kct)	Area k (m^2)	Grade (cpm^2)	Carats (kct)	Area k (m^2)	Grade (cpm^2)
Atlantic 1	Marine Placers	42.5	MM	6,635	90,512	0.07	78,797	1,127,012	0.07
Midwater	Marine	42.5	MM	565	2,447	0.23	134	1,572	0.09
COPPER OPERATIONS (See page 19 in R&R Report for details)		Ownership %	Mining Method	Contained Copper (kt)	Tonnes (Mt)	Grade (%TCu)	Contained Copper (kt)	Tonnes (Mt)	Grade (%TCu)
Collahuasi	Oxide and Mixed	44.0	OP	453	65.0	0.70	292	51.3	0.57
	Sulphide (direct feed)			8,907	946.2	0.94	26,866	2,962.4	0.91
	Low Grade Sulphide (*in situ*)			5,151	1,170.6	0.44	6,411	1,430.8	0.45
El Soldado	Sulphide	50.1	OP	777	136.5	0.57	65	14.6	0.44
Los Bronces	Sulphide – Flotation	50.1	OP	13,299	3,043.2	0.44	5,927	1,311.2	0.45
	Sulphide – Dump Leach			–	–	–	14	4.7	0.29
PLATINUM[4] OPERATIONS (See page 22 in R&R Report for details)		Ownership %	Mining Method	Contained Metal (4E Moz)	Tonnes (Mt)	Grade (4E g/t)	Contained Metal (4E Moz)	Tonnes (Mt)	Grade (4E g/t)
Merensky Reef		56.2	UG	96.6	563.3	5.34	95.3	610.4	4.86
UG2 Reef		54.1	UG	202.7	1,095.0	5.76	103.3	529.2	6.07
Platreef		78.0	OP	96.2	1,324.9	2.26	71.6	1,140.0	1.95
Main Sulphide Zone		78.0	UG	17.5	130.5	4.18	6.3	46.0	4.25
KUMBA IRON ORE OPERATIONS (See page 29 in R&R Report for details)		Ownership %	Mining Method		Tonnes (Mt)	Grade (%Fe)		Tonnes (Mt)	Grade (%Fe)
Kolomela	Hematite	53.2	OP		93.0	62.9		79.6	62.7
Sishen	Hematite	53.2	OP		431.3	52.4		114.4	50.9
IRON ORE BRAZIL OPERATIONS (See page 30 in R&R Report for details)		Ownership %	Mining Method		Tonnes[5] (Mt)	Grade[5] (%Fe)		Tonnes[5] (Mt)	Grade[5] (%Fe)
Serra do Sapo	Friable Itabirite and Hematite	100	OP		250.5	32.0		100.1	35.8
	Itabirite				1,143.2	30.9		614.1	31.1
SAMANCOR MANGANESE OPERATIONS (See page 31 in R&R Report for details)		Ownership %	Mining Method		Tonnes (Mt)	Grade (%Mn)		Tonnes (Mt)	Grade (%Mn)
GEMCO[6][7]	ROM + Sand Tailings	40.0	OP		131.7	42.6		34.7	39.9
Mamatwan[6]		29.6	OP		87.5	34.9		0.5	37.2
Wessels[6]		29.6	UG		144.1	42.6		3.1	45.7

Operations = Mines in steady-state or projects in ramp-up phase. TMR = Tailings Mineral Resource. ORT = Old Recovery Tailings.
Mining method: OP = Open Pit, UG = Underground, MM = Marine Mining.
Mct = Million carats. Mt = Million tonnes. kct = thousand carats. kt = thousand tonnes. k (m^2) = thousand square metres.
Diamond Grade is quoted as carats per hundred metric tonnes (cpht) or as carats per square metre (cpm^2)
Estimates of 0.0 represent numbers less than 0.05.
TCu = Total Copper. 4E is the sum of Platinum, Palladium, Rhodium and Gold.
Moz = Million troy ounces. g/t = grams per tonne.
ROM = Run of Mine.

Estimated Mineral Resources continued

				Measured + Indicated			Total Inferred(2)		
COAL OPERATIONS – Australia (See page 34 in R&R Report for details)		Ownership %	Mining Method		MTIS(8) (Mt)	Coal Quality (kcal/kg)		MTIS(8) (Mt)	Coal Quality (kcal/kg)
Capcoal (OC)*		78.6	OC		166.3	6,920		197.3	6,840
Capcoal (UG)*		70.0	UG		90.4	6,730		6.3	6,470
Dawson		51.0	OC		663.3	6,700		351.2	6,680
Grosvenor		100	UG		214.5	6,370		44.5	6,360
Moranbah North		88.0	UG		82.9	6,630		4.4	6,420
COAL OPERATIONS – Canada (See page 34 in R&R Report for details)		Ownership %	Mining Method		MTIS(8) (Mt)	Coal Quality (kcal/kg)		MTIS(8) (Mt)	Coal Quality (kcal/kg)
Trend		100	OC		26.5	6,980		2.6	6,370
Roman Mountain		100	OC		4.3	7,910		2.2	7,950
COAL OPERATIONS – Colombia (See pages 34 in R&R Report for details)		Ownership %	Mining Method		MTIS(8) (Mt)	Coal Quality (kcal/kg)		MTIS(8) (Mt)	Coal Quality (kcal/kg)
Cerrejón		33.3	OC		3,681.4	6,570		722.6	6,410
COAL OPERATIONS – South Africa (See pages 35 & 37 in R&R Report for details)		Ownership %	Mining Method		MTIS(8) (Mt)	Coal Quality (kcal/kg)		MTIS(8) (Mt)	Coal Quality (kcal/kg)
Goedehoop		100	UG		209.9	5,360		6.0	4,750
Greenside		100	UG		23.8	5,720		0.2	5,950
Greenside – MRD			n/a		9.7	3,750		–	–
Isibonelo		100	UG		23.6	5,250		–	–
Kleinkopje		100	OC		–	–		3.7	6,070
Kriel		73.0	UG&OC		134.5	4,980		–	–
Landau		100	OC		45.7	4,990		11.2	5,870
Landau – MRD			n/a		22.4	2,580		–	–
Mafube		50.0	OC		74.8	5,090		–	–
New Denmark		100	UG		80.5	5,670		–	–
Zibulo		73.0	UG&OC		326.7	4,920		248.9	4,760
NICKEL OPERATIONS (See page 39 in R&R Report for details)		Ownership %	Mining Method	Contained Nickel (kt)	Tonnes (Mt)	Grade (%Ni)	Contained Nickel (kt)	Tonnes (Mt)	Grade (%Ni)
Barro Alto	Saprolite	100	OP	192	16.1	1.19	295	22.5	1.31
	Ferruginous Laterite			49	4.1	1.21	64	5.2	1.21
Niquelândia	Saprolite	100	OP	36	2.9	1.25	–	–	–

Operations = Mines in steady-state or projects in ramp-up phase. MRD = Mineral Residue Deposit.
Mining method: OP = Open Pit, UG = Underground, OC = Open Cast/Cut.
* Capcoal comprises opencast operations at Lake Lindsay and Oak Park, with an underground longwall operation at Grasstree.

(1) Estimated Mineral Resources are presented on an exclusive basis, i.e. Mineral Resources are reported as additional to Ore Reserves unless otherwise stated. Please refer to the detailed Mineral Resource estimates tables in the AA plc R&R Report for the detailed Measured, Indicated and Inferred Resource estimates. The Mineral Resource estimates are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012) as a minimum standard. The Mineral Resource estimates for operations in South Africa are reported in accordance with The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code, 2016 Edition). The figures reported represent 100% of the Mineral Resources. Anglo American plc ownership is stated separately. Rounding of figures may cause computational discrepancies.

(2) Total Inferred is the sum of 'Inferred (in LOM Plan)', the Inferred Resources within the scheduled Life of Mine Plan (LOM Plan) and 'Inferred (ex. LOM Plan)', the portion of Inferred Resources with reasonable prospects for eventual economic extraction not considered in the Life of Mine Plan (LOM Plan) as relevant. Due to the uncertainty that may be attached to some Inferred Resources, it cannot be assumed that all or part of an Inferred Resource will necessarily be upgraded to an Indicated or Measured Resource after continued exploration.

(3) DBCi = De Beers Canada, DBCM = De Beers Consolidated Mines, Debswana = Debswana Diamond Company, Namdeb = Namdeb Holdings. Estimated Diamond Resources are presented on an exclusive basis, i.e. Diamond Resources are quoted as additional to Diamond Reserves. Reported Diamond Resources are based on a Bottom Cut-off (BCO) which refers to the bottom screen size aperture and varies between 1.00mm and 3.00mm (nominal square mesh). Specific BCO's applied to derive estimates are included in the detailed Diamond Resource tables in the AA plc R&R Report.

(4) Details of the individual Anglo American Platinum Limited managed and Joint Venture managed operations appear in the AA plc R&R Report. Ownership percentages for reef totals are weighted by Contained Metal (4E Moz). Merensky Reef, UG2 Reef and Main Sulphide Zone Mineral Resources are estimated over a 'Resource Cut' which takes cognisance of the mining method, potential economic viability and geotechnical aspects in the hangingwall or footwall of the reef.

(5) Iron Ore Brazil Mineral Resource tonnes and grades are reported on a dry basis.

(6) Manganese Mineral Resources are quoted as inclusive of those used to calculate Ore Reserves and must not be added to the Ore Reserves.

(7) GEMCO Manganese grades are reported as per washed ore samples and should be read together with their respective yields, see page 31 in the AA plc R&R Report.

(8) Coal Resources are quoted on a Mineable Tonnes *In Situ* (MTIS) basis in million tonnes, which are in addition to those Coal Resources that have been modified to produce the reported Coal Reserves. Coal Resources are reported on an *in situ* moisture basis. The coal quality for Coal Resources is quoted on an *in situ* heat content as kilocalories per kilogram (kcal/kg), representing Calorific Value (CV) on a Gross As Received (GAR) basis. CV is rounded to the nearest 10 kcal/kg.

GLOSSARY OF TERMS

Ore Reserves

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. 'Modifying Factors' are (realistically assumed) considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.

A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.

Mineral Resources

A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.

A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered.

An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

Life of Mine Plan (LOM Plan)

A design and costing study of an existing operation in which appropriate assessments have been made of realistically assumed geological, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social, governmental, engineering, operational and all other Modifying Factors, which are considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified.

Reserve Life

The scheduled extraction period in years for the total Ore Reserves in the approved LOM Plan.

Inferred (in LOM Plan)

Inferred Resources within the scheduled LOM Plan.

Inferred (ex. LOM Plan)

The portion of Inferred Resources with reasonable prospects for eventual economic extraction not considered in the LOM Plan.

Fatal-injury frequency rate (FIFR)(1)

FIFR is the number of employee or contractor fatal injuries due to all causes per 200,000 hours worked.

Lost time injury frequency rate (LTIFR)(1)

LTIFR is the number of lost time injuries (LTIs) for both employees and contractors per 200,000 hours worked. An LTI is a work related injury resulting in the person being unable to attend work or perform the routine functions of his/her job, on the next calendar day after the day of the injury, whether a scheduled workday or not. Restricted work cases are therefore counted as LTIs.

Total recordable case frequency rate (TRCFR)(1)

TRCFR is the number of fatal injuries, lost time injuries and medical treatment cases for both employees and contractors per 200,000 hours.

New cases of occupational disease (NCOD)(1)

NCOD is the sum of occupational diseases due to asbestosis, noise-induced hearing loss, silicosis, coal-workers' pneumoconiosis, chronic obstructive airways disease, occupational tuberculosis, occupational asthma, hand/arm vibration syndrome, musculoskeletal disorders, dermatitis, occupational cancers and other occupational diseases.

Total energy consumed(1)

Total amount of energy consumed is the sum of total energy from electricity purchased, total energy from fossil fuels and total energy from renewable fuels and is measured in million gigajoules (GJ).

Total water withdrawals(1)

Total water withdrawals by source, reported in line with International Council on Metals and Mining (ICMM) guidance, includes: surface water; groundwater; seawater; third-party potable water; and third-party non-potable water, and is measured in million m^3.

Greenhouse gases (GHGs)[1]

The Intergovernmental Panel on Climate Change 2006 report (as updated in 2011) factors are applied as defaults for all carbon dioxide-equivalent (CO_2e) and energy calculations. Where emission factors are available for specific countries or sub-regions from government and regulatory authorities, these are applied. Australian operations apply conversion factors required by the government for regulatory reporting and operations in Brazil apply local factors for biomass and biofuel. Factors for CO_2e from electricity are based on local grid factors.

Based on a self-assessment, Anglo American believes it reports in accordance with the WRI/WBCSD GHG Protocol, as issued prior to the 2015 revision on Scope 2 emissions reporting. In line with the GHG Protocol's 'management control' boundary, 100% of the direct and indirect emissions for managed operations are accounted for while zero emissions for joint ventures and other investments are included in the reporting scope.

Level 3, 4 and 5 environmental incidents[1]

Environmental incidents are unplanned or unwanted events resulting from our operations that adversely impact the environment or contravene local regulations/permit conditions. They are classified from minor (Level 1) to significant (Level 5) depending on the duration and extent of impact, as well as the sensitivity and/or biodiversity value of the receiving environment. Level 3-5 incidents are those which we consider to have prolonged impacts on the local environments, lasting in excess of one month and affecting areas greater than several hundred metres on site, or extending beyond the boundaries of our immediate operations.

Total amount spent on corporate social investment (CSI)[1]

Categories for corporate social investment expenditure include charitable donations, community investment and commercial initiatives. CSI is reported in US dollars and converted from currency of the operations at the average foreign exchange rate applied by Anglo American for financial reporting purposes.

Charitable donations include cash donations, contributions in kind, employees' working hours spent on charity projects during work hours, and the cost of initiatives designed to inform communities about community-benefit initiatives (e.g. the production of reports that are issued to communities for the purpose of reporting progress). Not included is expenditure that is necessary for the development of an operation (e.g. resettlement of families) or receiving a licence. Training expenditure for individuals who will be employed by the company following completion of training is not included.

Community investment includes the funding of community partnerships which address social issues, the costs of providing public facilities to community members who are not employees or dependants, the marginal value of land or other assets transferred to community ownership, and income creation schemes or mentoring/volunteering initiatives that do not have a principally commercial justification.

Commercial initiatives include enterprise development and other community initiatives/partnerships that also directly support the success of the Company (such as supplier development). There must, however be a clear and primary element of public benefit.

We prohibit the making of donations for political purposes to any politician, political party or related organisation, an official of a political party or candidate for political office in any circumstances either directly or through third parties.

Jobs created/sustained through enterprise development initiatives in Chile[1]

In Chile, Anglo American supports jobs through training and mentoring programmes. On an annual basis, we report the number of entrepreneurs who have been provided support through our local partner, TechnoServe. The associated programmes are engaged in ongoing monitoring and data is reported at the end of the reporting period.

Businesses supported through enterprise development initiatives in South Africa[1]

Anglo American supports a range of entrepreneurs and small and medium enterprises in South Africa through the issuance of micro-finance loans. Businesses supported are enterprises for which funding has been approved and made available by the Zimele investment committee in the reporting year.

Local procurement measurement[1]

Launched in 2010, our Local Procurement Policy, provides a framework for supporting development outcomes through targeted procurement initiatives. Local procurement strategies articulate the value to Anglo American and local communities.

The measurement of local procurement varies between operations, and is informed by a combination of development outcomes and legal requirements. Local procurement occurs on multiple levels, and often as a combination of factors, ranging from procurement from host-, indigenous- and previously disadvantaged-communities.

- **Host communities:** includes suppliers who have their main place of business in the direct vicinity of the operation.
- **Indigenous communities:** includes First Nation-owned companies, (De Beers Canada), Aboriginal owned supplier businesses (Australia) who meet commercial terms, as well as providing local employment and training opportunities.
- **Previously disadvantaged and marginalised groups:** includes targeted preferential procurement expenditure from identified beneficiary groups e.g. Black Economic Empowerment (BEE) owned businesses (South Africa).

In most instances, our local procurement initiatives also take into account communities that may be affected by our operations. Through our Socio-Economic Assessment Toolbox (SEAT) process, we identify communities located in our 'Zone of influence' – this may include, but is not limited to, instances where there is potential for social, physical or environmental impact e.g. power transmission corridors, pipelines, access roads, etc.

(1) Data relates to subsidiaries and joint operations over which Anglo American has management control, with the exception of De Beers, where 100% of De Beers' joint venture operations in Namibia and Botswana are also accounted for. See page 75 of the Anglo American plc Sustainability Report 2017 for the full list of entities within the reporting scope.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management makes reference to Alternative Performance Measures (APMs) of historical or future financial performance, financial position or cash flows that are not defined or specified under International Financial Reporting Standards (IFRS).

The APMs used by the Group fall into two categories:

- Financial APMs: These financial measures are usually derived from the financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the financial statements as they contain additional information, such as financial information from earlier periods or profit estimates or projections. The accounting policies applied when calculating APMs are, where relevant and unless otherwise stated, the same as those disclosed in the Group's Consolidated financial statements for the year ended 31 December 2017.
- Non-financial APMs: These measures incorporate certain non-financial information that management believes is useful when assessing the performance of the Group.

APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, the APMs used by the Group may not be comparable with similarly titled measures and disclosures made by other companies.

APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

Purpose

The Group uses APMs to improve the comparability of information between reporting periods and business units, either by adjusting for uncontrollable factors or special items which impact upon IFRS measures or, by aggregating measures, to aid the user of the Annual Report in understanding the activity taking place across the Group's portfolio.

Their use is driven by characteristics particularly visible in the mining sector:

1. Earnings volatility: The Group mines and markets commodities and precious metals and minerals. The sector is characterised by significant volatility in earnings driven by movements in macroeconomic factors, primarily price and foreign exchange. This volatility is outside the control of management and can mask underlying changes in performance. As such, when comparing year-on-year performance, management excludes certain items (such as those classed as 'special items') to aid comparability and then quantifies and isolates uncontrollable factors in order to improve understanding of the controllable portion of variances.
2. Nature of investment: Investments in the sector typically occur over several years and are large, requiring significant funding before generating cash. These investments are often made with partners and the nature of the Group's ownership interest affects how the financial results of these operations are reflected in the Group's results e.g. whether full consolidation (subsidiaries), consolidation of the Group's attributable assets and liabilities (joint operations) or equity accounted (associates and joint ventures). Attributable metrics are therefore presented to help demonstrate the financial performance and returns available to the Group, for investment and financing activities, excluding the effect of different accounting treatments for different ownership interests.
3. Portfolio complexity: The Group operates in a number of different, but complementary commodities, precious metals and minerals. The cost, value of and return from each saleable unit (e.g. tonne, pound, carat, ounce) can differ materially between each business. This makes understanding both the overall portfolio performance, and the relative performance of its constituent parts on a like-for-like basis, more challenging. The Group therefore uses composite APMs to provide a consistent metric to assess performance at the portfolio level.

Consequently, APMs are used by the Board and management for planning and reporting. A subset is also used by management in setting director and management remuneration. The measures are also used in discussions with the investment analyst community and credit rating agencies.

Financial APMs

Group APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Income statement			
Group revenue	Revenue	• Revenue from associates and joint ventures	• Exclude the effect of different basis of consolidation to aid comparability
Underlying EBIT	Profit/(loss) before net finance income/(costs) and tax	• Operating and non-operating special items and remeasurements • Underlying EBIT from associates and joint ventures	• Exclude the impact of certain items due to their size and nature to aid comparability • Exclude the effect of different basis of consolidation to aid comparability
Underlying EBITDA	Profit/(loss) before net finance income/(costs) and tax	• Operating and non-operating special items and remeasurements • Depreciation and amortisation • Underlying EBITDA from associates and joint ventures	• Exclude the impact of certain items due to their size and nature to aid comparability • Exclude the effect of different basis of consolidation to aid comparability
Underlying earnings	Profit/(loss) for the financial year attributable to equity shareholders of the Company	• Special items and remeasurements	• Exclude the impact of certain items due to their size and nature to aid comparability
Underlying effective tax rate	Income tax expense	• Tax related to special items and remeasurements • The Group's share of associates' and joint ventures' profit before tax, before special items and remeasurements, and tax expense, before special items and remeasurements	• Exclude the impact of certain items due to their size and nature to aid comparability • Exclude the effect of different basis of consolidation to aid comparability
Underlying earnings per share	Earnings per share	• Special items and remeasurements	• Exclude the impact of certain items due to their size and nature to aid comparability
Balance sheet			
Net debt	Borrowings less cash and related hedges	• Debit valuation adjustment	• Exclude the impact of accounting adjustments from the net debt obligation of the Group
Attributable ROCE	No direct equivalent	• Non-controlling interests' share of capital employed and underlying EBIT • Average of opening and closing attributable capital employed	• Exclude the effect of different basis of consolidation to aid comparability

Group APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Cash flow			
Capital expenditure (capex)	Expenditure on property, plant and equipment	• Cash flows from derivatives related to capital expenditure • Proceeds from disposal of property, plant and equipment • Direct funding for capital expenditure from non-controlling interests	• To reflect the net attributable cost of capital expenditure taking into account economic hedges
Attributable free cash flow	Cash flows from operations	• Capital expenditure • Cash tax paid • Dividends from associates, joint ventures and financial asset investments • Net interest paid • Dividends to non-controlling interests	• To measure the amount of cash available to finance returns to shareholders or growth after servicing debt, providing a return to minority shareholders and meeting existing capex commitments

Group revenue

Group revenue includes the Group's attributable share of associates' and joint ventures' revenue.

A reconciliation to 'Revenue', the closest equivalent IFRS measure to Group revenue, is provided within note 2 to the Consolidated financial statements.

Underlying EBIT

Underlying EBIT is 'Operating profit/(loss)' presented before special items and remeasurements[(1)] and includes the Group's attributable share of associates' and joint ventures' underlying EBIT. Underlying EBIT of associates and joint ventures is the Group's attributable share of associates' and joint ventures' revenue less operating costs before special items and remeasurements[(1)] of associates and joint ventures.

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBIT, is provided within note 2 to the Consolidated financial statements.

Underlying EBITDA

Underlying EBITDA is underlying EBIT before depreciation and amortisation and includes the Group's attributable share of associates' and joint ventures' underlying EBIT before depreciation and amortisation.

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBITDA, is provided within note 2 to the Consolidated financial statements.

Underlying earnings

Underlying earnings is 'Profit/(loss) for the financial year attributable to equity shareholders of the Company' before special items and remeasurements[(1)] and is therefore presented after net finance costs, income tax expense and non-controlling interests.

A reconciliation to 'Profit/(loss) for the financial year attributable to equity shareholders of the Company', the closest equivalent IFRS measure to underlying earnings, is provided within note 2 to the Consolidated financial statements.

Underlying effective tax rate

The underlying effective tax rate equates to the income tax expense, before special items and remeasurements[(1)] and including the Group's share of associates' and joint ventures' tax before special items and remeasurements,[(1)] divided by profit before tax before special items and remeasurements[(1)] and including the Group's share of associates' and joint ventures' profit before tax before special items and remeasurements.[(1)]

A reconciliation to 'Income tax expense', the closest equivalent IFRS measure to underlying effective tax rate, is provided within note 5 to the Consolidated financial statements.

Underlying earnings per share

Basic and diluted underlying earnings per share are calculated as underlying earnings divided by the basic or diluted shares in issue. The calculation of underlying earnings per share is disclosed within note 3 to the Consolidated financial statements.

Net debt

Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives which provide an economic hedge of net debt, see note 22, before taking into account the effect of debit valuation adjustments explained in note 20). A reconciliation to the Consolidated balance sheet is provided within note 20 to the Consolidated financial statements.

Capital expenditure (capex)

Capital expenditure is defined as cash expenditure on property, plant and equipment, including related derivatives, and is presented net of proceeds from disposal of property, plant and equipment and includes direct funding for capital expenditure from non-controlling interests in order to match more closely the way in which it is managed. A reconciliation to 'Expenditure on property, plant and equipment', the closest equivalent IFRS measure to capital expenditure, is provided within note 12 to the Consolidated financial statements.

Operating cash flows generated by operations that have not yet reached commercial production are also included in capital expenditure. However, capital expenditure is also periodically shown on an underlying basis i.e. before inclusion of capitalised operating cash flows. Where this occurs, the measure is footnoted as such.

(1) Special items and remeasurements are defined in note 8 to the Consolidated financial statements.

Attributable return on capital employed (ROCE)

ROCE is a ratio that measures the efficiency and profitability of a company's capital investments. Attributable ROCE displays how effectively assets are generating profit on invested capital for the equity shareholders of the Company. It is calculated as attributable underlying EBIT divided by average attributable capital employed.

Attributable underlying EBIT excludes the underlying EBIT of non-controlling interests.

Capital employed is defined as net assets excluding net debt and financial asset investments. Attributable capital employed excludes capital employed of non-controlling interests. Average attributable capital employed is calculated by adding the opening and closing attributable capital employed for the relevant period and dividing by two.

Attributable ROCE is also used as an incentive measure in executives' remuneration and is predicated upon the achievement of ROCE targets in the final year of a three-year performance period. It is one of the performance measures used in LTIP 16 and LTIP 17 and is proposed to be used in LTIP 18.

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBIT, is provided within note 2 to the Consolidated financial statements. A reconciliation to 'Net assets', the closest equivalent IFRS measure to capital employed, is provided within note 9 to the Consolidated financial statements. The table below reconciles underlying EBIT and capital employed to attributable underlying EBIT and average attributable capital employed by segment.

	2017 Attributable ROCE %	2016 Attributable ROCE %
De Beers	9%	11%
Copper	16%	6%
Platinum	10%	4%
Iron Ore and Manganese	21%	12%
Coal	67%	29%
Nickel	–	(1)%
Corporate and other	n/a	n/a
	19%	11%

2017

US$ million	Underlying EBIT	Less: Non-controlling interests' share of underlying EBIT	Attributable underlying EBIT	Opening attributable capital employed	Closing capital employed	Less: Non-controlling interests' share of closing capital employed	Closing attributable capital employed	Average attributable capital employed
De Beers	873	(140)	733	7,481	9,294	(1,324)	7,970	7,725
Copper	923	(236)	687	4,189	5,899	(1,740)	4,159	4,174
Platinum	512	(121)	391	3,796	4,510	(669)	3,841	3,818
Iron Ore and Manganese	1,978	(573)	1,405	6,435	8,008	(1,258)	6,750	6,593
Coal	2,274	(37)	2,237	3,420	3,384	(97)	3,287	3,354
Nickel	–	–	–	2,003	1,959	–	1,959	1,981
Corporate and other	(313)	–	(313)	(335)	(241)	–	(241)	(288)
	6,247	(1,107)	5,140	26,989	32,813	(5,088)	27,725	27,357

2016

US$ million	Underlying EBIT	Less: Non-controlling interests' share of underlying EBIT	Attributable underlying EBIT	Opening attributable capital employed	Closing capital employed	Less: Non-controlling interests' share of closing capital employed	Closing attributable capital employed	Average attributable capital employed
De Beers	1,019	(186)	833	7,402	8,725	(1,244)	7,481	7,441
Copper	261	(15)	246	4,176	6,073	(1,884)	4,189	4,182
Platinum	185	(46)	139	3,726	4,457	(661)	3,796	3,761
Iron Ore and Manganese	1,275	(522)	753	5,756	7,472	(1,037)	6,435	6,096
Coal	1,112	(25)	1,087	3,978	3,509	(89)	3,420	3,699
Nickel	(15)	–	(15)	1,968	2,003	–	2,003	1,986
Corporate and other	(71)	–	(71)	763	(335)	–	(335)	214
	3,766	(794)	2,972	27,769	31,904	(4,915)	26,989	27,379

Attributable free cash flow

Attributable free cash flow is calculated as 'Cash flows from operations' plus dividends received from associates, joint ventures and financial asset investments, less capital expenditure, less tax cash payments excluding tax payments relating to disposals, less net interest paid including interest on derivatives hedging net debt, less dividends paid to non-controlling interests.

A reconciliation of 'Cash flows from operations', the closest equivalent IFRS measure, is provided on page 38 of the Group Financial Review.

Non-financial APMs

Some of our measures are not reconciled to IFRS either because they include non-financial information, because there is no meaningful IFRS comparison or the purpose of the measure is not typically covered by IFRS.

Group APM	Category	Purpose
Copper equivalent production	Portfolio complexity	Communicate production/revenue generation movements in a single comparable measure removing the impact of price
Unit cost	Earnings volatility	Express cost of producing one unit of saleable product
Copper equivalent unit cost	Portfolio complexity	Communicate the cost of production per unit in a single comparable measure for the portfolio
Productivity	Portfolio complexity	Highlight efficiency in generating revenue per employee
Volume and cash cost improvements	Earnings volatility	Quantify year-on-year EBITDA improvement removing the impact of major uncontrollable factors

Copper equivalent production

Copper equivalent production, expressed as copper equivalent tonnes, shows changes in underlying production volume. It is calculated by expressing each commodity's volume as revenue, subsequently converting the revenue into copper equivalent units by dividing by the copper price (per tonne). Long-term forecast prices (and foreign exchange rates where appropriate) are used, in order that period-on-period comparisons exclude any impact for movements in price.

When calculating copper equivalent production, all volumes relating to domestic sales are excluded, as are volumes from Samancor and sales from non-mining activities. Volume from projects in pre-commercial production are included.

Unit cost

Unit cost is the direct cash cost including direct cash support costs incurred in producing one unit of saleable production.

For bulk products (coal, iron ore), unit costs shown are FOB i.e. cost on board at port. For base metals (copper, nickel), they are shown at C1 i.e. after inclusion of by-product credits and logistics costs. For platinum and diamonds, unit costs include all direct expensed cash costs incurred i.e. excluding, amongst other things, market development activity, corporate overhead etc. Platinum unit costs exclude by-product credits. Royalties are excluded from all unit cost calculations.

Copper equivalent unit cost

Copper equivalent unit cost is the cost incurred to produce one tonne of copper equivalent. Only the cost incurred in mined output from subsidiaries and joint operations is included, representing direct costs in the Consolidated income statement controllable by the Group. Costs and volumes from associates and joint ventures are excluded, as are those from operations that are not yet in commercial production, that deliver domestic production, and those associated with third-party volume purchases of diamonds and platinum concentrate.

When calculating copper equivalent unit cost, unit costs for each commodity are multiplied by relevant production, combined and then divided by the total copper equivalent production, to get a copper equivalent unit cost i.e. the cost of mining one tonne of copper equivalent. The metric is in US dollars and, where appropriate, long-term foreign exchange rates are used to convert from local currency to US dollars.

Productivity

The Group's productivity measure calculates the copper equivalent production generated per employee. It is a measure that represents how well headcount is driving revenue. It is calculated by dividing copper equivalent production by the average direct headcount from consolidated mining operations in a given year.

Volume and cash cost improvements

The Group uses an underlying EBITDA waterfall to understand its year-on-year underlying EBITDA performance. The waterfall isolates the impact of uncontrollable factors in order that the real year-on-year improvement in performance can be seen by the user.

Three variables are normalised, in the results of subsidiaries and joint operations, for:

- Price: The movement in price between comparative periods is removed by multiplying current year sales volume by the movement in realised price for each product group;
- Foreign exchange: The year-on-year movement in exchange is removed from the current year non-US dollar cost base i.e. costs are restated at prior year foreign exchange rates. The non-US dollar cash cost base excludes costs which are price linked (e.g. purchase of concentrate from third-party platinum providers, third-party diamond purchases); and
- Inflation: CPI is removed from cash costs, restating these costs at the pricing level of the base year.

The remaining variances in the underlying EBITDA waterfall are in real US dollar terms for the base year i.e. for a waterfall comparing 2017 with 2016, the sales volume and cash cost variances exclude the impact of price, foreign exchange and CPI and are hence in real 2016 terms. This allows the user of the waterfall to understand the underlying real movement in sales volumes and cash costs on a consistent basis.

PRODUCTION STATISTICS

The figures below include the entire output of consolidated entities and the Group's attributable share of joint operations, associates and joint ventures where applicable, except for De Beers' joint operations which are quoted on a 100% basis.[1]

	2017	2016
De Beers		
Carats recovered ('000 carats) 100% basis (unless otherwise stated)		
Orapa	**10,185**	7,931
Letlhakane	**607**	595
Damtshaa[2]	**35**	–
Jwaneng	**11,857**	11,975
Debswana	**22,684**	20,501
Namdeb	**427**	404
Debmarine Namibia	**1,378**	1,169
Namdeb Holdings	**1,805**	1,573
Kimberley[2]	**–**	68
Venetia	**4,602**	3,517
Voorspoed	**606**	649
DBCM	**5,208**	4,234
Snap Lake[2]	**–**	3
Victor	**724**	596
Gahcho Kué (51% basis)	**3,033**	432
De Beers Canada	**3,757**	1,031
Total carats recovered	**33,454**	27,339
Sales volumes		
Total sales volume (100%) (Mct)[3]	**35.1**	32.0
Consolidated sales volume (Mct)[3]	**33.1**	30.0
Number of Sights (sales cycles)	**10**	10
Copper (tonnes) on a contained metal basis unless stated otherwise[4]		
Collahuasi 100% basis (Anglo American share 44%)		
Ore mined	**64,733,500**	67,602,600
Ore processed – Sulphide	**49,886,800**	49,406,800
Ore grade processed – Sulphide (% TCu)[5]	**1.25**	1.22
Production – Copper cathode	**100**	4,800
Production – Copper in concentrate	**523,900**	501,800
Total copper production for Collahuasi	**524,000**	506,600
Anglo American's share of copper production for Collahuasi[6]	**230,500**	222,900
Anglo American Sur[7]	**348,800**	354,200
Los Bronces mine[7]	**308,300**	307,200
Ore mined	**49,339,600**	51,109,700
Marginal ore mined	**37,498,400**	34,189,300
Ore processed – Sulphide	**46,040,000**	47,697,000
Ore grade processed – Sulphide (% TCu)	**0.71**	0.67
Production – Copper cathode	**38,300**	36,000
Production – Copper in concentrate	**270,000**	271,200
El Soldado mine[7]	**40,500**	47,000
Ore mined	**5,338,400**	7,339,100
Ore processed – Sulphide	**7,395,100**	6,964,400
Ore grade processed – Sulphide (% TCu)	**0.69**	0.85
Production – Copper in concentrate	**40,500**	47,000
Chagres Smelter[7]		
Ore smelted	**133,800**	133,800
Production	**130,000**	130,800
Total copper production[8]	**579,300**	577,100
Total payable copper production	**558,300**	557,100
Total sales volumes	**579,700**	577,800
Total payable sales volumes	**558,700**	557,900
Third party sales[9]	**111,400**	62,000

See page 200 for footnotes.

	2017	2016
Platinum		
Produced platinum ('000 troy oz)	**2,397.4**	2,381.9
Own-mined	**1,376.2**	1,730.0
Mogalakwena	**463.8**	411.9
Amandelbult[10]	**438.0**	458.6
Unki	**74.6**	74.5
Joint ventures[11]	**245.3**	252.8
Union and other	**154.5**	154.8
Rustenburg[12]	**–**	377.4
Purchase of concentrate	**1,021.2**	651.9
Joint ventures[11]	**245.3**	252.8
Associates[13]	**265.5**	279.3
Third party purchase of concentrate[12]	**510.4**	119.8
Palladium		
Produced palladium ('000 troy oz)	**1,557.3**	1,538.7
Own-mined	**1,008.7**	1,150.4
Mogalakwena	**508.9**	452.0
Amandelbult[10]	**202.5**	207.3
Unki	**64.4**	61.4
Joint ventures[11]	**161.5**	163.9
Union and other	**71.4**	72.5
Rustenburg[12]	**–**	193.3
Purchase of concentrate	**548.6**	388.2
Joint ventures[11]	**161.5**	163.9
Associates[13]	**127.9**	141.7
Third party purchase of concentrate[12]	**259.2**	82.6
Refined production		
Platinum ('000 troy oz)	**2,511.9**	2,334.7
Palladium ('000 troy oz)	**1,668.5**	1,464.2
Rhodium ('000 troy oz)	**323.2**	317.4
Gold ('000 troy oz)	**115.3**	108.2
Nickel (tonnes)	**26,000**	25,400
Copper (tonnes)	**15,700**	14,100
4E Head grade (g/tonne milled)[14]	**3.46**	3.16
Platinum sales volumes – own-mined and purchase of concentrate	**2,504.6**	2,415.7
Palladium sales volumes – own-mined and purchase of concentrate	**1,571.7**	1,532.1

	2017	2016
Iron Ore and Manganese production by product (tonnes)		
Kumba Iron Ore	**44,982,500**	41,475,900
Lump	**29,811,300**	26,801,500
Fines	**15,171,200**	14,674,400

	2017	2016
Iron Ore and Manganese production by mine (tonnes)		
Sishen	**31,119,200**	28,380,000
Kolomela	**13,863,300**	12,726,300
Thabazimbi	**–**	369,600
Kumba sales volumes		
Export iron ore	**41,614,600**	39,060,400
Domestic iron ore	**3,277,100**	3,423,300
Minas-Rio production		
Pellet feed (wet basis)	**16,787,200**	16,140,900
Minas-Rio sales volumes		
Export – pellet feed (wet basis)	**16,508,000**	16,210,500
Samancor		
Manganese ore[15]	**3,485,500**	3,133,100
Manganese alloys[15][16]	**149,200**	137,800
Samancor sales volumes		
Manganese ore[17]	**3,445,400**	3,226,400
Manganese alloys	**142,400**	170,000

	2017	2016
Coal production by product (tonnes)		
Metallurgical Coal	**21,275,000**	30,386,700
Metallurgical – Export Coking	**16,980,800**	16,199,900
Metallurgical – Export PCI	**2,680,500**	4,675,800
Thermal – Export	**1,613,700**	3,957,500
Thermal – Domestic	**–**	5,553,400
South Africa[18]	**49,905,000**	53,759,900
Thermal – Export[19]	**18,592,500**	19,072,400
Thermal – Domestic (Other)[20]	**3,394,100**	5,513,800
Thermal – Domestic (Eskom)	**23,858,900**	24,778,700
Thermal – Domestic (Isibonelo)	**4,059,500**	4,395,000
Cerrejón		
Thermal – Export	**10,641,600**	10,667,900
Total coal production	**81,821,600**	94,814,400

See page 200 for footnotes.

	2017	2016
Coal production by mine (tonnes)		
Metallurgical Coal	**21,275,000**	30,386,700
Callide	–	6,230,800
Capcoal (incl. Grasstree)	**6,768,700**	6,832,900
Dawson	**3,782,200**	4,608,700
Drayton	–	1,167,500
Foxleigh	–	1,439,400
Grosvenor	**2,067,200**	1,759,000
Jellinbah	**3,255,600**	3,282,300
Moranbah North	**5,401,300**	5,066,100
South Africa	**49,905,000**	53,759,900
Goedehoop	**4,652,600**	4,688,600
Greenside	**3,830,400**	3,945,300
Zibulo	**6,234,800**	6,007,600
Khwezela(21)	**5,707,700**	8,185,700
Mafube	**1,561,100**	1,759,000
New Vaal	**15,109,000**	15,894,800
New Denmark	**3,361,000**	2,547,400
Kriel	**5,388,900**	6,336,500
Isibonelo	**4,059,500**	4,395,000
Cerrejón	**10,641,600**	10,667,900
Carbones del Cerrejón	**10,641,600**	10,667,900
Total coal production	**81,821,600**	94,814,400
Coal sales volumes (tonnes)		
Metallurgical Coal		
Metallurgical – Export(22)	**19,767,700**	20,658,600
Thermal – Export	**1,831,400**	4,255,300
Thermal – Domestic	–	5,375,400
South Africa		
Thermal – Export	**18,608,800**	19,071,700
Thermal – Domestic (Other)	**1,891,500**	1,584,900
Thermal – Domestic (Eskom)	**26,060,100**	27,984,400
Thermal – Domestic (Isibonelo)	**4,071,500**	4,911,400
Third party sales	**7,618,700**	6,051,800
Cerrejón		
Thermal – Export	**10,553,700**	10,810,200
Nickel (tonnes) unless stated otherwise(23)		
Barro Alto		
Ore mined	**6,272,800**	2,630,700
Ore processed	**2,309,300**	2,357,100
Ore grade processed – %Ni	**1.71**	1.76
Production	**34,900**	35,500
Codemin		
Ore mined	**7,500**	6,800
Ore processed	**587,000**	589,600
Ore grade processed – %Ni	**1.69**	1.71
Production	**8,900**	9,000
Total Nickel segment nickel production	**43,800**	44,500
Sales volumes	**43,000**	44,900
Niobium and Phosphates(24)		
Niobium (tonnes) unless otherwise stated		
Ore mined	–	2,229,100
Ore processed	–	1,680,600
Ore grade processed – %Nb	–	0.98
Production	–	4,700
Sales volumes	–	4,600
Phosphates (tonnes) unless otherwise stated(24)		
Concentrate	–	1,033,400
Concentrate grade – %P_2O_5	–	36.9
Phosphoric acid	–	233,600
Fertiliser	–	864,300
High analysis fertiliser	–	157,600
Low analysis fertiliser	–	706,700
Dicalcium phosphate (DCP)	–	113,900
Fertiliser sales volumes	–	972,700

(1) With the exception of Gahcho Kué, which is on an attributable 51% basis.
(2) Damtshaa (a satellite operation of Orapa) was placed on care and maintenance from January 2016, and restarted in December 2017. Snap Lake was placed on extended care and maintenance from December 2015. Kimberley mines was sold in January 2016.
(3) Consolidated sales volumes exclude De Beers' JV partners' 50% proportionate share of sales to entities outside De Beers from the Diamond Trading Company Botswana and the Namibia Diamond Trading Company, which are included in total sales volume (100% basis). Both measures include pre-commercial production sales volumes from Gahcho Kué. Full year consolidated sales volumes excluding pre-commercial production sales volumes from Gahcho Kué were 32.5 million carats (2016: 30.0 million carats).
(4) Excludes Anglo American Platinum's copper production.
(5) TCu = total copper.
(6) Anglo American's share of Collahuasi production is 44%.
(7) Anglo American ownership interest of Anglo American Sur is 50.1%. Production is stated at 100% as Anglo American consolidates Anglo American Sur.
(8) Difference between total copper production and attributable copper production arises from Anglo American's 44% interest in Collahuasi.
(9) Relates to sales of copper not produced by Anglo American operations.
(10) Excludes platinum and palladium production now included in purchase of concentrate.
(11) The joint venture operations are Mototolo, Modikwa and Kroondal. Platinum owns 50% of these operations, which is presented under 'Own-mined' production, and purchases the remaining 50% of production, which is presented under 'Purchase of concentrate'.
(12) Sale of Rustenburg completed on 1 November 2016, after which production from Rustenburg is included within third party purchase of concentrate.
(13) Associates are Platinum's 49% interest in Bokoni and 33% interest in BRPM.
(14) 4E: the grade measured as the combined content of: platinum, palladium, rhodium and gold.
(15) Saleable production.
(16) Production includes medium carbon ferro-manganese.
(17) Comparatives have been restated.
(18) All Coal South Africa comparatives have been restated to reflect current presentation.
(19) Thermal export – All product produced and sold into the export market.
(20) Thermal domestic – Other is product sold domestically excluding Eskom-tied and Isibonelo production. In 2017, ~70% of secondary production was sold into the export market.
(21) The merger of Kleinkopje and Landau.
(22) Includes both hard coking coal and PCI sales volumes.
(23) Excludes Anglo American Platinum's nickel production.
(24) Niobium and Phosphates was sold on 30 September 2016.

QUARTERLY PRODUCTION STATISTICS

					Quarter ended	% Change (Quarter ended)	
	31 December 2017	30 September 2017	30 June 2017	31 March 2017	31 December 2016	31 December 2017 v 30 September 2017	31 December 2017 v 31 December 2016
De Beers							
Carats recovered ('000 carats)							
100% basis[1]							
Diamonds	8,134	9,178	8,742	7,400	7,752	(11)%	5%
Copper (tonnes)[2][3]	148,600	147,300	140,800	142,600	146,600	1%	1%
Produced ounces platinum ('000 troy oz)	587.0	621.4	617.1	571.9	610.0	(6)%	(4)%
Produced ounces palladium ('000 troy oz)	374.9	407.5	402.1	372.7	396.4	(8)%	(5)%
Platinum refined production							
Platinum ('000 troy oz)	722.2	684.1	528.7	576.9	631.6	6%	14%
Palladium ('000 troy oz)	491.4	450.6	373.1	353.4	397.4	9%	24%
Rhodium ('000 troy oz)	87.4	79.4	82.8	73.7	92.2	10%	(5)%
Gold ('000 troy oz)	30.3	31.1	29.3	24.7	33.9	(3)%	(11)%
Nickel refined (tonnes)	7,800	7,000	6,000	5,100	6,200	11%	26%
Copper refined (tonnes)	4,700	4,300	3,500	3,200	3,300	9%	42%
Iron Ore and Manganese (tonnes)							
Iron ore – Kumba	11,642,600	11,485,700	11,381,600	10,472,600	11,927,900	1%	(2)%
Iron ore – Minas-Rio	3,949,900	4,171,500	4,324,100	4,341,700	4,855,300	(5)%	(19)%
Manganese ore[4]	979,600	839,500	843,300	823,100	804,200	17%	22%
Manganese alloys[4][5]	41,100	37,300	39,300	31,500	37,100	10%	11%
Coal (tonnes)							
Australia							
Metallurgical – Export	4,923,900	5,531,500	3,963,500	5,242,400	5,359,700	(11)%	(8)%
Thermal – Export	408,600	421,400	304,700	479,000	671,900	(3)%	(39)%
Thermal – Domestic	–	–	–	–	661,800	–	–
South Africa							
Thermal export[6]	4,647,800	4,352,000	4,840,700	4,752,000	4,789,700	7%	(3)%
Thermal domestic – Other[7]	817,600	801,300	823,300	951,800	1,453,900	2%	(44)%
Thermal domestic – Eskom	5,419,500	6,420,600	6,311,800	5,707,200	6,427,400	(16)%	(16)%
Thermal domestic – Isibonelo[8]	965,700	1,145,100	1,052,400	896,300	1,037,600	(16)%	(7)%
Cerrejón							
Thermal – Export	2,913,600	2,496,700	2,449,600	2,781,700	2,800,600	17%	4%
Nickel (tonnes)[9]	11,400	11,200	11,300	9,900	10,900	2%	5%

(1) De Beers' production is on a 100% basis, except for Gahcho Kué joint operation which is on an attributable 51% basis.
(2) Excludes Anglo American Platinum's copper production.
(3) Copper segment attributable production.
(4) Saleable production.
(5) Production includes medium carbon ferro-manganese.
(6) Thermal export – All products sold into the export market. Comparatives have been restated to align with current presentation.
(7) Thermal domestic – Other is product sold domestically excluding Eskom-tied and Isibonelo production. Comparatives have been restated to align with current presentation. In 2017, ~70% of secondary production was sold into the export market.
(8) Restated to exclude domestic secondary coal production from mines other than Isibonelo.
(9) Excludes Anglo American Platinum's nickel production.

NON-FINANCIAL DATA

	2017	2016	2015	2014	2013
Safety[1]					
Work-related fatalities	**9**	11	6	6	15
Fatal-injury frequency rate (FIFR)[2]	**0.007**	0.008	0.004	0.003	0.008
Total recordable case frequency rate (TRCFR)[2]	**0.63**	0.71	0.93	0.80	1.08
Lost-time injury frequency rate (LTIFR)[2]	**0.34**	0.37	0.47	0.35	0.49
Occupational health[1]					
New cases of occupational disease (NCOD)[2]	**96**	111	159	175	209
Environment[1]					
Total CO_2 emissions (Mt CO_2e)	**18.0**	17.9	18.3	17.3	17.1
Total energy consumed (million GJ)[2]	**97**	106	106	108	106
Total water withdrawals (million m^3)[2]	**306**	296	339	276	276
Human Resources[1][3]					
Women in management (%)[4]	**26**	25	25	24	23
Historically Disadvantaged South Africans in management (%)	**66**	62	60	60	64
Resignations (%)[5]	**2.3**	2.2	1.9	2.0	2.0
Redundancies (%)[6]	**0.7**	7.1	3.5	0.9	4.1
Dismissals (%)[7]	**1.4**	1.8	1.4	1.0	1.5
Other reasons for leaving (%)[8]	**4.0**	3.5	4.2	1.9	2.7
Social[1]					
CSI spend (total in US$ million)[9]	**88**	84	124	136	127
CSI spend (% of underlying EBIT)[9]	**2**	3	6	3	2
Businesses supported through enterprise development initiatives[10]	**64,291**	62,447	62,661	58,257	48,111
Jobs created/maintained through enterprise development programmes[10]	**120,812**	116,298	108,423	96,873	76,543

(1) The data includes wholly owned subsidiaries and joint ventures over which Anglo American has management control, and does not include independently managed operations such as Collahuasi, Carbones del Cerrejón and Samancor. Divested businesses are included up until the point of divestment.
(2) See pages 192–193 for definitions.
(3) Excludes Other Mining and Industrial.
(4) Women in management is the number of female managers as a percentage of all managers in the workforce excluding contractors.
(5) The number of people who resigned as a percentage of the total workforce excluding contractors.
(6) The number of people who have been retrenched as a percentage of total workforce excluding contractors.
(7) The number of people who have been dismissed or have resigned to avoid dismissal, as a percentage of total workforce excluding contractors.
(8) The number of people who left for reasons other than those shown above, for example retirement, ill health and death, as a percentage of total workforce excluding contractors.
(9) CSI spend is the sum of donations for charitable purposes and community investment (which includes cash and in-kind donations and staff time) as well as investments in commercial initiatives with public benefit (such as enterprise development). Included within the CSI expenditure figure for 2017 is expenditure relating to Zimele of $2.7 million (2016: $2.3 million).
(10) Figures are presented on a cumulative basis since 2008.

DIRECTORS' REPORT

This section includes certain disclosures which are required by law to be included in the Directors' Report.

In accordance with the Companies Act 2006 (Companies Act), the following items have been reported in other sections of the Annual Report and are included in this Directors' Report by reference:

- details of the directors of the Company can be found on pages 65-67
- directors' interests in shares at 31 December 2017 and any changes thereafter, can be found on page 110 of the directors' Remuneration Report
- events occurring after the end of the year are set out in note 29 to the financial statements on page 161
- the Strategic Report on pages 2-62 gives a fair review of the business and an indication of likely future developments and fulfils the requirements set out in section 414C of the Companies Act
- details of the Group's governance arrangements and its compliance with the UK Corporate Governance Code (the Code) can be found on pages 63-115
- comprehensive details of the Group's approach to financial risk management are given in note 23 to the financial statements on page 150
- the Group's disclosure of its greenhouse gas emissions can be found on page 27.

Going concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Group financial review on pages 36-39. Further details of our policy on financial risk management are set out in note 23 to the financial statements on page 150. The Group's net debt at 31 December 2017 was $4.5 billion (2016: $8.5 billion), representing a gearing level of 13% (2016: 26%). Details of borrowings and facilities are set out in note 21 on page 146 and net debt is set out in note 20 on page 145.

The directors have considered the Group's cash flow forecasts for the period to the end of March 2019. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the period assessed. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

Dividends

An interim dividend of 48 US cents per ordinary share was paid on 22 September 2017. The directors are recommending that a final dividend of 54 US cents per ordinary share be paid on 11 May 2018 to ordinary shareholders on the register at the close of business on 16 March 2018, subject to shareholder approval at the AGM to be held on 8 May 2018. This would bring the total dividend in respect of 2017 to $1.02 per ordinary share. In accordance with the International Financial Reporting Standards (IFRS), the final dividend will be accounted for in the financial statements for the year ended 31 December 2018.

In accordance with Article 4.1(a) of the Articles of Association (the Articles), a dividend of £2,500 was paid in respect of the 5% cumulative preference shares.

The Anglo American Employee Benefit Trust (EBT) holds shares to facilitate the operation of certain of the Group's share option and share incentive schemes (share plans). The EBT has waived the right to receive dividends on shares held on behalf of share plans participants employed by the Group in countries other than the UK and South Africa.

Share capital

The Company's issued share capital as at 31 December 2017, together with details of share allotments and issue of treasury shares during the year, is set out in note 24 on page 153.

Significant shareholdings

The Company has been notified of the following significant shareholdings:

Company	Number of shares	Percentage of voting rights
Volcan (Volcan Holdings PLC and Volcan Holdings II PLC)	271,802,858	19.35
Public Investment Corporation	186,786,134	13.29
Deutsche Bank AG	111,730,756	7.95
BlackRock Inc	81,814,750	5.83
Silchester International Investors LLP	70,110,363	4.99
Genesis Asset Managers LLP	55,426,734	3.95
Tarl Investment Holdings (RF) Proprietary Limited[1]	47,275,613	3.37
Epoch Two Investment Holdings (RF) Proprietary Limited[1]	42,166,686	3.01

[1] Epoch Two Investment Holdings Ltd (Epoch 2) and Tarl Investment Holdings Limited (Tarl) are two of the independent companies that have purchased shares as part of Anglo American's share buyback programme. Epoch 2 and Tarl have waived their right to vote all the shares they hold, or will hold, in Anglo American plc.

Disclosure table pursuant to Listing Rule 9.8.4C

Listing Rule	Information to be included	Disclosure
9.8.4(1)	Interest capitalised by the Group	See note 4, page 129
9.8.4(2)	Unaudited financial information (LR 9.2.18)	None
9.8.4(4)	Long-term incentive scheme only involving a director (LR 9.4.3)	None
9.8.4(5)	Directors' waivers of emoluments	None
9.8.4(6)	Directors' waivers of future emoluments	None
9.8.4(7)	Non pro rata allotments for cash (issuer)	Treasury shares have been issued pursuant to the exercise of options awarded under shareholder approved schemes
9.8.4(8)	Non pro rata allotments for cash (major subsidiaries)	None
9.8.4(9)	Listed company is a subsidiary of another company	Not applicable
9.8.4(10)	Contracts of significance involving a director	None
9.8.4(11)	Contracts of significance involving a controlling shareholder	Not applicable
9.8.4(12)	Waivers of dividends	See 'Dividends' paragraph on this page
9.8.4(13)	Waivers of future dividends	See 'Dividends' paragraph on this page
9.8.4(14)	Agreement with a controlling shareholding LR 9.2.2AR(2)(a)	Not applicable

Sustainable development

The Sustainability Report 2017 is published online on 5 March 2018. This report focuses on the safety, sustainable development, health and environmental performance of the Group's managed operations, its performance with regard to the Company's *Code of Conduct*, and the operational dimensions of its social programmes.

Audit information

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditor is unaware, that all directors have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Employment and other policies

The Group's key operating businesses are empowered to manage within the context of the different legislative and social demands of the diverse countries in which those businesses operate, subject to the standards embodied in Anglo American's *Code of Conduct*. Within all the Group's businesses, the safe and effective performance of employees and the maintenance of positive employee relations are of fundamental importance. Managers are charged with ensuring that the following key principles are upheld:

- adherence to national legal standards on employment and workplace rights at all times

- adherence to the International Labour Organisation's core labour rights, including: prohibition of child labour; prohibition of inhumane treatment of employees and any form of forced labour, physical punishment or other abuse; recognition of the right of our employees to freedom of association and the promotion of workplace equality; and the elimination of all forms of unfair discrimination
- continual promotion of safe and healthy working practices
- provision of opportunities for employees to enhance their work related skills and capabilities
- adoption of fair and appropriate procedures for determining terms and conditions of employment.

It is our policy that people with disabilities should have full and fair consideration for all vacancies. Employment of disabled people is considered on merit and with regard only to the ability of any applicant to carry out the role. We endeavour to retain the employment of, and arrange suitable retraining, for any employees in the workforce who become disabled during their employment. Where possible we will adjust a person's working environment to enable them to stay in our employment.

Further, the Group is committed to treating employees at all levels with respect and consideration, to investing in their development and to ensuring that their careers are not constrained by discrimination or arbitrary barriers.

The *Code of Conduct* is supplemented by four Anglo American 'Way' documents, covering the safety, environmental, occupational health and social aspects of responsible operation and sustainable development. These set out specific standards for each of these subject areas, in line with international best practice. The *Code of Conduct* and the Anglo American 'Way' documents may be accessed on the Company's website.

In addition, all Anglo American suppliers must commit to adhering to the requirements set out in the 'Sustainable Development in the Supply Chain Policy', which is available on the Company's website.

The Business Integrity Policy and its 11 Performance Standards support our anti-corruption commitment by making it clear that we will neither give, nor accept, bribes, nor permit others to do so in our name, either in our dealings with public officials or with our suppliers and customers. The Policy sets out the standards of conduct required at every level of Anglo American, including our subsidiaries, joint ventures and associates, in combating corrupt behaviour of all types. It also sets out the requirements of those with whom we do business and those who work on our behalf.

The Business Integrity Policy and Performance Standards have been translated into all the main languages that we use at our operations. Two dedicated business integrity managers, who operate within a broader risk management and business assurance team, oversee implementation of the policy by working with senior managers in our business units and corporate functions and assisting them to put in place adequate procedures for managing corruption risks (including extensive face-to-face training of employees in high-risk roles).

Our internal audit team provide assurance on anti-corruption controls on an annual basis and all stakeholders are able to confidentially report breaches, or potential breaches, of the Business Integrity Policy through our independently managed 'Speak Up' facility.

The Group has a social intranet called Eureka! which helps employees to connect, communicate and collaborate more effectively.

Political donations

No political donations were made during 2017. Anglo American has an established policy of not making donations to, or incurring expenses for the benefit of any political party in any part of the world, including any political party or political organisation as defined in the Political Parties, Elections and Referendums Act 2000.

Additional information for shareholders

Set out below is a summary of certain provisions of the Company's current Articles and applicable English law concerning companies (the Companies Act) required as a result of the implementation of the Takeover Directive in English law. This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Dividends and distributions

Subject to the provisions of the Companies Act, the Company may, by ordinary resolution, from time to time declare final dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all, or any part of any dividends or other monies payable in respect of the Company's shares, from a person with a 0.25% interest or more (as defined in the Articles) if such a person has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Rights and obligations attaching to shares

The rights and obligations attaching to the shares are set out in the Articles. The Articles may only be changed by a special resolution passed by the shareholders.

Voting

Subject to the Articles generally and to any special rights or restrictions as to voting attached by or in accordance with the Articles to any class of shares, on a show of hands every member who is present in person at a general meeting shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share of which he/she is the holder. It is, and has been for some years, the Company's practice to hold a poll on every resolution at shareholder meetings.

Where shares are held by trustees/nominees in respect of the Group's employee share plans and the voting rights attached to such shares are not directly exercisable by the employees, it is the Company's practice that such rights are not exercised by the relevant trustee/nominee.

Under the Companies Act, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative. Where a shareholder appoints more than one corporate representative in respect of its shareholding, but in respect of different shares, those corporate representatives can act independently of each other, and validly vote in different ways.

Restrictions on voting

No member shall, unless the directors otherwise determine, be entitled in respect of any share held by him/her to vote either personally or by proxy at a shareholders' meeting, or to exercise any other right conferred by membership in relation to shareholders' meetings, if any call or other sum presently payable by him/her to the Company in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he/she has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Issue of shares

Subject to the provisions of the Companies Act relating to authority and pre-emption rights and of any resolution of the Company in a UK general meeting, all unissued shares of the Company shall be at the disposal of the directors and they may allot (with or without conferring a right of renunciation), grant options over, or otherwise dispose of them to such persons at such times, and on such terms, as they think proper.

Shares in uncertificated form

Directors may determine that any class of shares may be held in uncertificated form, and title to such shares may be transferred by means of a relevant system, or that shares of any class should cease to be so held and transferred. Subject to the provisions of the Companies Act, the CREST regulations and every other statute, statutory instrument, regulation or order for the time being in force concerning companies and affecting the Company (together, the Statutes), the directors may determine that any class of shares held on the branch register of members of the Company resident in South Africa, or any other overseas branch register of the members of the Company, may be held in uncertificated form in accordance with any system outside the UK that enables title to such shares to be evidenced and transferred without a written instrument and which is a relevant system. The provisions of the Articles shall not apply to shares of any class that are in uncertificated form to the extent that the Articles are inconsistent with the holding of shares of that class in uncertificated form, the transfer of title to shares of that class by means of a relevant system or any provision of the CREST regulations.

Deadlines for exercising voting rights
Votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights
Subject to statute, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding, or representing by proxy, at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Transfer of shares
All transfers of shares that are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors and may be under hand only. The instrument of transfer shall be signed by, or on behalf of, the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of shareholders. All transfers of shares registered on the main register of members that are in uncertificated form may be effected by means of the CREST system. All Transfers of uncertified shares registered on the branch register of members in South Africa may be effected via the Transfer Secretary.

The directors may decline to recognise any instrument of transfer relating to shares in certificated form unless it:

(a) is in respect of only one class of share

(b) is lodged at the transfer office (duly stamped if required) accompanied by the relevant share certificate(s) and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his/her behalf, the authority of that person so to do).

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of shares (not being fully paid shares) provided that, where any such shares are admitted to the Official List of the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly.

If the directors refuse to register an allotment or transfer, they shall send the refusal to the allottee or the transferee within two months after the date on which the letter of allotment or transfer was lodged with the Company.

A shareholder does not need to obtain the approval of the Company, or of other shareholders of shares in the Company, for a transfer of shares to take place.

Directors
Directors shall not be fewer than 5 nor more than 18 in number. A director is not required to hold any shares of the Company by way of qualification. The Company may by ordinary resolution increase or reduce the maximum or minimum number of directors.

Powers of directors
Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

The Company may by ordinary resolution declare dividends, but no dividend shall be payable in excess of the amount recommended by the directors. Subject to the provisions of the Articles and to the rights attaching to any shares, any dividends or other monies payable on or in respect of a share may be paid in such currency as the directors may determine. The directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him/her to the Company on account of calls or otherwise in relation to shares of the Company. The directors may retain any dividends payable on shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Appointment and replacement of directors
The directors may from time to time appoint one or more directors. The Board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next AGM and shall then be eligible for election.

The Articles provide that at each AGM all those directors who have been in office for three years or more since their election, or last re-election, shall retire from office. In addition, a director may at any AGM retire from office and stand for re-election. However, in accordance with the Code, all directors will be subject to annual re-election.

Significant agreements: change of control
At 31 December 2017, Anglo American had committed bilateral and syndicated borrowing facilities totalling $9.3 billion with a number of relationship banks which contain change of control clauses. $6.1 billion of the Group's bond issues also contain change of control provisions. In aggregate, this financing is considered significant to the Group and in the event of a takeover (change of control) of the Company, these contracts may be cancelled, become immediately payable or be subject to acceleration.

In the ordinary course of its business the Group's subsidiaries enter into a number of other commercial agreements, some of which would alter or terminate upon a change of control of the Company. None of these are considered by the Group to be significant to the Group as a whole.

Purchases of own shares
At the AGM held on 24 April 2017, authority was given for the Company to purchase, in the market, up to 210.1 million ordinary shares of $54\frac{86}{91}$ US cents each. The Company did not purchase any of its own shares under this authority during 2017. This authority will expire at the 2018 AGM and, in accordance with usual practice, a resolution to renew it for another year will be proposed.

Indemnities
To the extent permitted by law and the Articles, the Company has made qualifying third-party indemnity provisions for the benefit of its directors during the year, which remain in force at the date of this report. Copies of these indemnities are open for inspection at the Company's registered office.

By order of the Board

John Mills
Company Secretary
21 February 2018

SHAREHOLDER INFORMATION

Annual General Meeting
This will be held at 14:30 on Tuesday, 8 May 2018, at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE.

Shareholding enquiries
Enquiries relating to shareholdings should be made to the Company's UK Registrars, Equiniti, or the South African Transfer Secretaries, Computershare Investor Services Pty Limited, at the relevant address below:

UK Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
England

Telephone:
In the UK: 0371 384 2026
From overseas: +44 121 415 7558

Transfer Secretaries in South Africa
Computershare Investor Services (Pty) Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown, 2107
South Africa

Telephone: +27 (0) 11 370 5000
Fax: +27 (0) 11 688 5248

Enquiries on other matters should be addressed to the Company Secretary at the following address:

Registered and Head Office
Anglo American plc
20 Carlton House Terrace
London SW1Y 5AN
England

Telephone: +44 (0) 20 7968 8888
Fax: +44 (0) 20 7968 8500
Registered number: 03564138
www.angloamerican.com
CoSec.Admin@angloamerican.com

On the Investors section of the Group website a whole range of useful information for shareholders can be found, including:

– investor calendar
– share price and tools
– dividend information
– AGM information
– FAQs.

Electronic communication
Shareholders may elect to receive, electronically, notification of the availability on the Company's website of future shareholder correspondence, e.g. Annual Reports and Notices of AGMs.

By registering for this service, UK shareholders can also vote online in respect of future AGMs and access information on their shareholding including, for example, dividend payment history, sales and purchases and indicative share prices. In order to register for these services, UK shareholders should contact the UK Registrars or log on to **www.shareview.co.uk** and follow the on-screen instructions. It will be necessary to have a shareholder reference number when registering, which is shown on share certificates, dividend tax vouchers and proxy cards.

Dividends
Dividends are declared and paid in US dollars to shareholders with registered addresses in all countries except the UK, eurozone countries and South Africa where they are paid in sterling, euros and South African rand respectively. Shareholders outside South Africa may elect to receive their dividends in US dollars.

Shareholders with bank accounts in the UK or South Africa can have their cash dividends credited directly to their own accounts. Shareholders should contact the relevant Registrar or Transfer Secretary to make use of this facility. South African branch register shareholders would need South African exchange control approval to mandate their dividends to an account outside South Africa.

The Company operates a dividend reinvestment plan (DRIP), which enables shareholders to reinvest their cash dividends into purchasing Anglo American shares. Details of the DRIP and how to join are available from Anglo American's UK Registrars and South African Transfer Secretaries and on the Company's website.

ShareGift
The Company supports ShareGift, the charity share donation scheme administered by The Orr Mackintosh Foundation (registered charity number 1052686). Through ShareGift, shareholders with very small numbers of shares which might be considered uneconomic to sell are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of charities. For those shareholders who wish to use ShareGift, transfer forms are available from the Registrars and further details of the scheme can be found on the website **www.sharegift.org**.

Share dealing service
Telephone, internet and postal share dealing services have been arranged through Equiniti, providing a simple way for European residents to buy or sell Anglo American shares. For telephone transactions call 0345 603 7037 during normal office hours and for internet dealing log on to **www.shareview.co.uk/dealing**. You will need your shareholder reference number, found on share certificates, dividend tax vouchers and proxy cards. For further details on the postal dealing service call 0371 384 2026 (or +44 121 415 7558 from overseas).

Unsolicited mail
Under the Companies Act, the Company is obliged to make the share register available upon request on payment of the appropriate fee. Because of this, some shareholders may receive unsolicited mail. If you wish to limit the receipt of addressed marketing mail you can register with the Mailing Preference Service (MPS). The quickest way to register with the MPS is via the website: **www.mpsonline.org.uk**. Alternatively you can register by telephone on: 020 7291 3310, or by email to: mps@dma.org.uk, or by writing to MPS Freepost LON20771, London W1E 0ZT.

OTHER ANGLO AMERICAN PUBLICATIONS

- Sustainability Report
- Ore Reserves and Mineral Resources Report
- Tax and Economic Contribution Report
- Transformation Report
- Our Code of Conduct
- The Safety, Health and Environment (SHE) Way
- The Social Way
- The Socio-Economic Assessment Toolbox (SEAT)
- Notice of 2018 AGM
- www.facebook.com/angloamerican
- www.twitter.com/angloamerican
- www.linkedin.com/company/anglo-american
- www.youtube.com/angloamerican
- www.flickr.com/angloamerican
- www.slideshare.com/angloamerican

Financial and other reports may be found at:
www.angloamerican.com/reporting

A printed copy of the Anglo American Annual Report can be ordered online at:
www.angloamerican.com/siteservices/requestreport

Strategic partners

Below is a selection of the many organisations with which Anglo American currently works in partnership. These important relationships form part of the Group's commitments to a wide range of key sustainability and other societal objectives.

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